



Because everyone needs a back-up plan

The SME's guide to sickness absence management

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We've linked to a few templates and tools in this ebook – we don't necessarily endorse them, we just thought you'd find them helpful.

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How sickness affects UK SMEs

Recent stats from AXA PPP show that businesses with between 100 and 250 staff have to deal with an average of 6.8 sick days per employee, at a cost of around £40,500 a year*.

That's lower than the 7.6 days the Chartered Institute of Personnel and Development (CIPD) quotes as the 'average level of employee absence'. But for an SME with limited resource to cover and cope with the direct and indirect costs of an absence, it's still a significant cause of disruption.

In particular, short-term absence, which is particularly difficult to plan for, is a real issue. Data from the CIPD** shows that smaller organisations attribute a higher proportion of their absence to short-term leave compared with larger organisations.

SME sick leave statistics



Sources: Close Brothers Business Barometer, Redshift Research for Axa, PWC

*with 100 – 250 employees

*Lack of trust with bosses when employees call in sick, AXA PPP, October 2013

**Absence Management 2013, CIPD and SimplyHealth, October 2013

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As well as the financial implications, sickness absence can impact on your workplace in a number of other ways:

⇒ **Lowers morale.** Staff will often have to cover for absent colleagues, making their workloads shoot up and causing morale to fall



⇒ **Leads to mistakes.** If staff are having to cover other people's jobs it can lead to mistakes which can jeopardise relationships with customers

⇒ **Lower productivity.** If employees are regularly calling in sick it can delay projects and mean there is no consistency within teams, leading to low productivity levels



⇒ Even those who rarely have sick days can suffer from **low motivation** if their colleagues are regularly absent



With so much at stake, it's not surprising that 47% of SME companies say that managing sickness absence is hugely strategically important*.

In this ebook, as well as looking at the various causes of sickness absence, we'll also look at the practical steps you can take to help minimise its impact on your business.

*People Management survey conducted on behalf of Unum, April 2013

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Sickness absence: The facts employers need to know

From paying Statutory Sick Pay (SSP) to what happens if your employees are sick while on annual leave and what your employees expect you will pay them if they're off sick. We take a closer look at some of the things you need to know about sickness absence...

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You must pay employees **£86.70** per week SSP* if they are too ill to work and have been off sick for four or more days in a row. SSP is paid for up to **28 weeks**

Source: DWP

*From 2013/2014 financial year

All employees are eligible for SSP if they have been ill for at least four days in a row, including non-working days, and earn at least £109 a week before tax.

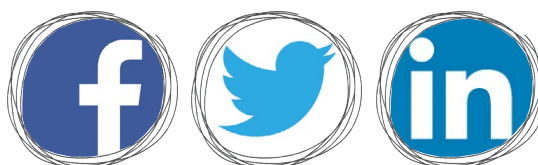
From April 6 2014, the Statutory Sick Pay Percentage Threshold Scheme (PTS), which at the moment compensates employers for higher than average sickness absence, will be abolished.



SSP places an obligation of around **£1.5 billion** on UK employers annually, according to estimates

Source: Health at work – an independent review of sickness absence. Dame Carol Black and David Frost CBE. November 2011

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50%

50% of employees assume their employer would pay them their full salary for at least 3-6 months if they faced a period of sickness absence

Source: Research published by Think Tank, Demos, in partnership with Unum, 2012

The Employment Appeal Tribunal (EAT) has confirmed employees can carry over up to four weeks' leave if long-term illness prevents them taking it*.

Under [new Health and Work Service proposals](#) – which the Government hopes to introduce in late 2014 – after your employee's been off work for four weeks, you can refer them for an assessment by an occupational health professional. You'll need to fund any treatment, but in certain instances you may be eligible for tax relief of up to £500 per year per employee.

For more information about SSP, take a look at this [HMRC helpsheet](#)

You can use this [SSP Calculator](#) to work out if your employees are entitled to SSP.

* CIPD, August 2013

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The top causes of sickness absence

What's making your employees ring in sick...

