



## Health Matters – 2011

### FSB response to the Independent Review of Sickness Absence

The FSB welcomes the Government's sponsorship of the Independent Sickness Absence Review and is pleased to contribute. The health of the nation is a concern to the business community both in terms of overall cost to the economy (£100bn<sup>1</sup>) but also to ensure that they have a healthy, happy and productive workforce.

The Review should acknowledge the vital role that small businesses play as employers and as contributors to the economy. It will also need to recognise that small firms are not able to cope with an increase in the burden of responsibility or an increase in regulation but that by better supporting them small businesses could be able to improve the way that they manage sickness absence. Furthermore, the review should highlight that employees in small businesses are often more likely to be committed to, and happier at work and that small businesses have the lowest absence rate between large, small and public sector employees.

The FSB undertook a survey on sickness absence of 4,436 members in June 2011 with responses from 1633 members (a 37 per cent response rate<sup>2</sup>). The survey covered England and Wales but not Scotland or Northern Ireland.

*The FSB recognises that responsibilities for some of the issues discussed in this document are devolved to the respective Government of Scotland, Northern Ireland and Wales. While the devolved nations have different agencies, departments and institutions and sometimes separate legislation, we believe that our recommendations are relevant and apply in principle across the UK.*

#### **Introduction**

Long-term sickness absence is not a significant problem for the majority of small businesses. Eighty-one per cent of small businesses state that long-term sickness absence has had absolutely no impact on their business and only eight per cent claimed that it had a significant impact.

Small firms are more likely to experience instances of short-term absences, although absences of this kind still have a limited affect on their business. Twenty-five per cent of employers state that frequent short-term sickness absence has a low impact on their business and nine per cent claim that it has a moderate impact. Sixty per cent claim that it has no impact on their business. However, those businesses that don't experience sickness absence problems do still fear what sickness absence may mean for them in the future.

<sup>1</sup> Independent Sickness Absence Review 2011

<sup>2</sup> The FSB 'Voice of Small Business' Survey Panel (June 2011) was undertaken by Research by Design Ltd on behalf of the FSB. Survey were completed between the 13 and 24 June 2011 and the data has been weighted to the FSB membership



The average sickness absence rate for small businesses is markedly lower than the national average. In 2011 the Chartered Institute of Personnel and Development (CIPD)<sup>3</sup> stated that the average number of days taken as sickness absence was 7.7 days, a recent CBI/Pfizer<sup>4</sup> survey put it at 6.5 days. For FSB members it is a much lower figure of 2.4 days. 25 per cent of small business employers experienced no sickness absence at all.

It has been recognised<sup>5</sup> that employees in smaller firms can be more satisfied, more loyal and feel more engaged by their employer than those that work for larger firms. Availability of flexible working and having a greater say in how their work is organised, contribute to the satisfaction level of employees. These are characteristics that are generally understood to be prominent in smaller firms<sup>6</sup>.

However, for those firms that do experience long-term sickness absence, frequent short-term sickness absence or high overall levels of sickness absence can be a very expensive and difficult time for the whole business. The average cost of all sickness absence over the last 12 month period is £1,482 however; nine per cent of members state that sickness absence has cost their firm more than £5000.

There are a number of ways in which Government can better support small businesses suffering from instances of long-term sickness absences or frequent short-term sickness absences to allow them to invest in the health of their staff where appropriate, improve communication with GPs and other health professionals to allow for an earlier intervention, be better equipped to deal with non-genuine sickness absence and to simplify the process of recovering statutory sick pay.

Small businesses care about their staff and it is in their interest to invest where possible in their health. It is important; however, for Government to understand the pressures that small firms are under from all directions and that while this is an important concern, it is one among many. Therefore the burden of responsibility and cost for sickness absence must not increase for small firms; rather more needs to be done to encourage and incentivise firms to do what they can, where appropriate and to provide support to facilitate this. An increase in regulations would be counter-productive and has the potential to harm small firms.

