



FEDERATION OF SMALL BUSINESSES



health matters:

the small business perspective

ABOUT THE FSB

The Federation of Small Businesses (FSB) is the UK's largest lobby organisation representing the self-employed and owners of small businesses. Founded in 1974, it now has over 200,000 members across all industries, trades and services. It is a non-party political lobby group that exists to promote and protect the interests of all those who own and manage their own businesses.



FEDERATION OF SMALL BUSINESSES

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FOREWORD

The Federation of Small Businesses is the UK's largest business association with over 200,000 members. This is the first survey of the FSB membership specifically on the issue of sickness absence and workplace health. The aim of the study was to gauge members' experience of the issues surrounding sickness absence, how employee absence, as well as the employer's absence, impacts on the business and to establish how business owners are currently managing the sickness absence and return to work process.

This survey report is designed to feed into the Government's current Health, Work and Well-being agenda in the sense that it will give the Government and other stakeholders a better understanding of how health and absence issues affect small and micro businesses, not forgetting the impacts on the self employed and sole traders. The FSB wants to encourage its own members to promote health in the workplace whilst lobbying the Government to improve the support they receive in managing the return to work process and the level of access to occupational health services.

The FSB was pleased with the roll out of the Workplace Health Connect scheme which gives invaluable, tailored advice to small businesses on health and return to work issues. However, we believe that more can be done to:

- Raise awareness of the sources of advice available to businesses around occupational health and return to work issues and improve the range of services that can be accessed via GPs surgeries
- Build relationships and understanding between employers and GPs and ensure that businesses receive straightforward advice on their employees and their own fitness to work that takes into account workplace demands and context
- Identify real incentives for businesses to help them look after the health and welfare of their employees and ensure that they benefit from lower Employers' Liability Compulsory Insurance premiums as a result

We would like to thank the Public Health Resource Unit for their work in managing the survey process and for compiling and analysing the results in this report.



*Mary Boughton MBE, Chairman
of the Health and Safety Policy
Committee*

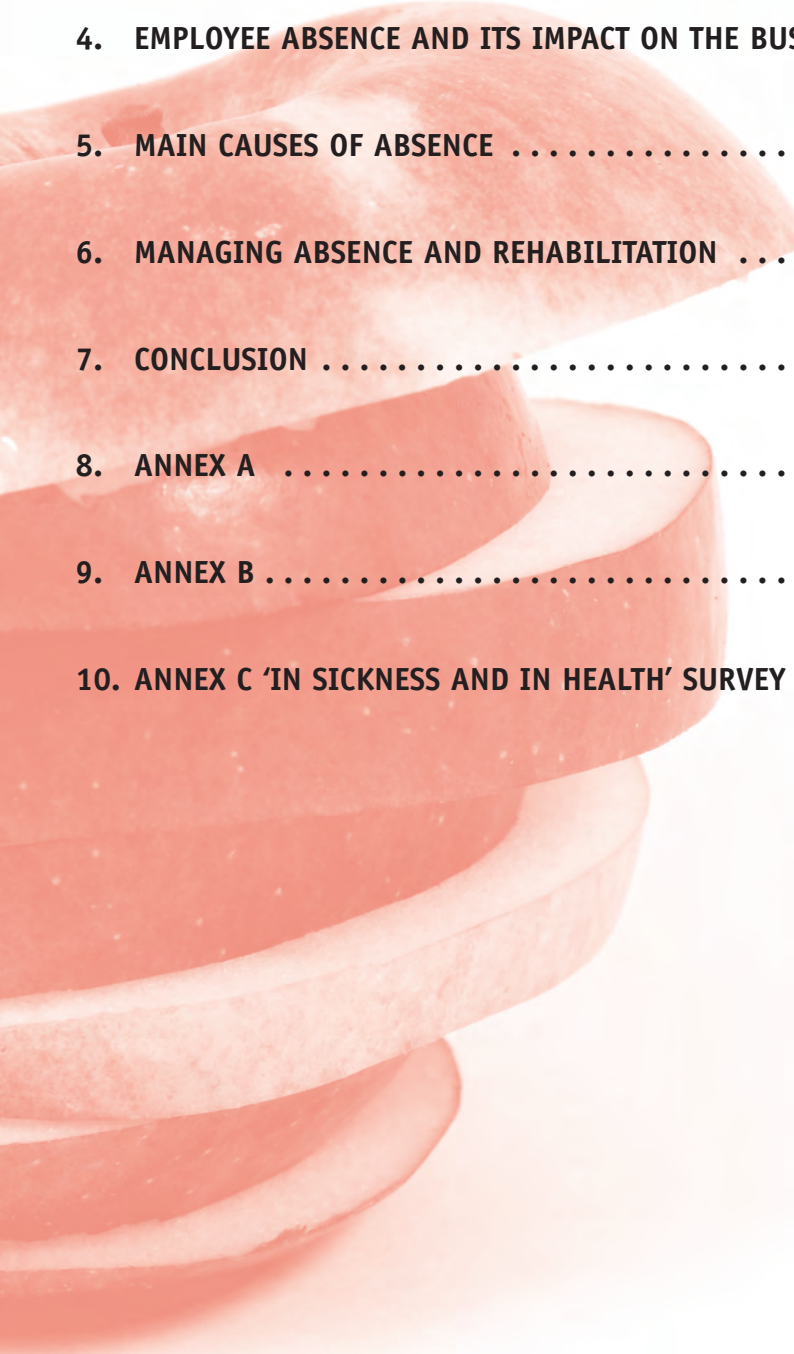


*Roger House, Chairman of the
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1. INTRODUCTION

Whilst much analysis has been carried out and columns written about workplace absenteeism in general, the nature and impact of absenteeism on small and micro businesses in particular has received less attention. The FSB carried out a survey of its membership, to obtain an overview of the following key areas:

- The health of small business owners
- The nature and extent of sickness absence among employers and employees
- The impact of sickness absence on small businesses
- How small businesses are managing sickness absence and rehabilitation
- Views on relevant advice and support services

Responses came from nearly 4000 members of the FSB. Three quarters of the respondents either do not employ anyone or are micro businesses (0-9 employees) which gives a unique slant to the findings of the report (see table 1). In terms of division by sector, the strongest representation is from retail, wholesale and motor trades, followed by business services (table 2), which also mirrors responses to the FSB 'Barriers to Growth' 2006 membership survey. All regions are represented and the profile of respondents by region and age can be found at Annex A.

The 2006 Chartered Institute of Personnel and Development (CIPD) survey on Absence Management¹ estimates that sickness absence costs employers £598 per employee, per year, and represents 3.5% of working time. The CIPD survey does not estimate what the costs might be for small businesses specifically. However, given that SMEs in the UK employ 12.5 million people and account for 99% of all UK businesses², it is likely that this sector represents a high proportion of the overall cost.