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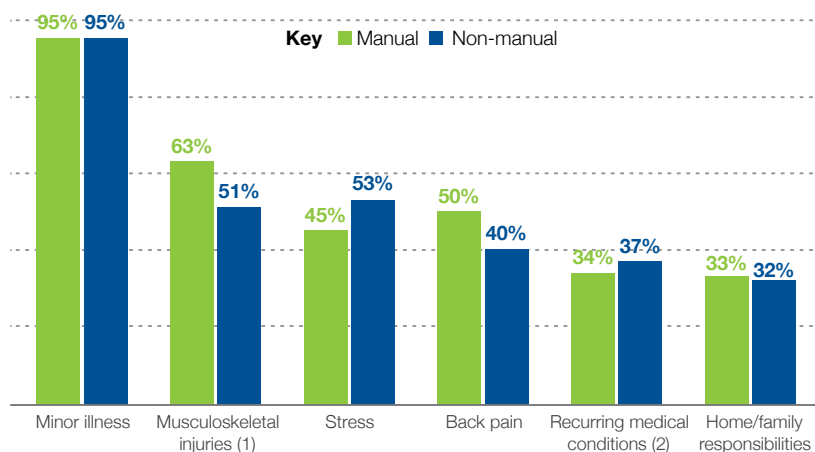
We all know that the common cold, flu and stomach bugs are behind many employee absences, but there are a number of other things that make workers pick up the phone and call in sick on a regular basis, as highlighted by [The CIPD's Absence Management Survey 2013](#).

In fact, in recent years there has been something of a shift and while minor illnesses are still the most common cause of short-term illness (which the CIPD defines as less than four weeks), the number of people absent due to stress and mental health issues has risen in the past 12 months.

Here's what's causing people to call in sick:

Common causes of short-term absence

Common causes of short-term absence (%). In the top 5 most common causes

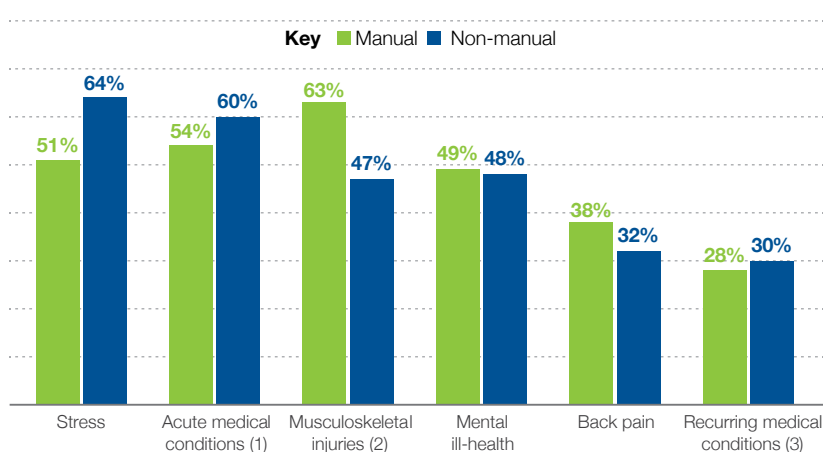


Sources: cipd.co.uk

1. Neck strains and repetitive strain injury 2. Asthma, angina, allergies

Common causes of long-term absence

Common causes of long-term absence (%). In the top 5 most common causes



Sources: cipd.co.uk

1. Stroke, heart attack, cancer 2. Neck strains and repetitive strain injury 3. Asthma, angina, allergies

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#1 Minor illnesses

More than four-fifths of businesses reported that minor illnesses such as colds, flu, stomach upsets, headaches and migraines were the most common form of short-term absence within their organisation*.