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<sup>3</sup> CIPD Annual survey report 2011, Absence Management 2011

<sup>4</sup> On the path to recovery – Absence and workplace health survey 2010, May 2011, CBI/Pfizer

<sup>5</sup> What do workers want? – An agenda for the workplace from the workforce full data charts <http://www.tuc.org.uk/extras/pollfigures.pdf>, TUC, 2008

<sup>6</sup> Flexible Working: Small Business Solutions, FSB, 2010



#### Key recommendations for the Independent Sickness Absence review

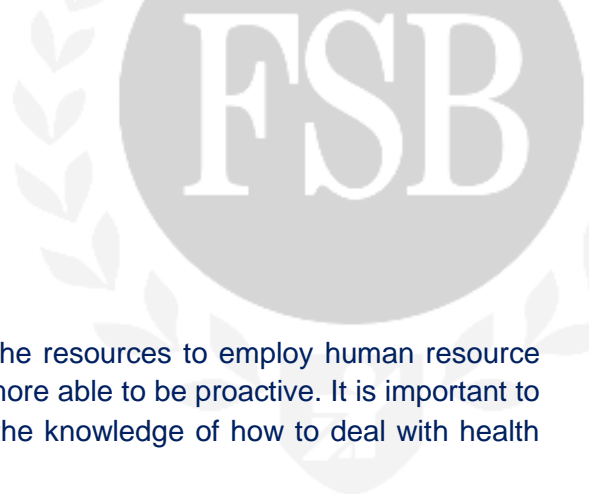
- To introduce a small employers relief to allow all firms with an annual Class 1 NICs bill of less than c£45K to recover all Statutory Sick Pay (SSP) in line with other statutory payments as a simplification measure
- Key concern remains confusion about employer/employee rights and lack of clarity about what support exists. Government needs to tap into existing lines of communication to give clear legal advice on sickness absence and draw attention to other sources of support
- To retain permanently the Health, Work and Wellbeing occupational health advice line and improve its targeted marketing
- To consider the possibility of providing GP clusters with an Occupational Health Nurse Specialist
- To substantially increase GP training on the use of the Fit Note, of workplace issues and vocational rehabilitation.
- To make the Fit Note electronic must be a priority
- Remove Tax disincentives for private treatments provided by the employer
- To improve levels of individual and employee responsibility for health and acknowledge that false sickness absence is a concern

#### **How small firms deal with sickness absence**

Many small firms are undertaking a variety of actions to manage sickness absence when it affects their business. However, the statistics indicate that small firms are less likely to monitor sickness absence or be proactive in occupational health if they feel that their business is not adversely affected by sickness absence. Where as those that feel that sickness absence, either long-term or overall, has a significant impact on their business are far more likely to be undertaking an action of some sort.

Of those businesses that say that long-term sickness absence has a moderate or significant impact on their business 32 per cent collect routine absence data, and 17.2 per cent make use of the Fit Note. And of those that say that high overall sickness absence has a moderate or significant impact 41 per cent collect routine data and 14.8 per cent make use of the Fit Note. In comparison, of those firms that say that high overall sickness absence has no or low impact on their business only 12.8 per cent collect routine data and 4.9 per cent make use of the Fit Note.

Within micro firms, it is often the owner manager who deals with many of the major areas of running the business. This means that unless sickness absence becomes a problem they are unlikely to have the time