TABLE 1

	Number	Percent
0 employees	872	22.8
1 -9 employees	2145	56.0
10-49 employees	729	19.0
50-249 employees	79	2.1
Over 250 employees	3	0.1

TABLE 2

Industry Sector	In Sickness and in Health Survey Response %	FSB Barriers to Growth 2006 Survey Response %
Agriculture	1.2	3.3
Mining & Utilities	0.2	1.0
Manufacturing	10.2	11.2
Construction	9.6	12.0
Retail, wholesale and motor trades	18.5	24.6
Hotels & restaurants	4.8	6.7
Transport & communication	2.4	4.8
Financial services	4.3	3.6
Business services	14.4	18.5
Education	2.8	2.0
Health & social work	3.4	2.7
Personal services	1.7	2.9
Other	30.5	6.7

¹ CIPD Absence Management: A survey of Policy and Practice 2006

² DTI small business statistics 2005

2. EXECUTIVE SUMMARY

- Many owners of small businesses paint a positive picture, reporting no impact on their business from sickness absence. 43% of respondents have not experienced any sickness absence in the past twelve months. They point to good management and the loyalty that a small family firm can engender as reasons for maintaining low sickness absence rates
- Sickness absence is due to minor illness, such as colds and flu, in more than 75% of cases reported in this survey. The median number of days taken as sickness absence is 1.8 per employee over twelve months
- Whilst more than half of all respondents identified impacts of sickness absence on productivity, fewer than half identified tangible financial impacts. A 'cycle of sickness' is described, whereby sickness absence leads to negative impacts on the business, leading to anxiety, leading to prolonged sickness. In this survey, the impacts of employee sickness absence are significantly correlated with the size of the business (in terms of number of employees). As the number of employees increases, the perceived impacts of employee sickness absence upon the business are less. In many small businesses, the impacts are more severe when the absence is unexpected. Frequent short-term absence is more likely to impact on businesses than long-term absence, but where long-term absence does impact, its effects are more likely to be perceived as 'major'
- Finding and financing appropriate staff cover for sickness absence is a significant challenge for small businesses where staffing is often finely tuned with no extra capacity and a highly specialised skill mix. The task of covering for absence often falls to the business owner, who has knowledge of each of the functions of the company. Where other staff provide cover, there may be training and team working implications, and effects on staff morale. Small business owners frequently feel that they are unable to sustain the staff costs entailed in providing formal cover whilst also paying the sick employee, where this is the company's policy. Nonetheless, the survey does indicate that providing cover can significantly reduce the perceived impact of sickness absence on productivity and staff morale
- Business owners themselves feel under pressure to continue to work through sickness. Impacts on the continuity or quality of service, and the loss of personal income are key drivers. In some instances they feel that medical advice does not take the pressures of the business into account, and so they do not consult health professionals or they do not act on the advice they are given
- Less than half of all respondents formally monitor sickness absence in their organisations, and only 6.5% provide access to occupational health services. Staff interviews on return to work, and modifications to work patterns or roles are relatively common. Between 10 and 20% of respondents were unaware of support from organisations such as Workplace Health Connect, or the Health and Safety Executive. There are mixed views with regard to how much responsibility the employer should take for employees' health, and the provision of preventative occupational health services. Informal networks and private healthcare and insurance provision provide the most effective support in terms of owners' satisfaction with these services

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- Business owners responding to this survey identified problems with the Statutory Sickness Pay system for small businesses, including the lack of support for those who are self-employed, difficulties recovering payments made to employees due to the small size of the business, and difficulties funding the first five days of absence. They are also concerned that self-certification and GP sickness certification are too readily applied. There is much variation in the way that small businesses apply voluntary payment for sickness absence

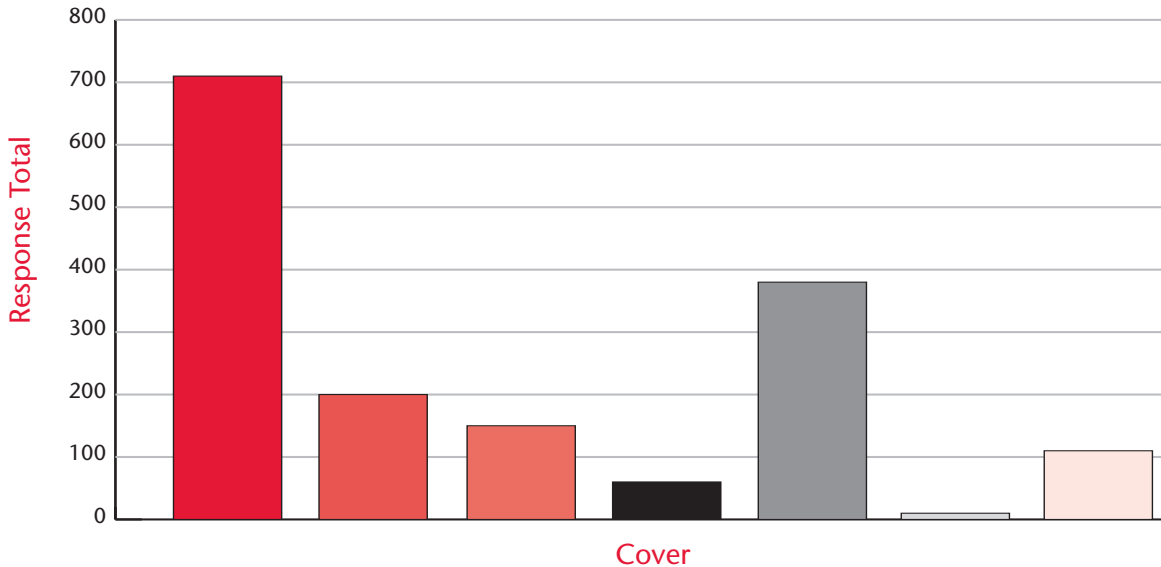
KEY FSB RECOMMENDATIONS

- ▶ Small and micro businesses need incentives to enable them to promote healthy workplaces and provide occupational health support to their staff. An important part of this is reduced Employers' Liability Compulsory Insurance (ELCI) premiums in return for good workplace health and safety practices
- ▶ The Government needs to communicate the rights of employers and employees more effectively where managing return to the workplace is concerned. More imaginative ways need to be used to get the message out about support services available to small businesses, such as Workplace Health Connect
- ▶ GPs and other health professionals need more effective training on occupational health and access to services via GPs surgeries should be developed. A better understanding between GPs and businesses should be fostered with GPs taking into account the demands of a business and offering more straightforward advice on fitness for work in the medical certificate
- ▶ The process of administering Statutory Sick Pay is a problem for small businesses. More straightforward guidance needs to be given and more streamlined procedures set up to help businesses through the process of claiming for their employees. The ability for small employers to reclaim SSP regardless of their size or their payroll deductions should be implemented so as not to disadvantage the small business employer
- ▶ Banks need to offer more flexibility and give businesses appropriate financial cover during a business owners' illness, particularly for businesses with a good track record. Insurance companies also need to provide more clear information about the options available for income protection insurance
- ▶ HM Revenue and Customs should offer greater flexibility through the VAT/PAYE system when business owners are ill and payments delayed as a result, particularly for businesses that have a track record of filing their reports on time

3. BUSINESS OWNER'S HEALTH AND ABSENCE

The business owner takes an average (median) of 3 days sick leave a year and just under 20% of those responding had more than 7 days sick in one year. Employers tend not to organise formal cover arrangements for their absence: 45% saying that no cover was needed; 24% that a manager who was familiar with the business and its management stood in; 13% had concerns about funding additional staff whilst 10% said that they were unable to recruit staff with appropriate skills (chart 1)

CHART 1



- No cover arrangements - none needed
- No cover arrangements - unable to fund additional staff
- No cover arrangements - unable to recruit staff with appropriate skills
- A colleague who was not familiar with the management role stood in
- A colleague who is familiar with the business and its management stood in
- Recruited temporary staff from outside the business
- Other

IMPACT OF THE BUSINESS OWNER'S ABSENCE ON THE BUSINESS

Table 3 shows that many businesses report no impact on the business due to their own absence. However, significant amounts of business owners report some impact on productivity as a factor (41%) and financial impact/loss of business profit (30%). See Annex B for a breakdown of the impact of absence by the existence of cover and the correlation between the two. Having cover for the employers absence affects how the employer rates impacts on productivity, financial loss as well as staff morale, with fewer responses for major impact on the business when cover arrangements are in place. Not unsurprisingly, the results also show that more absence by the employer increased the likelihood of higher impacts on the business.

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TABLE 3

Impact	Major impact	Some impact	No impact	Don't know
Impact on productivity	15 % (212)	41% (590)	41% (589)	3% (43)
Financial impact - costs for additional staff to cover absence	7% (91)	14% (178)	76% (1000)	3% (43)
Financial impact - loss of business profit	14% (192)	30% (416)	51% (694)	5% (66)
Impact on business owner's income	15% (213)	27% (380)	55% (762)	3% (39)
Impact on staff morale	5% (65)	23% (304)	66% (881)	7% (94)

OTHER IMPACTS

When asked to provide further comments on the impact that absence had on their business, business owners described a range of direct and indirect impacts or 'knock-on' effects.