#2 Back pain and other musculoskeletal injuries

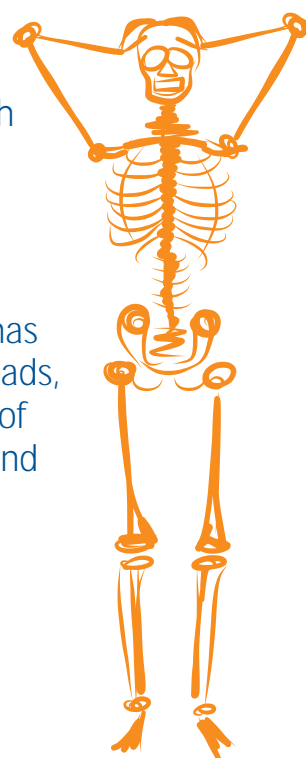
Back pain and musculoskeletal injuries such as neck strains and repetitive strain injury were cited as common causes of both short and long-term sickness for both manual and non-manual workers.

#3 Stress

Stress-related illness is on the rise in the UK, with two-fifths of organisations reporting an increase over the past year across the whole workforce*. *Almost half of SME employees felt stressed at work two to three times a week**.*

It is thought that the challenging economic climate in recent years has had a significant impact on people's stress levels, with rising workloads, organisational changes and job insecurity all among the top causes of stress. Non-work factors such as family and relationship problems, and financial issues are also contributing to people's stress levels.

With excessive stress linked to the development of mental health issues, it's important to recognise when mild stress – which can have a positive effect on performance – becomes a problem and keeps people away from work.



#4 Mental ill-health

Almost half of organisations have noted an increase in reported mental health problems such as anxiety and depression among employees in the past 12 months, with the public sector and larger organisations being more likely to see a rise.

Nearly three quarters (73%) of SMEs said they have no initiatives in place to support good mental health in the workplace**.

*Absence Management 2013, CIPD and SimplyHealth, October 2013

**Lack of trust with bosses when employees call in sick, Axa PPP, October 2013

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#5 Recurring medical conditions

Recurring medical conditions such as asthma, angina and allergies are one of the top causes of short-term absence, but can also lead to longer periods off.

According to the CIPD, people with recurring medical conditions are also more likely to contribute to **presenteeism**, where your employee turns up to work but is not at their most productive. Coming into work when sick can also mean employees take longer to recover and are at greater risk of making mistakes.



#6 Home and family responsibilities

Home and family responsibilities remain among the top causes of short-term absence for one-third of organisations. With research showing that today's workforce is older and includes more women than in the 1980s*, it's not surprising that there is an increasing proportion of employees with caring responsibilities for both children and older relatives.



According to the CIPD, many employees see it as more acceptable to take time off 'sick' than request time off for family reasons, but in reality this simply means that employers are unable to plan for people's absences effectively.



*The Modern Workforce report, Cass Business School on behalf of Unum, 2013

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Ways to manage sickness absence

With three in five SME bosses saying that they don't always believe their employees when they call in sick, and nearly half of SME employees (46%) saying they feel nervous about calling their boss – even when they are genuinely ill*, it's clear that trust is an issue!

*Lack of trust with bosses when employees call in sick, Axa PPP, October 2013

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Using some of these absence management methods (if you don't already), may help start to build that trust...

Monitoring absence

Monitoring and measuring your staff's absence is a key part of managing it. It allows you to identify any trends, such as if one person has a higher than average number of sick days or if there is a particular cause for absences. This allows you to target any actions appropriately.



For example, if a higher than expected number of people have time off due to back pain, it may be worth investing in new chairs or providing space for physiotherapy sessions if employees are happy to contribute towards the cost.

It may also be helpful to **categorise the length of absence**. The CIPD categorises short-term absence as up to four weeks, and long-term absence as over four weeks. You may want to add another 'mid' level to this so you can start to work out when you need to think about things like Fit Notes. For example:

- ➡ **Short term** up to five working days
- ➡ **Medium-term** between six and 19 working days. Employees must give you a Fit Note if they're off sick for more than seven days in a row (including non-working days)
- ➡ **Long-term** 20+ working days

You can monitor absence manually or by using a sickness management tool such as the [SART prototype](#) offered free for SMEs by the Health and Safety Executive.

For example...

Hertfordshire County Council introduced absence monitoring as part of its wellbeing strategy, which allowed it to target at risk groups with help and support. Thanks to this and other measures, average absence levels per employee dropped from 9.3 days to 7.8 days*.

