



SmartHR - People Management Feature

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ABSENCE COSTS BILLIONS

PwC has reported findings of a recently completed survey of 2,000 companies that shows **absenteeism is costing UK businesses £32 BILLION a year**. This is based on the UK's average salary of £25,000 per annum. The costs are also likely to be conservative as they do not take into consideration lost productivity and potential replacement costs.

On average, **UK workers take 10 days' unscheduled absence from work each year** (this being almost double that of the US – 5.5 days and Asia-Pacific 4.5 days). The majority of this (80%) is attributable to sickness absence, which also covers compassionate leave and jury service.

The survey reports that certain industries have different average levels:

- Technology companies – 7.6 days pa
- Banking and finance companies – 7.8 days pa
- Public sector – 12.2 days pa
- Retail and leisure companies – 11.5 days pa

It also highlights that long-term sickness absence makes up 40% of the UK's absence levels.

The CIPD conducted a smaller UK survey on absence with similar average levels being reported earlier this year. The median cost across all sectors was £600 per employee per year. It showed that over a third of employers reported that stress-related absence had increased over the past year, with the most common causes of stress being: workload, external relationships, organisational change/restructuring and management style. In addition, it reported that public sector organisations have the most generous sick pay schemes, with two-thirds of organisations providing sick pay for more than 20 weeks. This figure compares with just one-third in manufacturing and production and one-fifth in the private sector.

High absence levels can have a detriment impact in a number of ways – lost productivity, replacement or overtime costs, missed deadlines, and an increased chance of making errors. It can also place more burden on other employees and reduce morale.

So...what can you do to manage absence, reduce absence levels and costs?

Firstly, you need to identify what the absence levels, reasons and costs are for your organisation and compare these to the averages reported. You may find that your absence levels are similar to the average – but the costs could be higher if the average salary is more than £25,000 pa for your company.

Following this, you can create an 'Absence Management Plan' to tackle any areas of concern.

You may want to review and update your current Absence Management Policy (or introduce one if you do not currently have one in place) and consider setting an acceptable absence level for your organisation. This should be known and understood by your Managers and staff.

If you don't already use them, introduce 'Return to Work Interviews' to identify the reasons for absence (work-related or other), if absence reporting procedures are being followed, and to clarify if the absence will be paid or unpaid. Look for any absence patterns e.g. sickness days added to the end of a Bank Holiday, the day after payday etc. Ensure that meetings are handled sensitively and objectively and that support is offered where appropriate.

Accurately record and monitor absence levels. There are measures that focus on different aspects of time lost from work e.g. 'Lost Time Rate', 'Frequency Rate', and 'Bradford Factor'. You could set a trigger point for further action being taken e.g. the commencement of a capability or disciplinary procedure.

Seek advice and guidance on long-term sickness situations and consider the use of a phased 'Return To Work Programme' with reduced hours or duties, or other reasonable workplace adjustments (e.g. ergonomic chairs for back problems).

It is important that your Managers take responsibility for managing absence, have access to the absence information they need to manage their department's absence, and are trained in managing absence situations. Managers have a *key* role to play in identifying changes in employee behavior and performance. The quality of conversations held when managing absence is essential – as is asking the right questions.

Other initiatives can be developed to encourage good attendance e.g. the introduction of flexible working, promoting health and well-being, offering counseling or Occupational Health services.

You could also visualise to employees the monetary value that absence is costing the company e.g. by creating a display showing the absence costs per quarter / per annum e.g. absence costs for 2010 could have purchased a new Mini, a round the world cruise, 6 premier football season tickets etc. Making the costs visible can give an extra impact.

On an ongoing basis, continue to monitor absence for your organisation, keep this on the management agenda, ensure that absence is managed consistently across your departments, and adjust your Absence Management Plan as required.