Direct impacts

Impacts on customer relationships and credibility, sometimes resulting in a loss of custom and / or reputation

Loss of new business or sales, or reduction in business developments

Anxiety about the business or quality of product / service during absence

Anxiety about how the business is being managed in the owner's absence

Staff having to take on extra hours or shifts

Opportunity costs and anxiety about missing opportunities

Losing business to competitors. Sometimes perceived as disingenuous. E.g. reports of competitors spreading negative messages about the owner's illness and capacity to continue in business or to provide the service

Cashflow problems: In one case, the business owner's illness resulted in financial difficulties, and a lack of support from the bank led to a threat of liquidation

Reduction of activity, and in some cases, closure of the business during the owner's absence

Indirect impacts

A backlog of work on return from sickness absence

Inability to carry out certain tasks on return to work, due to the nature of the illness (for example, inability to lift, to drive, or to concentrate for long periods, or a generally slower work pace)

Loss of confidence to return to work

Impacts on family members who are called in to cover absence

Impact on family life

Knock on effects for workflow to other employees in support roles – when key workers are absent support roles are not needed

Knock-on effects on subcontractors

Additional costs incurred due to rearranging appointments/events, or cancelling travel plans

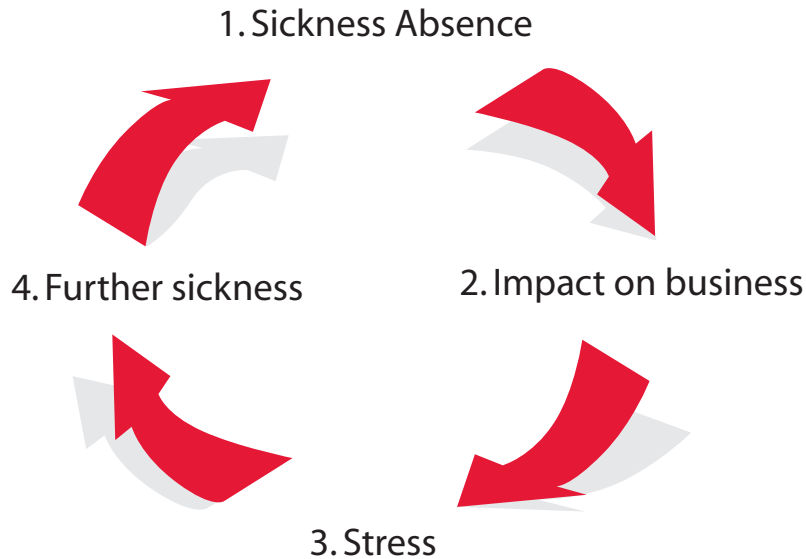
Loss of reputation due to other impacts of sickness absence on the business

Altered relationships with customers and suppliers, including communication difficulties due to period without contact

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A CYCLE OF ABSENCE

In some instances, respondents described a scenario of sickness leading to further stress and anxiety due to concerns about the impacts on the business, or overwork on return from sickness absence. This can lead to further absence, creating a cyclical effect.



'Pressure to return to work led to sickness absence being required again soon after – a cycle of sickness which has led to a loss of drive at the very top'.

Two respondents described how the business owner delayed taking time off or returned to work early due to anxiety about the business, and this ultimately resulted in a worsening of the illness and a need to take off more time (see quote above).

REACTIONS OF OTHERS

Small businesses interact with a wide range of other organisations and individuals. When sickness absence occurs, flexibility and understanding is required from others. In many cases, clients and customers are reported as being 'understanding'. However, some respondents did describe an unsympathetic response from others. For example, banks were unhelpful in some cases; competitors took the opportunity to seize business; customers lost confidence and took their business elsewhere. Respondents also noted a lack of flexibility in terms of the demands of government requirements, for example, having to meeting VAT and PAYE deadlines.

The diagnosis itself is relevant in some cases i.e. where there is a diagnosis of a long-term illness (particularly when the illness is poorly understood by the public), others may lose confidence in the capacity of the business to continue. In some cases, there is a sense that the illness has a stigmatizing effect on the business. This may vary, depending on the nature of the illness and expectations of the business.

'The fact that I am in the health business means it doesn't look good to the outside world if I'm ill'

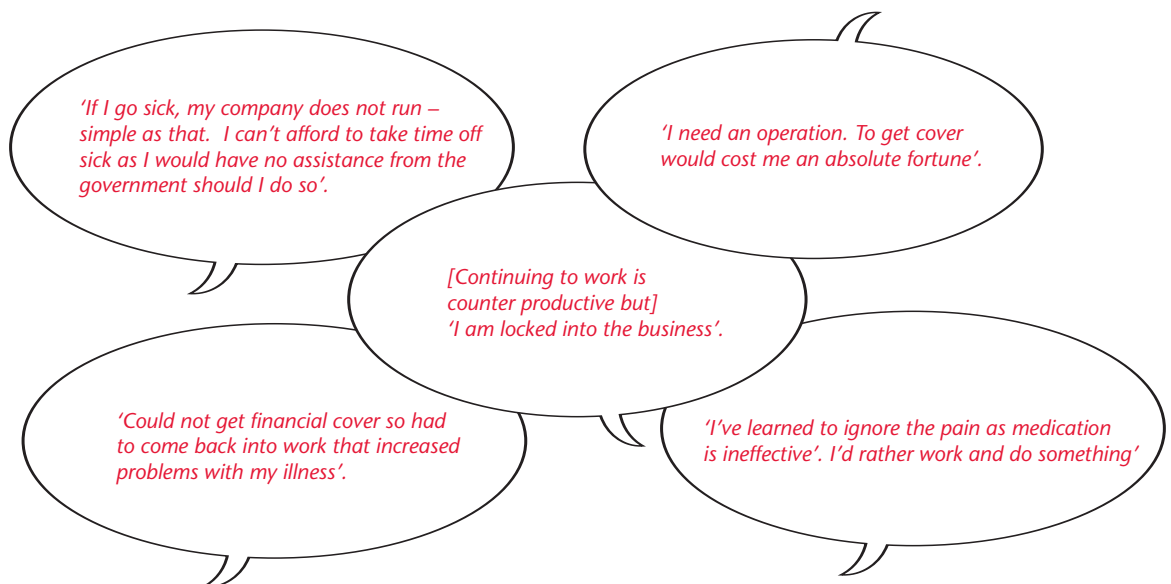
BUSINESS CONTINUITY PLANNING

Some businesses feel that unexpected absences cannot necessarily be planned for, making it difficult to put contingency plans into place. If sickness absence can be predicted, it is possible to avoid some of the impacts. Having a prognosis is crucial so that business owners can forward plan for the business and this is where constructive dialogue with GPs and health professionals is so important.

Some respondents have put permanent arrangements into place in order to avoid a repetition of problems due to sickness absence. This proves that, contrary to popular assertions, small businesses do in fact carry out business continuity planning, including for their own absence from the workplace.

'PRESENTEEISM' OR CONTINUING TO WORK DURING ILLNESS

16% of respondents said that they had continued to work on occasion despite feeling ill. Business owners that continue to work in these circumstances are usually suffering from minor illnesses such as colds, flu symptoms and headaches. A minority reported continuing to work after more serious illness such as accidents, cancer, pregnancy complications, immediately after surgery, or when in severe pain. In one case, a business owner even took work into hospital. There are instances in which business owners have delayed going to see the doctor, or even delayed necessary surgery due to business demands. Some of the issues that small businesses have expressed:



Many of the business owners who continued to work through illness were in a position to modify their working arrangements. For example, some business owners opted to work from home, changed their hours or the tasks they performed. They used strategies to cope with being ill at work, such as resting or sleeping during quiet periods, or taking extra pain relief.