For details of various ways to measure absence, take a look at this [CIPD factsheet](#)

* <http://www.hrzone.com/topic/managing-people/hertfordshire-county-councils-transformation-programme-slashes-sickness-absence>



Return to work interviews

According to the CIPD, return-to-work interviews are the most frequently used absence management intervention*. They are used as a way of deterring non-genuine absences and ensuring that people's return is managed smoothly.

They also help to identify any underlying health issues which are causing absences and enable line managers or HR to put measures in place to help workers avoid taking time off in the future.

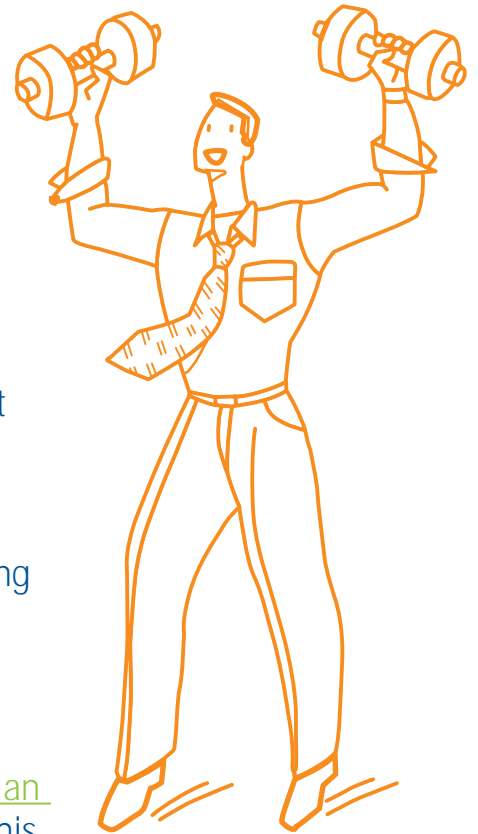
Broadly, think about: welcoming the employee back, checking they are well enough to be at work, updating them on any news which occurred while they were absent and asking them about the cause of their absence.

As part of the interview, you could also give your employee an 'Employee's statement of sickness' form to fill in. Basically this is a self certification form to confirm they've been off sick for up to seven days.

It's important to ensure interviews are conducted effectively, meaning managers may require training.

For example...

Northumberland County Council's absence management policy contains a form for recording a return to work interview. It contains details of reasons for the absence and any underlying health issues, the employee's previous sickness record, any work issues that arose during their absence and any other relevant issues.



Take a look at this useful return to work template
from [P4performance.co.uk](https://www.p4performance.co.uk)

* <https://www.cipd.co.uk/toolclicks/management/Tools-by-topic/Absence-management/Effective-return-to-work-interviews/>

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Attendance incentives

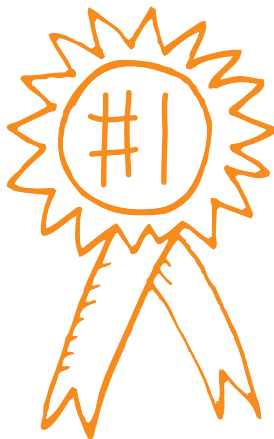
A growing number of companies are offering staff incentives to encourage higher attendance levels and discourage unnecessary absence.

These can take the form of cash rewards or prizes such as vouchers or gifts for perfect attendance records or other types of rewards such as allowing an extra day's holiday for anyone with 100% attendance. You could also consider allowing staff to leave early on the last Friday of the month if they haven't had a day off.



You should record sickness absence data so you can assess whether the incentives are working.

It's really important that you're careful not to make workers feel pressurised to attend work as this could lead to presenteeism (coming into work when they're not fit to do so).



For example...