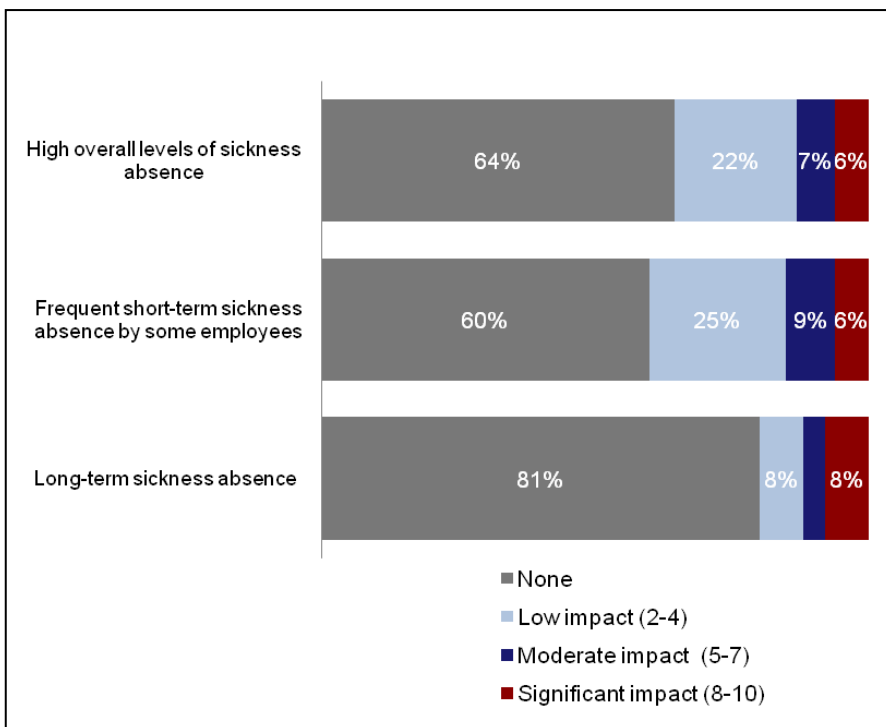
or the need to take any actions in this area. Larger firms have the resources to employ human resource teams and occupational health advisers and are more likely and more able to be proactive. It is important to ensure that when problems arise small firms are equipped with the knowledge of how to deal with health and wellbeing issues and are supported in these actions.

However Government needs to recognise the time limitations that small firms face. The most cited barrier to sickness absence management was a lack of time. Government should not be concerned that small firm employers that do not feel that their business is adversely affected by high overall sickness absence—which is the majority at 64 per cent – or other types of sickness absence, are not managing sickness absence in specific ways. If they are not taking any actions it is because they don't feel that they need to and don't necessarily have the time or money to consider what they could be doing. The statistics do indicate that when a problem arises they are more likely to take action.

It is also important to remember that small firms are less likely to use formal jargon and therefore may be informally collecting sickness absence data or managing sickness absence in other ways but may not recognise that this is what they are doing. The reality is the informality and flexibility of small firms means that it is likely that more SMEs are collecting information than these figures demonstrate.

**Figure 1**

Impact of sickness absence (To what extent, if any, has your business been impacted by the following? Base: 1040 – 1049)





The FSB wants to encourage its members to promote health in the workplace where appropriate and consider workplace rehabilitation where possible, but the cost of private occupational health advice is clearly an obstacle for many firms. Of those firms that say that long-term sickness absence has a moderate or significant impact, 15 per cent point to the expense of private advice as an obstacle. It can be assumed that an even greater number of firms may not even consider it as an option because there is a lack of understanding about what this might involve.

Overall, there is in general low usage of occupational health support by small businesses. Of those firms that claim that they are moderately or significantly impacted upon by long-term sickness absence eight per cent provide access to occupational health support as opposed to 2.6 per cent of those that feel that the impact of this type of absence is low or not at all.

Small firms worry about non-genuine sickness absence which the latest CBI/Pfizer<sup>7</sup> survey estimates costs the whole of the UK £2.7 billion annually and 30.4 million lost working days. A recent DWP survey of GPs highlighted a related concern that 77 per cent of GPs had at some point felt obliged to write sickness certificates for reasons that were not strictly medical<sup>8</sup>. Working with the GP community to ensure that employees are only signed off sick for genuine illness is crucial as well as considering ways to tackle non-genuine sickness absence generally.

## **Key issues for the review**

### **Government communication on rights of employers and employees**

There are two main types of advice that business owners need about sickness absence. One is the specific medical/occupational health advice which the HWWB's occupational health helpline can provide in England, with similar tools in Wales and Scotland, as well as GPs and other medical professionals as issues arise, the other is legal and employment law advice. If a business is unsure of their rights they may be less likely to feel confident about taking action.

Small businesses identified confusion and a lack of confidence about the rights of employers and employees as the second biggest problem that they face when managing sickness absence. 24.2 per cent of those firms that experience a moderate or significant impact of long-term sickness absence claim that they are confused about their and their employee's rights.