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ADVICE FROM GPs AND HEALTH PROFESSIONALS

The majority of respondents did not report having taken any advice from health professionals with regards to their fitness to work. In many cases, they just 'got on with it' or felt that professional advice was not necessary.

Responses indicate that health professionals predominantly give advice solely on the basis of the illness, and do not consider the demands of the business with the same degree of importance that they might give to the effects of family circumstances. Subsequently, many business owners do not take advice they are given. A minority of respondents reported that they had continued to work against the advice of a health professional. For these business owners, taking time off was 'not practical' or they were unable to afford to take the time off. In one case a doctor advised two weeks off work for severe headache, but the business owner continued to work. Owners cite having deadlines to meet, or prior business commitments as reasons for continuing to work when ill, or when advised not to work. As self-employed people, the sickness certification process is not relevant for them as business owners.

'If I was employed, I would have been signed off for eight weeks. As it was, I only took the day off for the operation'.

Some respondents described decisions about return to work as more of a partnership between the health professional and the self-employed worker.

'The health professionals understand my need to keep working and don't give any advice beyond that of my immediate need'.

FSB RECOMMENDATIONS:

- ▶ Impetus needs to be given to improving understanding between GPs and employers and breaking down the barriers of mistrust that currently exist. GPs and other health professionals need more training on occupational health and an appreciation of the demands of a small business. Business owners appreciate realistic and straightforward advice which empowers them to make their own decision about when to return to work
- ▶ Banks need to offer more flexibility and give businesses appropriate financial cover during a business owners' illness, particularly for businesses with a good track record
- ▶ HM Revenue and Customs should offer greater flexibility through the VAT/PAYE system when business owners are ill and payments delayed as a result, particularly for businesses that have a track record of filing their reports on time

4. EMPLOYEE ABSENCE AND IMPACT ON THE BUSINESS

Nearly 70% of respondents to the survey said that they employed staff. From the total sample, 43% said that they have had no employee absence in last 12 months. The average number of days lost due to absence per employee was 1.8 days over 12 months. This is much lower than the average of 8.4 working days per year reported by the Chartered Institute of Personnel Development³, which may indicate that attendance is higher in small businesses.

EXTENT OF SICKNESS ABSENCE

The impact level of sickness absence indicated by respondents on their business is shown below:

TABLE 4

Level of sickness absence	Major impact	Some impact	No impact	Don't know
High overall levels of sickness absence	14% (281)	25% (502)	57% (1148)	5% (96)
Frequent short-term sickness absence by some employees	17% (356)	34% (715)	46% (975)	3% (53)
Long-term sickness absence (more than four consecutive weeks)	20% (410)	11% (219)	60% (1205)	9% (174)

Table 4 shows that employers rated more 'major' impacts on their business for long-term sickness absence compared to the other two types of sickness absence. However, short-term sickness had a higher percentage of responses with any business impact compared to the other two types of sickness. A test of significance⁴ comparing business impact responses from the three types of sickness gave a highly significant result. This shows that employers' perceptions of business impacts were different depending on what type of employee absence they experienced.

IMPACT OF EMPLOYEE SICKNESS ABSENCE

The impact of employee absence reported by each respondent on their business, over the last twelve months, is shown in Table 5. Significant numbers of businesses report no impact resulting from employee sickness absence. Some say that there is some impact on productivity (42%), staff morale (35%) and financial impact/loss of business profit (33%). Where the impact is major then this is felt more on productivity (17%) than the other options.

³ CIPD Absence Management survey 2006

⁴ Friedman Chi Square

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TABLE 5

Impact	Major impact	Some impact	No impact	Don't know
Impact on productivity	17% (358)	42% (887)	40% (831)	1% (24)
Financial impact - costs for additional staff to cover absence	12% (249)	26% (529)	61% (1253)	2% (33)
Financial impact - loss of business profit	11% (228)	33% (685)	53% (1096)	2% (46)
Impact on employee's earnings	11% (223)	31% (644)	57% (1165)	1% (26)
Impact on staff morale	10% (204)	35% (716)	52% (1079)	3% (62)

The impacts upon the business from employee sickness absence are also significantly correlated⁵ to the number of employees within the business. As the number of employees increase, the impacts of employee sickness absence upon the business are less.

OTHER IMPACTS

Several respondents commented that, in a small business, one member of staff's absence can significantly deplete the workforce.

'With a small business we have no slack in the system'.

The degree of specialism in the staff role is associated with the impact of sickness absence: Where the role is more specialised, it is more difficult to get other staff to cover or to recruit temporary staff.

Impacts on the business owner

A large proportion of respondents commented that business owners/managers are personally covering staff absence. This may be a function of the size of the business and/or the skill-mix. The manager may be the only person with an overview of the business and some knowledge of all staff roles.

'All the shortfall has to be taken up by myself as I can cover all roles in the business but staff each have their own expertise'.

Where business takes place over a large geographical area, sickness absence can mean that the person covering has to travel long distances. There are also impacts on effective business planning where business owners have to adjust for unreliability of staff attendance and the loss of specific customer knowledge or relationship that a particular member of staff may have had with a client.

In some sectors, such as health and social care or child care, legislation means that the business has to be permanently resourced to cope with sickness absence.

'We have to employ [an] extra person just in case one of the others goes off ill'.

⁵ Spearman's rho, $p < 0.01$ for all 5 questions

Impacts on other staff

In some cases staff absence has an impact on skill mix and team work. Responses show that in many small businesses, roles are tightly defined so that there is one member of staff in each specific role, all working together towards the whole business function. Thus, when one member of the team is absent, it impacts on the ability of the rest to complete the job. There are also staff cost implications, for example, when more senior staff cover for a junior member. In other instances there might be a loss of specialist skills or the need to train up other members of staff. Business owners also comment on where investment in training has not been realised, for example, when a member of staff trained in a specific skill goes on long term leave.

Impacts on customers

As far as impacts on customers are concerned, there may be lack of continuity of service when other members of staff provide cover. Business owners also have anxiety about the quality of service provided, particularly in a childcare context.

Strategies for dealing with absence

Respondents reported a number of ways in which they have tried to deal with employee absence. Some businesses have opted to employ all staff on a freelance or subcontracted basis, obviating the need to pay for sickness absence. Other businesses withhold pay rises when there are high rates of sickness absence and some even offer employee share schemes.

'My staff enjoy their work. They hold shares in the company and hence don't treat it as a job but as their own business'.

Business owners also highlighted the difficulties in managing the finer points of sickness absence. They cited a need for a range of specialist skills in resolving conflict, managing return to work interviews and termination of employment. This is where the services of Workplace Health Connect and other providers are so important and need to make themselves more available to businesses who cannot be expected to become trained HR professionals overnight.