⇒ Boots rewards staff for 100% attendance with Advantage Card Points

⇒ Royal Mail enters workers with a clean attendance sheet into a prize draw to win holidays and vouchers. Attendance rates rose 11% in the first year

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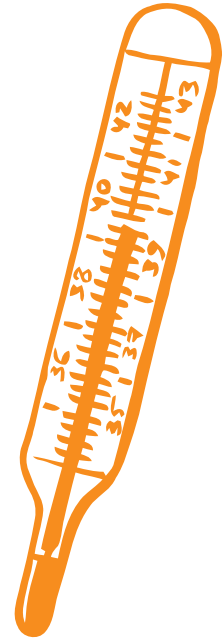


Monitor stress levels

55% of SMEs don't actively monitor employee stress levels, but it may not be as difficult as you think:

#1 Ask managers to keep a look out for signs of stress, including

- an uncharacteristic drop in the quality of someone's work
- lateness: starting to turn up to work late
- failing to cope with the volume of work
- stopping taking part in work social occasions, claiming tiredness
- losing their temper easily when asked to do something



Stress is a sensitive subject which many people are loath to admit to, but it gets worse the longer it's left, so...

#2 If managers spot the signs of stress, consider

- holding stress-management workshops which are open to all, so people won't feel singled out
- making sure everyone takes their full holiday quota
- when people go on holiday, making sure other people are available to do their work so they can relax while they're away. [Microsoft has a number of free holiday planner templates you can download](#)
- keeping an eye on working relationships and trying to spot any potentially unreasonable demands placed on people
- reminding managers to say thank you for a job well done

For example...

Doncaster Metropolitan Borough Council introduced a revised Stress Management policy which included regularly reviewing staff rotas and working patterns to accommodate each employee's circumstances where possible and introducing an open door policy so staff could discuss any issues bothering them. The number of stress-related sickness days fell by 13,194: from 39,699 days for 2008/09 to 26,505 days for 2009/10.

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Flexible working

Flexible working policies, which either allow staff to work from home or shift their working hours around, can benefit your employees and your business by:

- ⇒ helping staff achieve a better work/life balance, resulting in increased loyalty
- ⇒ enabling them to better juggle home and family responsibilities without this impacting on your business
- ⇒ reducing their chances of developing stress-related illnesses

Flexible working also means that staff don't have to ring in sick if they feel a bit under the weather. Instead they can simply work from the comfort of their own home, without having to trek to the office. Data from the CIPD suggests that this reduces the likelihood of people taking 'sickies'.

The number of employers making changes to working patterns to try and reduce long-term absence levels has increased by 20% in the last year*.

For example...

- ⇒ Vaillant Group saw employee absence drop from 4.1% in 2006 to 2.8% in 2009 after introducing flexible working
- ⇒ Dell, which was named Britain's 2nd healthiest large company in 2013, has 50% of its staff either working from home or choosing their own hours

From April 6 2014 the right to request flexible working will be extended to all employees with 26 weeks' service, rather than being limited to parents of children aged under 17 and carers.

*Absence Management 2013, CIPD and SimplyHealth, October 2013

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Training

Do your staff know how to cope with stress, mental health problems and other wellbeing issues? Research shows providing both workers and managers with training in such areas can **have a significant impact on absence levels**.

Training is particularly important where line managers are working with employees whose doctor has indicated they “may be fit for work” on a Fit Note as they need to be able to talk about ways to help the employee return to work. They also need to be aware of various pieces of legislation, such as:

Currently 'three-fifths of employers provide stress management training (30% to all employees: 32% to line managers and 19% to senior managers)'.

- ⇒ The Equality Act – you may have to make ‘reasonable adjustments’ to help your employee return to work
- ⇒ The Access to Medical Records Act (AMRA) – if you’re requesting a medical report from a health professional who has been treating your employee
- ⇒ Data Protection Act 1998 (DPA) – if you collect, use and store information about your employee’s absence

Even improving managers’ general skills can have a positive impact on absence levels as they are able to offer a greater level of support. Research by XpertHR** shows that employers who boost the management skills of their line managers through training courses see improved absence rates.

For example...