In the May survey panel<sup>9</sup> of FSB members, 40 per cent said that holiday entitlement and sickness absence was the most difficult aspect of employment law that they had to deal with and in an earlier survey only one in five felt confident when dealing with employment law in general<sup>10</sup>.

The fear of employment tribunals is important and adversely this fear can harm both staff and the business. The FSB notes the recent consultation on employment tribunals but coupled with this Government needs to

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<sup>7</sup> On the path to recovery – Absence and workplace health survey 2010, May 2011, CBI/Pfizer

<sup>8</sup> General Practitioners' attitudes towards patients' health and work (DWP Research Summary, published April 2011).  
[http://research.dwp.gov.uk/asd/asd5/report\\_abstracts/rr\\_abstracts/rra\\_733.asp](http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_733.asp)

<sup>9</sup> FSB 'Voice of Small Business' Survey May 2011

<sup>10</sup> Small Businesses in the UK: New Perspectives on Evidence and Policy, 2008, FSB/University of Westminster



recognise that there is a need for more marketing to create an environment where small business owners are more comfortable and equipped to have an open dialogue about sickness with their staff.

Government needs to tap into points where businesses communicate with them about other issues, such as through the VAT system, as a way of providing such information. It is no longer acceptable for departments such as HMRC to work in a silo. The provision of important information needs to be joined up across Whitehall and other Government agencies.

### **Occupational health support and services provided by Government**

Sixteen per cent (16.7%) of employers that claim that long-term sickness absence has a moderate or significant impact on their business say there is lack of clarity about the support that government agencies and departments offer.

The HWWB project was developed as a result of Dame Carol Black's report on the health of the working age population. This project considered what Government should provide to help support small firms manage sickness absence. Much of what was piloted over the last few years is being reviewed and hopefully this evidence will form an important part of the debate.

The FSB has welcomed the recent extension of the HWWB small firm health at work phone line. Many small firms find it expensive to hire specialist occupational health advice and this phone line provides an opportunity for small firms to ask for specialist occupational health advice. A similar advice line has existed in Scotland for a number of years.

An important consideration of this review is the provision and availability of occupational health advice. Some small businesses do pay for external occupational health advice and support such as private occupational health nurse specialists. However, for many small firms the expense of such help makes this out of the question, as explained above. What is also clear is that many GPs do not feel confident to provide back to work advice<sup>11</sup> and that there are only around 2148 specialist occupational health GPs<sup>12</sup> of a variety of qualifications operating in GB today.

It has been suggested that if Government is willing to be radical, one step forward could be to provide all GP clusters with occupational health nurse specialists who would allow them to provide their patients and the patient's employers with a greater level of support. There are some cases where this already happens. If this were considered a viable option financially the FSB would be supportive of such a move. There is a need to drive greater access to specialist occupational health advice above and beyond the free help line.

### **Fit Note and the role of GPs**

The FSB lobbied for and helped to develop the Fit Note as a means to encourage better communication between GPs and employers. It is also designed to ensure that GPs, as much as possible, do not sign people off work and instead consider reasonable adjustments that could be made in the workplace to allow

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<sup>11</sup> General Practitioners' attitudes towards patients' health and work (DWP Research Summary, published April 2011).  
[http://research.dwp.gov.uk/asd/asd5/report\\_abstracts/rr\\_abstracts/rra\\_733.asp](http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_733.asp)

<sup>12</sup> Faculty of Occupational Medicine Annual report on qualifications 2010