COVER FOR SICKNESS ABSENCE

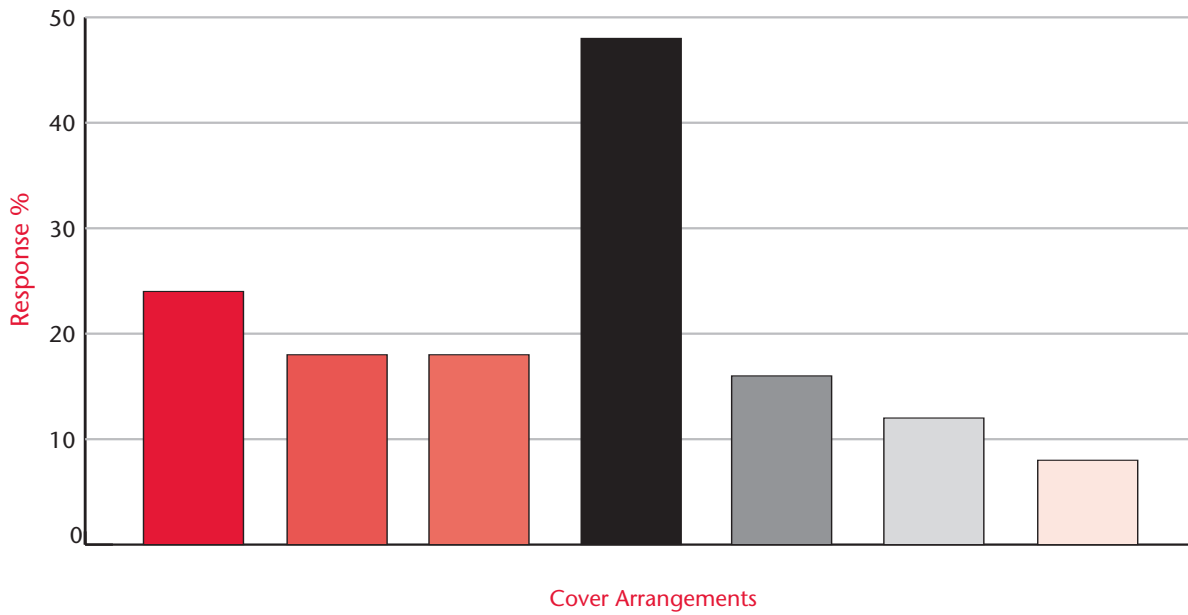
Table 6 shows that nearly half of businesses (48%) provide informal cover whereas one quarter (24.5%) say that none was needed. There are still significant numbers of businesses that cite lack of funds for additional staff or problems with funding staff with specialised skills.

TABLE 6

Cover arrangements	Response %
No cover arrangements - none needed	24.5%
No cover arrangements - unable to fund additional staff	17.1%
No cover arrangements - unable to recruit staff with appropriate skills	17.7%
Informal cover - tasks were informally absorbed by other staff	47.9%
Formal cover - role, tasks or shifts were formally re-allocated to other staff	16.2%
Recruited temporary staff from outside the business	12.2%
Other	7.6%

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CHART 2 - COVER ARRANGEMENTS FOR EMPLOYEE ABSENCE



- No cover arrangements - none needed
- No cover arrangements - unable to fund additional staff
- No cover arrangements - unable to recruit staff with appropriate skills
- Informal cover - tasks were informally absorbed by other staff
- Formal cover - role, tasks or shifts were formally re-allocated to other staff
- Recruited temporary staff from outside the business
- Other

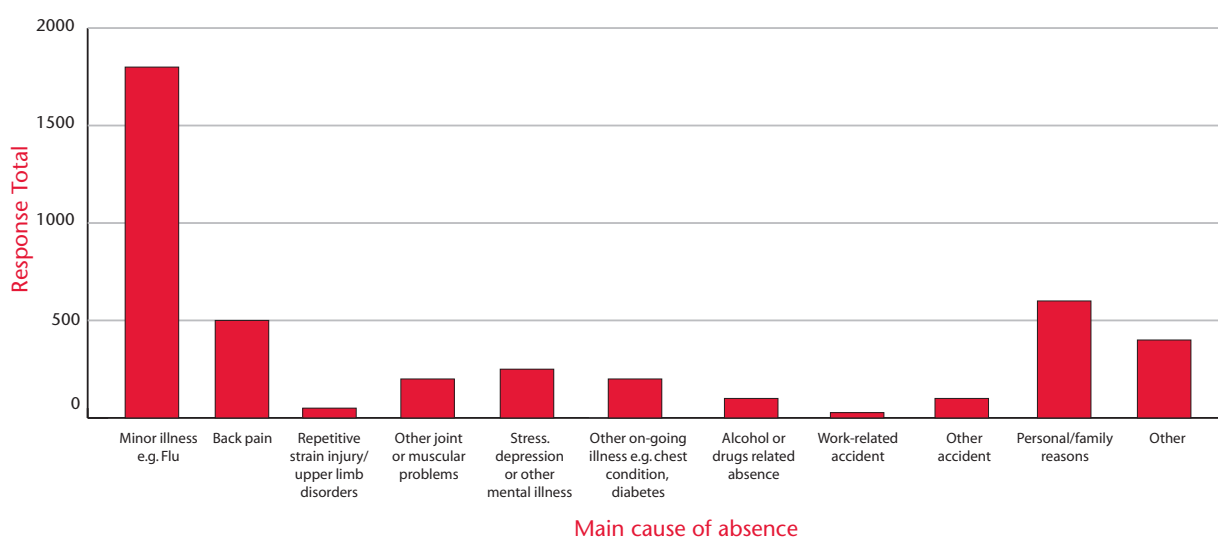
5. MAIN CAUSES OF HEALTH RELATED ABSENCE

The causes of health related absence are well documented but it is interesting here to appreciate the experience in small businesses. The main causes of health related absence in each respondent's business between 1 January 2005 and 1 January 2006 were given as follows:

TABLE 7

Cause	Response %	Response Total
Minor illness e.g. colds and flu	75.20%	1947
Back pain	20.60%	533
Repetitive strain injury/upper limb disorders	2.50%	66
Other joint or muscular problems	9.90%	257
Stress, depression or other mental ill-health	11.20%	289
Other on-going illness e.g. chest condition, diabetes	10.70%	276
Alcohol or drugs related absence	5.60%	146
Work-related accident	2.00%	52
Other accident	5.40%	141
Personal/family reasons	26.10%	676
Other	17.20%	445

CHART 3



As already outlined in the summary, minor illnesses (e.g. colds and flu) feature strongly as the principal cause of absence (75%) followed by personal or family reasons (26%). The fact that back pain features (20%) is probably not unrelated to the age profile of the survey respondents (see Annex A). Stress, depression or other mental illness is significant at 11% and is not surprising considering that nearly a third of business owners work between 40-50 hours in a typical week (27% work between 50-60 and 22% work in excess of 60)⁶. The figure for alcohol and drug related absence is also not an insignificant figure and one that we would tell members to be aware of and seek advice where necessary.

Note: The percentages here and in subsequent tables are based on the percentage of all those people that responded to this particular question which had multi-tick options

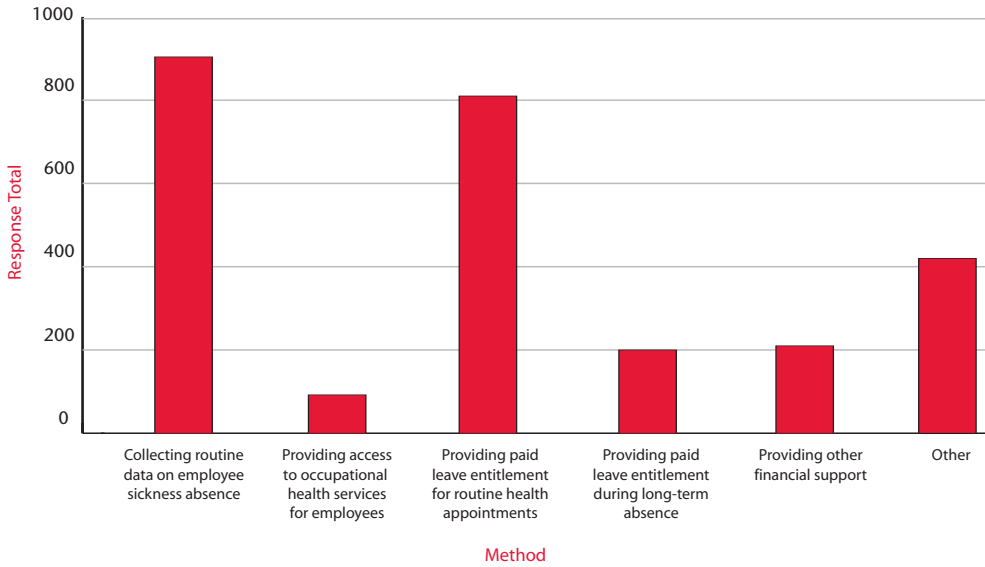
⁶ Barriers to Growth in small businesses, FSB biennial membership survey 2006

6. MANAGING ABSENCE AND REHABILITATION

METHODS FOR MANAGING SICKNESS ABSENCE

As chart 4 illustrates, collecting data on employee sickness absence (47%) and providing paid leave entitlement for routine health appointments (45%) were the main methods used by respondents to manage sickness absence over the last twelve months. Only 6.5% of businesses provided any access to occupational health services for their employees.