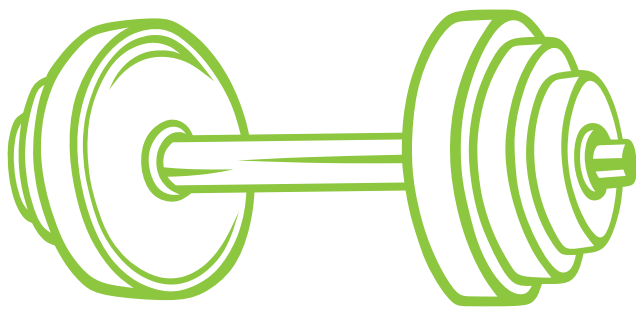
⇒ Sandwell Homes developed an employee wellbeing programme which included stress, mental health and resilience workshops for employees, and training managers on how to handle sickness absence, among other measures. The organisation’s annual sickness rate fell from 18 days in 2003/4 to eight days in 2011/12***

* Absence Management 2013, CIPD and SimplyHealth, October 2013

** How manager training can reduce absence rates, XpertHR, 2011

*** <https://www.gov.uk/government/case-studies/sandwell-homes-absence-management>





Promoting healthy lifestyles

Encouraging your workers to adopt a healthy lifestyle can reap rewards in terms of your absence rate and, according to the CIPD, nearly three-quarters of UK organisations now offer some sort of health promotion programme.

Many employers choose to offer perks such as **free gym membership** or **on-site sports facilities** to encourage workers to exercise, while others ensure that the canteen offers **subsidised healthy meals**.

If you are on a tight budget, organising a **weekly work running club** is a great way to get employees exercising or you can use the staff intranet and noticeboards to promote the benefits a healthy lifestyle.

For example...

⇒ Sweaty Betty, which was named Britain's most active mid-sized company in 2013, runs running clubs for employees

⇒ BT offers a Work Fit Programme which promotes topics such as cardiovascular health, diabetes, cancer, smoking, mental health and physical activity via its intranet site, employee newsletters and roadshows

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Sick Pay Insurance: Designed for short-term absence

Sick Pay Insurance (SPI)* helps businesses manage both the direct and indirect costs of short-term absence, reducing the amount of time and money they spend by:

- ⇒ paying employees up to 80% of their salary for up to one year
- ⇒ kicking in after as little as one week's absence
- ⇒ providing a consistent approach to sickness absence - because the policy is externally moderated, there's no risk of discrimination
- ⇒ identifying the reasons for absence so they can be addressed
- ⇒ providing free access to legal expertise on the phone and online



With research showing that sickness absence costs businesses around £595 per employee per year**, Sick Pay Insurance, which costs around £17 per employee per month, could be money well spent.

For example...

- ⇒ Law firm GMF & Co - which has 250 staff - signed up for Sick Pay Insurance after a review revealed they were paying sickness costs of £9,000 in one month due to having two members of staff off. When another employee went off sick with sudden dizziness, the insurance paid the employee's sick pay, saving the company £4,500. [Read the full story here](#)

*Product features specific to Unum's sick pay insurance product

**Absence Management Survey Report, CIPD 2013

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Income Protection: Designed for longer-term absence

Income Protection pays your employees up to 80% of their salary if they're unable to work due to long-term illness or injury, so you don't have to.

Policies typically pay out after employees have been absent for six months and continue to do so until either they get better and go back to work, or retire.

You simply pay a set premium per employee per month, meaning there are no unexpected costs. There are lots of different types and levels of Income Protection, but cover can start from just £200 per employee, per year.

Here are some of the **business benefits** of Income Protection:

- ⇒ you no longer have to pay Occupational Sick Pay after six months - the insurer pays
- ⇒ helps avoid discrimination - having to make ad-hoc decisions on sickness payments to staff not covered by your Income Protection scheme could put you at risk of a lawsuit
- ⇒ you may be eligible for corporation tax relief
- ⇒ Pay Direct options mean you can look after your employee without having to keep them on your payroll
- ⇒ you'll get back between 39% (companies with 5-249 employees) and 47% (companies with 250-499 employees) of the premium you pay in insured costs thanks to savings you'll make on Occupational Sick Pay and other indirect costs*

For example...

⇒ When Chris Burley, a Financial Director of a leading supplier of process automation products, was diagnosed with Guillain-Barre Syndrome his employer's Income Protection scheme helped him on the road back to recovery and work. A process he describes as "invaluable". [Read Chris's full story here](#)

More than half (56%) of SMEs would cease trading if they lost one or more key people to illness, long-term incapacity or death yet just one in six (17%) have insurance to protect against such a loss."