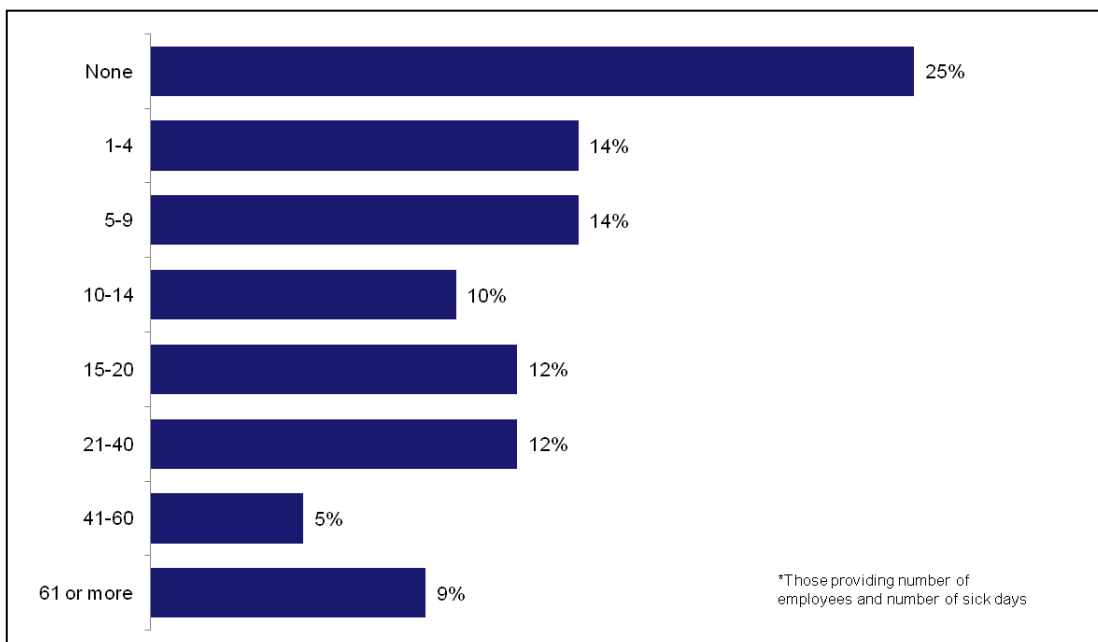
employees to return to work quicker. The FSB's 2006 sickness absence survey<sup>13</sup> identified this as a key concern for small businesses.

The Fit Note has been in existence for a year and so far the initial feedback has been that its use is limited. Only six per cent of employers reporting having used a Fit Note; although this number increases when you just consider those businesses that experience a higher absence rate. Small firms have reported that GPs are still deciding to operate the Fit Note as a sick note by signing the 'not fit for work' section, 18.2 per cent of those that have had more than 21 days sickness absence in their firm claim that GPs are failing to make full use of the Fit Note.

Employers have also reported that when this happens it becomes difficult for them to contact the GP and ask for them to consider other options or they feel unable to do so. Of those businesses that have experienced more than 21 days sickness absence within their staff 9.4 per cent said that lack of access to health professionals for advice was a problem. In some cases the employers felt that the decision that the GP made to sign off the employee as sick was not because that was the best option but because the GP did not have the time or the knowledge to make more use of the form. A recent survey of GPs supported this claim as it found that 41 per cent of GPs do not feel confident dealing with patient issues around return to work<sup>14</sup>.

**Figure 2**

Total number of days lost per business to sickness absence in the past twelve months (What was the total number of working days lost by your employees for health reasons over the past 12 months? Base: 686)



<sup>13</sup> Health matters: the small business perspective, FSB, 2006

<sup>14</sup> General Practitioners' attitudes towards patients' health and work (DWP Research Summary, published April 2011). [http://research.dwp.gov.uk/asd/asd5/report\\_abstracts/rr\\_abstracts/rra\\_733.asp](http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_733.asp)



Training on the use of the Fit Note and the benefits of vocational rehabilitation needs to increase not only for GPs but for all medical staff that use the Fit Note. The FSB is disappointed that of the UK's 48,000 GPs only 3,500 have had specific training on back to work issues and the use of the new Fit Note. It is common sense to say that this is nowhere near enough and needs immediate attention.

Businesses have also suggested that it has been difficult to understand what the GP has suggested as it still has to be filled in by hand. The FSB understands that the Government has committed to getting the Fit Note electronic but this now needs to be treated as a priority issue if the Fit Note is to succeed. Not only will this improve the ability of employers to read the note but it should increase the use of the Fit Note as GPs become better monitored on how they use the note. It can be assumed that once the Fit Note is computerised and data is collected from it, GPs may be concerned that if they fail to make use of it fully, this will become clear.