CHART 4 - METHODS FOR MANAGING SICKNESS ABSENCE

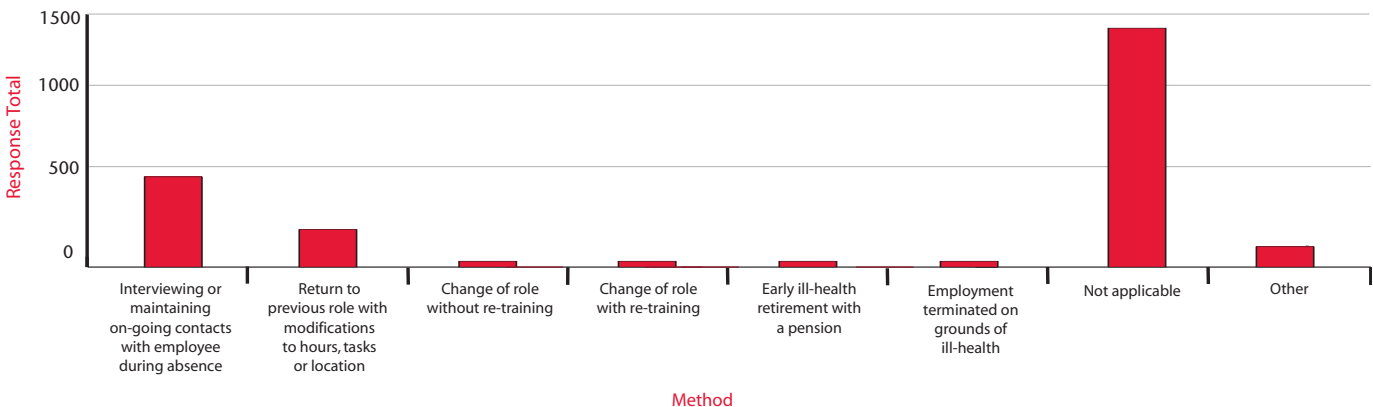


The Institute of Occupational Medicine indicates that only 30% of organisations access occupational health services and that small and medium-sized enterprises tend to have particularly inconsistent provision. Some indications are that about 3% of people working in SMEs have access to comprehensive occupational health services⁷.

MANAGING RETURN TO WORK

The method used by each respondent, over the last twelve months, to support employees returning to work after long-term or recurrent sickness absence are as follows:

CHART 5 - METHODS USED TO SUPPORT EMPLOYEES RETURNING TO WORK



⁷ HSE Occupational H&S support systems for SMEs: A literature review 2005

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66% of businesses ticked the 'not applicable' column here which probably shows that the majority of small businesses have not had an issue with rehabilitation and supporting employees returning to the workplace. 23% interview or maintain ongoing contact with the employee and 13% provide for a return to the previous role with modifications. This suggests that an element of flexibility is possible within small businesses, which is then tempered by the fact that less than 4% of employers could provide for a change of role (with or without re-training). The skill-mix in small businesses and the fact that tight teams operate with specific roles allocated often means that changing roles is a limited option in small and micro businesses.

EXTERNAL SUPPORT RECEIVED

The satisfaction levels experienced by each respondent, with any external support services that were used for managing long term sickness absence, are shown below:

TABLE 8

External support service	Very satisfied		Quite satisfied		Not at all satisfied		N/A unaware of option		N/A not used		Satisfaction score
Informal networks with other small business owners/managers	2%	45	7%	154	1%	21	16%	340	74%	1624	2.11
Contact with trade associations	2%	36	5%	102	1%	27	14%	308	78%	1700	2.05
Contact with the Health and Safety Executive	1%	11	3%	75	1%	28	13%	276	82%	1760	1.85
Contact with Workplace Health Connect advice line	0%	3	1%	24	1%	17	19%	405	79%	1691	1.68
Contact with employee's NHS general practitioner	1%	19	4%	95	4%	83	11%	242	80%	1722	1.68
Contact with NHS occupational health specialist nurse physician/therapist	1%	15	2%	33	2%	33	12%	252	84%	1811	1.78
Contact with other NHS practitioner (e.g. consultant, nurse, physiotherapist, occupational therapist, counsellor, psychologist)	1%	31	3%	69	3%	61	11%	232	82%	1761	1.81
Contact with private occupational health consultancy	1%	18	2%	36	1%	12	10%	218	87%	1853	2.09
Contact with other private health care provider (e.g. consultant, nurse, physiotherapist, occupational therapist, counsellor, psychologist)	2%	45	3%	66	1%	13	9%	187	85%	1825	2.26
Use of private healthcare insurance for employees	4%	75	6%	131	1%	23	4%	90	85%	1796	2.23

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Most employers did not use any service for managing sickness absence of employees, though between 10 to 15% of employers were unaware of most of the options listed in Table 8. The exception was private healthcare insurance, of which only 4% of employers were unaware.

It is of great concern to the FSB that there is generally low awareness amongst small businesses of the types of support available from government and health providers for managing sickness absence and return to work. The results are a clear indication that the message is not getting out to businesses, particularly in the case of Workplace Health Connect. There needs to be greater engagement with businesses on the options available and better and more imaginative advertising of support services.

OTHER SUPPORT RECEIVED

Several respondents commented that they had been unaware of any of the options for support identified in Question 22. Other sources of support for managing sickness absence included the following:

Human resources issues	Health promotion	Financial
Private HR consultancies (one-off advice or ongoing contracts) Solicitors Business Link ACAS Chartered Institute of Personnel Development policy and procedures Specialist sector advice (e.g. Local Authority childcare services.) FSB legal help line	Attendance at privately sponsored health promotion and illness prevention events Health and Safety training Contract with H&S consultants NHS Direct	Key private healthcare insurance schemes

BARRIERS TO SUCCESSFULLY MANAGING SICKNESS ABSENCE

The barriers to successfully managing sickness absence were reported as follows:

TABLE 9

Barriers	Response %	Response Total
Confusion/lack of clarity about employer's and employee's rights	38.50%	626
Confusion/lack of clarity about the help available from government agencies and departments	44%	716
Not convinced that rehabilitation is worth the effort	11%	179
Lack of access to health professionals for advice on prevention and rehabilitation	12.80%	208
Lack of timely access to NHS treatment or diagnosis	26.20%	426
Lack of timely access to treatment from private providers	2.30%	37
Employee resistance to rehabilitation	8.50%	139
Not possible to adapt working terms and conditions or find alternative work for employees	25.20%	411
Lack of suitable insurance provision	8%	131
Don't think it is the employer's responsibility	11.50%	187
Other	19.80%	322

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Clearly, employers are confused about their rights and the rights of employees and unclear about the help that is available from government and other bodies. A significant 26% cite lack of timely NHS treatment or diagnosis which needs to be addressed. Characteristic of small businesses, a quarter say that it is not possible for them to adapt working conditions or find alternative work for employees because of the nature of the business. 8% also say that lack of suitable insurance provision is a barrier which perhaps reflects the low number of insurance packages currently on the market with health or rehabilitation services attached.

THE 'FEEL-GOOD FACTOR' IN SMALL BUSINESSES

Many small business owners who responded to this survey gave a positive report of attendance at work. They feel that small family firms engender loyalty and that strong leadership and setting an example is important. Valuing people and flexibility on both sides, is seen as key to attendance:

'If people are happy at work then time off due to sickness falls away dramatically'.