* The benefits to private sector employers from the adoption of Group Income Protection as an employee non-salary benefit. Cebr, March 2012

** Scottish Widows research, 2012

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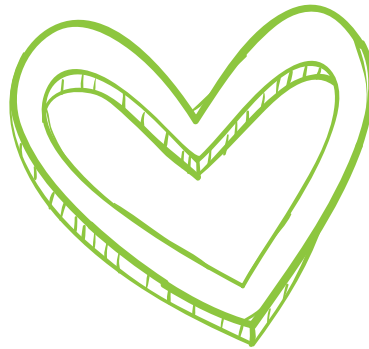
Employee Assistance Programme

Employee Assistance Programmes (EAPs) – which are often an integral part of Sick Pay Insurance and Income Protection schemes – aim to help reduce absence by offering support to employees to help them cope with issues in either their work or personal lives.

EAPs typically offer counselling services which cover a range of issues including:



stress management
dating and marriage
depression
family relationships
financial worries
work relationships



Some EAPs also offer the employer a legal helpline that provides advice on employment law, commercial law, health and safety and tax issues as well as legal document creation services.

According to data from the Employee Assistance Professional Association UK, 5,200 organisations – representing over 8.2 million employees – now enjoy the services of an EAP.

For example...



London-based school Pimlico Academy has seen a 33% reduction in staff absence since introducing an EAP in 2008



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Britain's healthiest companies: Case study

For ideas on what you could do to help encourage your workers to be fighting fit, take a look at what mid-sized company, Discovery Communications Europe, does ...

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Discovery Communications Europe

While many workforces are not in the best health, there are some employers who are investing in their workers' wellbeing and reaping the rewards in terms of attendance levels and productivity.

Discovery Communications Europe, a mid-sized company with fewer than 1,000 eligible employees, claimed 2nd prize in the inaugural Britain's Healthiest Company Awards last year. Here's how they did it:

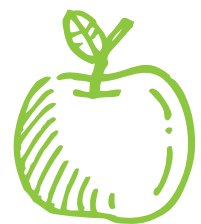
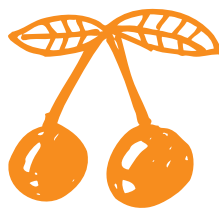
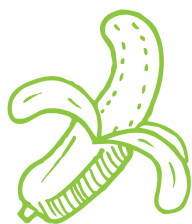
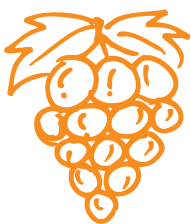
Prevention is a key part of Discovery's plan to keep its workforce healthy. Workers are offered the chance to monitor their own health with tests for body mass index (BMI), levels of glucose in the blood (which can help detect diabetes) and conditions such as skin cancer. If a problem is found, employees receive help with treatment.

Employees' mental health needs are also cared for thanks to **free confidential counselling** and there are regular expert seminars on topics such as health eating, coping with stress and time management.

In the canteen, there's a wide range of **healthy options** available and staff can spend their breaks in the **on-site wellness room** where workers are encouraged to meditate and rest.

And these efforts to boost staff's help aren't going unnoticed with over 90% of workers' questioned having a positive opinion of the various wellness schemes.

Adria Alpert-Romm,
Senior Executive Vice-President
of Human Resources, said: "Our
feeling is that an employee population
that is physically and mentally well and
has a good work-life balance will be
a productive workforce. It helps us
to attract the best people and
ultimately to be more
productive."



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If you're thinking of introducing Sick Pay Insurance or Income Protection to help you manage the direct and indirect costs of sickness absence, it's best to talk to your accountant or financial adviser who can make sure you get the right product for your business and budget.

Or, if you'd like more information, take a look at our website:

Sick Pay Insurance: unum.co.uk/spi

Income Protection: unum.co.uk/employers

How to buy Income Protection: unum.co.uk/how-to-buy-income-protection

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