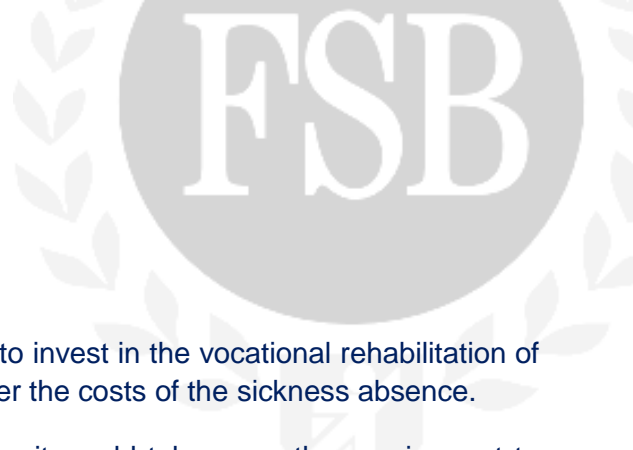
For many small firms who cannot afford Occupational Health advisers, accessing comprehensive, free advice from local health care professionals is an important way for them to support the health of their staff and get them back to work quicker. Making greater use of the Fit Note is one way of encouraging this sort of interaction. Government does need to increase the amount of communication and marketing that it does around the Fit Note. The FSB is willing to help them do so.

### **Calculation and recovery of Statutory Sick Pay (SSP)**

Some small firms remain daunted by the calculation of SSP and the complicated calculations involved in its recovery. For some businesses the complicated recovery scheme means that they are likely to ask their accountant to deal with it which costs money and if they don't it will take time to calculate. Some may also not be aware that they can recover the payments or question whether the money recovered is worth the effort taken to claim it.

Some larger micro firms, who are still in need of recovery of SSP, can find that they are unable to recover that much because of the way that the Percentage Threshold scheme (PTS) operates. While each case is different depending on the size of the business, the pay levels and the number of people off sick at any one time, it can be the case that the very micro firms with a few people can recover most of their SSP, whereas the slightly larger micro firms may not be able to recover as much. There is a need to simplify the recovery of SSP to ensure more people do so accurately, but also to ensure that smaller firms are able to recover all SSP costs.

The FSB recommends that HMRC considers introducing a small employers relief that would allow all firms with a total Class 1 NICs annual payment of less than c£45K, to recover the full cost of SSP. This is in line with other recovery systems for Statutory Payments such as Statutory Maternity leave. By allowing smaller



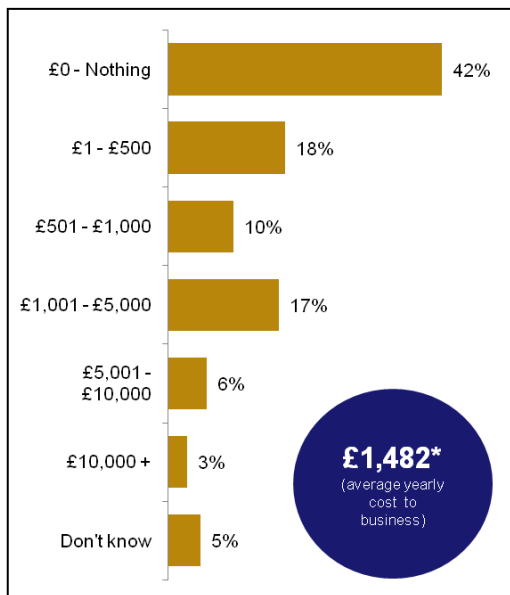
firms to recover all SSP costs they may be more likely to be able to invest in the vocational rehabilitation of their staff and occupational health support as well as to better cover the costs of the sickness absence.

This would be seen as a simplification measure for small firms as it would take away the requirement to undertake complicated calculations. This would ease the burden and cost of sickness absence for small firms and allow them to better manage sickness absence.

It is vital that any recovery scheme is better communicated so that small firms that are doing their own payroll are aware of this benefit. Small firms need to be told of these schemes as they often won't have the time to research them.