Making employees aware of the importance of their role in the organization is vital:

'Communication is very important so that all staff know how important they are within their job role and how their absence impacts on others'.

INCENTIVES FOR STAFF

Business owners responding to this survey use incentives and sickness payments in many different ways, to manage attendance. Incentives include: paying attendance bonuses or Christmas bonuses based largely on attendance; operating employee shareholder schemes.

HEALTH CARE PROVISION

There is anxiety amongst small business owners about the prospect of unexpected long term sickness absence and many respondents recognise the benefits of health promotion for employees. There are, however, mixed views with respect to how much responsibility the employer should take for employees' health. Some respondents hold the view that employers have a duty to support employees who are sick, whilst others feel this is the employee's responsibility. One respondent encourages employees to take regular health checks and another provides routine complementary health care. Several identified delays in getting NHS diagnosis or treatment as a problem, resulting in additional sickness absence.

'NHS delays in attention and care due to waiting lists and unsuitable care that prolongs [the] problem'.

One self-employed respondent felt that health providers should take into account the particular needs of small businesses, and especially sole-traders, for timely access to health care. The need for out-of-hours appointments is highlighted.

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SICKNESS CERTIFICATION AND STATUTORY SICK PAY

Several business owners commented on the lack of Statutory Sick Pay for people who are self employed:

'If I were an employee I'd get State Sickness Benefit because I pay NI. Being self employed I get no State Sickness Benefit even though I pay NI'.

There are concerns that self-certification is open to abuse, and small business owners strongly feel the impact of having to provide full pay for the first three days of illness. Many feel that GP sickness certification is applied too readily.

Some small businesses do not pay any salary beyond Statutory Sick Pay, whilst others do allow voluntary sick leave payments for varying lengths of time. One respondent identified a need for a universal policy for small businesses, with more government support.

The constraints on recovering statutory sick pay also present particular problems for small businesses:

'Major problem is not being able to claim SSP when a small business. We were advised that as a company we had not paid sufficient SSP as a whole to claim'.

'The inability to claim back SSP unless your payroll is of a certain amount is ridiculous'.

Many respondents are daunted by the legislation surrounding management of sickness absence, and want clearer information from government departments. Many of these business owners feel that legislation is balanced in favour of the employee, and that they need more information about their rights as employers.

FINELY TUNED STAFFING LEVELS

Several respondents reiterated that small businesses are finely tuned in terms of staff and skill mix. They employ just the right number of employees, with just the right particular combination of skills. Many feel they cannot permanently resource to cover sickness absence:

'Each member of staff has their allocated work and the surgery cannot operate without them'.

Finding staff with the right skills to cover on a temporary basis is often not a realistic prospect.

Sickness absence may also impact differently on small businesses that employ staff in different ways, for example, sub-contracting for specific services, employing all part-time staff to increase the options for providing cover for absence, or employing hourly paid staff without paying for sickness absence.

7. CONCLUSION AND RECOMMENDATIONS

- Clear and consistent information from Government and other relevant sources needs to be made more widely available about managing sickness absence. Businesses particularly need more clarity on employers' and employees' rights and responsibilities in the process
- The administration of Statutory Sick Pay should be explained more clearly and the process simplified to relieve the headache it creates for small businesses. The ability for small employers to reclaim SSP regardless of their size or their payroll deductions should be implemented so as not to disadvantage the small business employer
- Timely access to NHS health care for all is really important for employers and employees alike to maximise the productivity of businesses. Advice given by GPs and other health professionals needs to take workplace demands and context into account
- Businesses need affordable sickness absence insurance schemes specifically for sole traders and small businesses, improved income protection insurance schemes and clearer information about available private medical insurance schemes

CONTRIBUTORS

This survey was developed by a steering group comprising members of the Federation of Small Businesses (FSB), and the Public Health Resource Unit (PHRU), with input from the Health and Safety Executive (HSE) and the Manufacturers' Organisation (EEF).

Steve Morgan from the South East Public Health Observatory (SEPHO) provided technical support.

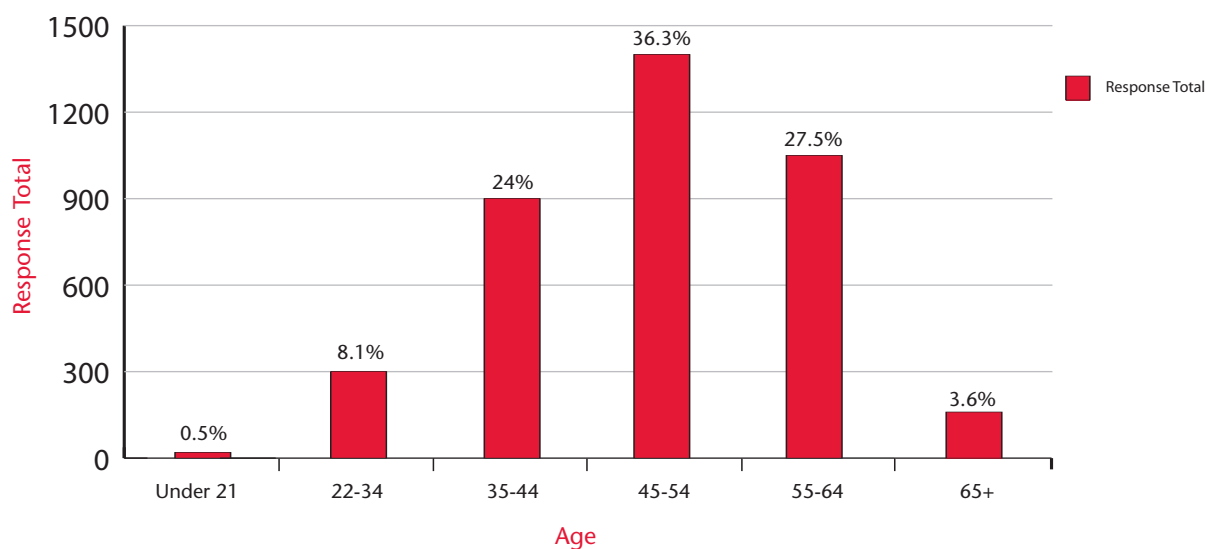
Jackie Bowley and Caroline Greenaway at the Public Health Resource Unit produced the survey report upon which this publication is based. The survey was developed from a Pilot study completed in June 2006.

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ANNEX A

The age distribution of respondents is shown below:

AGE OF RESPONDENT



The distribution of respondents by region is shown below:

Region	Response%	Response Total
East England	7.7	303
East Midlands	7.8	306
London	3.1	122
North East	3.1	123
North West	7	276
Northern Ireland	2.8	111
Scotland	7.4	290
South East	30.3	1186
South West	15.9	622
Wales	3.3	130
West Midlands	6.1	238
Yorkshire/Humberside	5.4	210

ANNEX B

THE IMPACT OF THE BUSINESS OWNER'S ABSENCE ON THE BUSINESS

The percentage of responses to employer absence to each of the questions on 'impact of the owner's absence on the business' is broken down in table B by the existence of cover (the question of financial impact due to costs for additional staff is excluded as it is dependent upon the existence of cover arrangements). The outcome shows that having cover for the employers absence affects how the employer rates impacts on productivity, financial loss, as well as staff morale, with fewer responses for major impact on the business when cover arrangements were in place.

A Chi-square statistic was calculated for each of the four questions looking at the differences in responses between the groups that used cover and the groups that did not. All of the differences in impact (productivity, business finance, income and staff morale) responses between the no cover and cover groups were statistically different from one another. This allows us to conclude that those who use cover experience different impacts on the business.