**Figure 3**

Cost of sickness absence (How much do you estimate that sickness absence has cost your business over the past 12 months? Base: 1074)



**Treatments to speed up rehabilitation as a benefit in kind**

Many small businesses cannot afford private treatments to speed up rehabilitation, such as physiotherapy, for their staff but when they can they find that this treatment is taxed as a benefit in kind which acts as a disincentive to invest in it.

Currently interventions and private treatments, such as physiotherapy, provided by employers are taxed as a benefit in kind if the condition results from a non-work cause.

Businesses may see a financial and health benefit in paying for treatments privately, as waiting for NHS treatments may take too long, prolonging the illness and the time taken off by staff. In our survey members identify access to timely NHS services as a problem when trying to get staff back into work. Of those businesses that said that long-term sickness absence had a moderate or significant impact on their business 17.3 per cent said that lack of timely access to NHS treatment or diagnosis was a problem.



Businesses say that delays for operations, aftercare and other treatments such as physiotherapy cost their business money as it can means employees take more sick leave while they wait.

Not only will this help get employees back to work quicker and recover quicker but it will also relieve the NHS of the burden. Businesses that are going out of their way to improve the health of employees should not be penalised by the tax system for doing so.



Figure 4	Total	A. High overall sickness levels (No/ Low impact)	B. High overall sickness levels (Mod/ Sign impact)	C. Frequent short term absence (No/ Low impact)	D. Frequent short term absence (Mod/ Sign impact)	E. Long term sickness (No/Low impact)	F. Long term sickness (Mod/Sign impact)
Lack of time	16.10%	12.90%	37.00%	13.10%	35.20%	13.50%	36.30%
Confusion/lack of clarity about employers and employees rights	9.60%	7.40%	23.70%	6.80%	26.50%	7.80%	24.20%
Confusion/lack of clarity about the help available from government agencies and departments	7.80%	6.60%	15.90%	6.30%	17.60%	6.70%	16.70%
Inability to find alternative work for employees	6.60%	5.10%	16.80%	5.50%	12.40%	5.00%	19.60%
Lack of timely access to NHS treatment or diagnosis	6.30%	4.90%	15.10%	4.60%	14.80%	4.90%	17.30%
GPs' failure to make use of the new Fit Note	5.80%	3.20%	21.80%	3.40%	18.90%	3.40%	24.00%
Expense of private advice (i.e. an occupational health nurse specialist)	4.70%	3.40%	12.80%	4.00%	8.40%	3.50%	15.00%
Inability to adapt working terms and conditions	3.40%	2.50%	8.80%	2.30%	10.40%	2.70%	7.00%
Employee resistance to treatment or re-habilitation	3.20%	1.90%	12.00%	1.80%	12.00%	2.10%	11.70%
Lack of access to health professionals for advice on prevention and re-habilitation	3.00%	2.00%	9.10%	2.20%	6.00%	1.90%	11.50%



## **Conclusion**

The majority of small firms do not experience high sickness absence levels - either short or long-term - that significantly impacts upon their business. Small businesses have a much lower absence rate than the majority of businesses and a significantly lower sickness absence rate than the public sector. TUC statistics demonstrate that employees in small firms can often be happier and more committed and in turn this means that they are less likely to take time off work.

The FSB welcomes the Government's attention to the issue of sickness absence and is keen that the review understands the position of small firms. While sickness absence only affects the minority of small firms when it does happen it can be extremely costly. For those businesses that don't experience high levels of sickness absence, the fear of what it could mean for their business is an issue. Government can better support small firms through sickness absence to help them reduce this cost and where appropriate be more proactive.

By helping small firms cut their costs and support their staff, small businesses can do their part to creating a healthier nation. However, it is vital that this review acknowledges that small firms are not able to shoulder any more of the sickness absence burden and that a change in regulation is not the solution.

Small businesses are being relied upon to employ those that have lost their jobs in the public sector. They are already burdened with excessive regulation, and a difficult economic climate. This review needs to recognise that Government needs to ensure that it provides small firms that suffer from long-term absence are given the support they need.