TABLE B

		No impact	Some impact	Major impact
Impact on productivity	No Cover	47.4%	35.7%	16.9%
	Cover	32.2%	57.2%	10.6%
Financial impact to business	No Cover	54.5%	28.9%	16.6%
	Cover	51.9%	38.7%	9.4%
Impact on business owner's income	No Cover	55.3%	27.1%	17.6%
	Cover	57.8%	31.9%	10.3%
Impact on staff morale	No Cover	75.7%	19.0%	5.3%
	Cover	61.5%	34.6%	3.9%

The impacts on the business also correlated⁹ with the number of days taken off by the employer. Not unsurprisingly, the more absence by the employer increased the likelihood of higher impacts on the business. These correlations were significant ($p < 0.001$) for each of the 5 questions on productivity, cover costs, financial business loss, owner's income and staff morale.

⁹ Spearman rho statistic – a measure of the linear relationship between two variables

ANNEX C: 'IN SICKNESS AND IN HEALTH' SURVEY

(Please note that these questions were presented in web format).

SECTION 1

1. What is your age?

Under 21	35 to 44	55 to 64
22 to 34	45 to 54	65+

2. How many people were employed in your business at 1 April 2005? (Please write in the number, do not use text. If you do not have any employees, please write 0).

3. In which FSB Region is your business?

- North East
- North West
- Yorkshire / Humberside
- East Midlands
- West Midlands
- East England
- London
- South East
- South West
- Wales
- Scotland
- Northern Ireland

4. In which sector of industry is your main business?

- Agriculture
- Mining and Utilities
- Manufacturing
- Construction
- Retail, wholesale and motor trades
- Hotels and restaurants
- Transport and communication
- Financial services
- Business services
- Education
- Health and social work
- Personal services
- Other (please specify)

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SECTION 2: YOUR HEALTH, SICKNESS AND ABSENCE

Notes on completion: This section refers to the health of the business owner/manager. Where data is required please give figures for the past twelve months. Sickness absence does not include maternity, paternity, or parental leave but does include absence for medical appointments.

5. How many days did you yourself take leave from work for health reasons in the last 12 months? (Please write in the number, do not use text). If you have not taken any time off, please go straight to Question 10.

6. What was the length of your longest health-related absence from work? (Please state the number of days. Please write in the number, do not use text).

7. If you have had a health-related absence of more than two weeks, what arrangements were in place to cover your absence?

- No cover arrangements – none needed
- No cover arrangements – unable to fund additional staff
- No cover arrangements – unable to recruit staff with appropriate skills
- A colleague who was not familiar with the management role stood in
- A colleague who is familiar with the business and its management stood in
- Recruited temporary staff from outside the business
- Other – please specify

8. To what extent did your absence impact on your business?

Major impact Some impact No impact Don't know

Impact on productivity (e.g. quality of service, delivery on time, manufacturing output)

Financial impact due to costs for additional staff to cover absence

Financial impact – loss of business profit

Impact on business owner's income

Impact on staff morale

9. Were there any other significant impacts of sickness absence on your business? – Please describe:

.....
.....
.....

10. Has there been an occasion in the past twelve months when you continued to work, despite feeling ill? If yes, please describe the circumstances, including the nature of the illness, and any advice you received from health care professionals, in the text box below:

Yes No Please describe.....

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SECTION 3: EMPLOYEE ABSENCE.

Notes on completion: This section refers to the health of any employees of the business, other than the business owner. Where data is required please give figures for the past twelve months. Sickness absence does not include maternity, paternity, or parental leave but does include absence for medical appointments.

11. Does your business employ any staff? If you answer no to this question, please go straight to Section 4 (scroll to the bottom of the page and click 'next').

Yes

No

12. What was the total number of working days lost by employees for health reasons in the past twelve months? (Please write in the number, do not use text. If there was no employee absence please write 0)

13. Please state the number of employees who had no health-related absence in the past twelve months. (Please write in the number, do not use text).

14. What was the length of the longest single health-related absence from work by your employees in the past twelve months; in months, weeks or days? (Please write in the figure, do not use text).

Months

Weeks

Days

15. How much of a problem does your business have with the following?

Major
impact

Some
impact

No
impact

Don't know

High overall levels of sickness absence

Frequent short-term sickness absence
by some employees

Long-term sickness absence

(more than four consecutive weeks)

16. To what extent did employee absence impact on your business in the past twelve months?

Major
impact

Some
impact

No
impact

Don't know

Impact on productivity
(e.g. quality of service, delivery
on time, manufacturing output)

Financial impact due to costs
for additional staff to cover absence.

Impact on employees' earnings

Impact on staff morale

17. Were there any other significant impacts of employee sickness absence on your business? Please describe:

.....
.....

18. What strategies have you used to cover absence of employees?

(Please tick any that apply).

- No cover arrangements – none needed
- No cover arrangements – unable to fund additional staff
- No cover arrangements - unable to recruit staff with appropriate skills
- Informal cover – tasks were informally absorbed by other staff
- Formal cover – role, tasks or shifts were formally reallocated to other staff
- Recruited temporary staff from outside the business
- Other (please specify)

SECTION 4. MAIN CAUSES OF HEALTH-RELATED ABSENCE

19. What were the main causes of health-related absence in your business in the past twelve months? (Please write in the number of employees).

- Minor illness e.g. colds and flu
- Back pain
- Repetitive strain Injury / Upper limb disorders
- Other joint or muscular problems
- Stress, depression or other mental ill-health
- Other ongoing illness e.g. chest condition, diabetes
- Alcohol or drugs related absence
- Work-related accident
- Other accident
- Personal / family reasons
- Other (please specify)

SECTION 5: MANAGING ABSENCE

20. In the past twelve months, which of the following methods have you used to manage sickness absence (please tick all that apply)?

- Collecting routine data on employee sickness absence
- Providing access to occupational health services for employees (eg. for advice on preventing sickness, promoting health and well-being, advice on rehabilitation for return to work)
- Providing paid leave entitlement for routine health appointments
- Providing paid leave entitlement during long-term absence (more than four weeks consecutively)
- Providing other financial support – e.g. private insurance
- Other (please specify)

21. Which of the following methods have you used in the past twelve months to support employees returning to work after long-term or recurrent sickness absence? (Please tick all that apply).

- Interviewing or maintaining ongoing contact with the employee during absence to plan return to work
- Return to previous role with modifications to hours, tasks, or location
- Change of role without re-training
- Change of role with re-training
- Early ill-health retirement with a pension
- Employment terminated on grounds of ill-health
- Not applicable
- Other (please specify)

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22. How satisfied have you been with any external support services that you have used for managing sickness absence?

Very satisfied Quite satisfied Not at all satisfied N/A unaware of option N/A not used

Informal networks with other small business owners / managers

Contact with Trade Associations

Contact with the Health and Safety Executive

Contact with Workplace Health Connect Advice Line

Contact with Employee's NHS General Practitioner

Contact with NHS Occupational Health Specialist Nurse / Physician / therapist

Contact with other NHS practitioner (e.g. consultant, nurse, physiotherapist, Occupational Therapist, counsellor, psychologist)

Contact with Private Occupational Health consultancy

Contact with other private healthcare provider (e.g. consultant, nurse, physiotherapist, occupational therapist, counsellor or psychologist)

Use of private healthcare insurance for employees

23. Please describe any other support that you have received for managing sickness absence in your business.

24. What are the barriers to successfully managing sickness absence in your business? (Please tick all that apply).

- Confusion / lack of clarity about employers and employees' rights
- Confusion / lack of clarity about the help available from government agencies and departments
- Not convinced that rehabilitation is worth the effort
- Lack of access to health professionals for advice on prevention and rehabilitation
- Lack of timely access to NHS treatment or diagnosis
- Lack of timely access to treatment from private providers
- Employee resistance to rehabilitation
- Not possible to adapt working terms and conditions or find alternative work for employees
- Don't think it is the employer's responsibility
- Other – please specify:
-
-

25. Do you have any additional comments or experiences that you would like to share with regard to sickness absence in small businesses?

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ISBN: 0-906779-63-4

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PUBLISHED BY THE FEDERATION OF SMALL BUSINESSES
Designed and printed in the UK by Spacequest Marketing, London. Tel: 020 8668 6932