



Understanding the cost of employee absence

June 2014

Foreword

Employee absence cost the UK economy a staggering £14 billion in 2012*. Reducing the amount of down time employees have due to illness or injury would undoubtedly reduce this figure significantly.

Some absence due to minor illness or injury is inevitable and for the most part can be managed by employees taking a common sense approach to self treatment. Other illnesses or injuries, however, benefit from some form of rehabilitation intervention and the key is ensuring that those employees who need support services can access them quickly.

Early intervention dramatically improves return to work rates (RTW) but requires an in-depth understanding among HR professionals about the services their employees can access, their role in supporting returning employees and the critical part they have to play in ensuring absence management best practice in their organisation.

Too often businesses do not appreciate the impact improving RTW rates can have on their bottom line and the onus is on HR professionals to make the case for investment in this area. To do that HR professionals must have a solid grasp of the volume, nature and trend of employee absence within their organisation so that they can demonstrate where savings can be made and what additional investment, if any, is required to achieve these.

Reducing the cost of absence for an organisation does not necessarily equate to increased spending however. Smarter use of existing services, better visibility of absence trends and the involvement of HR professionals in the purchase of Employers' Liability (EL) insurance can have a huge impact.

The research QBE conducted in the second quarter of 2014 among senior HR professionals from businesses of all sizes across the UK paints a worrying picture. The lack of awareness of the cost of absence is surprising and one can only assume it is hindering best practice within the organisations surveyed.

In the following report we consider the research findings, provide some insights into why managing absence is so important and the value of rehabilitation intervention. We will also offer advice on how to assess and structure the services that will help get employees back to work as quickly as possible.

Rosie Hewitt

Rehabilitation Manager
QBE European Operations



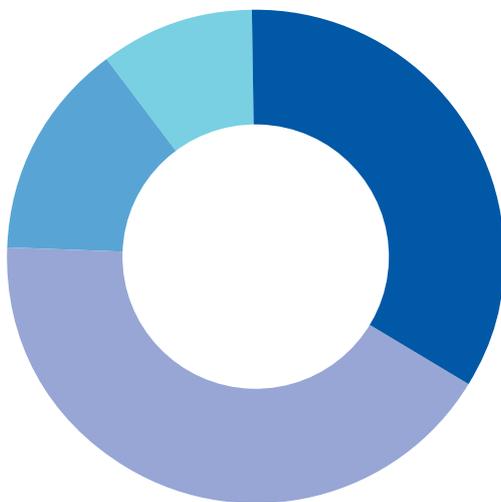
Key findings

- 72% of senior HR professionals surveyed did not know the average daily cost of employee absence for their organisation
- 56% indicated that their organisation's investment in improving return to work rates has either stalled or reduced in 2013
- 62% were not aware of on-going employer's liability claims within their organisation
- Only 34% were actively involved in the purchase of their employer's liability insurance cover
- 64% did not believe that NHS services were actively supporting their organisation in getting absent employees back to work.

Improving return to work rates

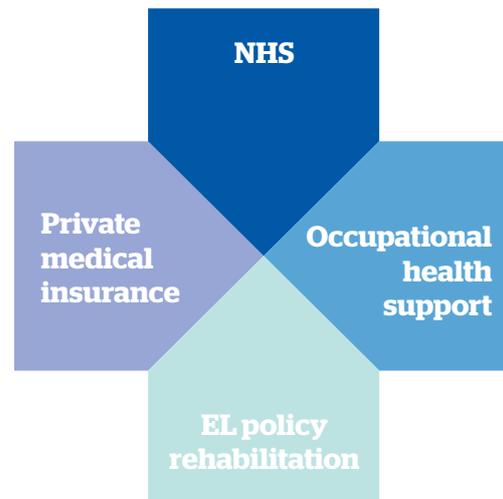
Keeping employees at work and helping them get back to work as soon as possible after an absence can help maintain their health and wellbeing while also maximising productivity. The research found that investment in improving RTW rates has predominantly stalled or reduced for many UK businesses in 2013 so it is essential that those services that are available are being utilised effectively.

Q: What (if any) investment are you/your HR team putting into improving your return to work rates?



- We are increasing investment in this area to reduce absence rates 34%
- Investment in this area has remained static compared to previous years 42%
- Available resources and funds to improve return to work rates have been reduced over the past few years 14%
- None of the above/I don't know 10%

Broadly speaking there are four main sources of support to assist a timely return to work for absent employees



The most effective way to reduce the length of time employees are absent and thereby control associated costs is to jigsaw each of these services together to ensure that the positive attributes of each are maximised and there is no overlap.

Duplicating cover across these sources will not result in more robust support but will very likely cost an organisation more money. Piecing them together to prevent service gaps requires detailed knowledge of what each service offers in addition to how they are funded.

Top tips to improve RTW rates

In addition to ensuring that employees have early and appropriate access to support services, there are a number of actions which will also improve RTW rates.

1. Make an offer of modified work - also known as work accommodation. This is where an employer offers to restructure the role of the injured/ill employee suitable to their abilities to enable them to return to the workplace early and safely.
2. Create RTW facilitators - these are individuals tasked with supporting the returning employee without disadvantaging co-workers. These can be occupational health professionals, a line manager or a rehabilitation case manager.
3. Ensure that line managers are trained in work disability prevention and where relevant are included in RTW planning.
4. Make an early and considerate contact with injured/ill employees.
5. Ensure clear ownership within your organisation to coordinate RTW.
6. Open communication between the employer and healthcare providers regarding workplace demands as appropriate and with the employee's consent.

Fit for purpose rehabilitation

Private rehabilitation companies and rehabilitation case managers work in a UK market that is currently unregulated. Having an employers' liability insurance partner who offers rehabilitation via accredited health practitioners and organisations is pivotal to ensuring quality rehabilitation and that return to work services are utilised. It is particularly the case should an injured employee for example go on and claim against an organisation.

Proving the value of rehabilitation intervention back to your business is also paramount. Quicker RTW rates reduce absence costs but to be able to supply accurate savings estimates HR departments must be clear on what absence costs their business in the first place.

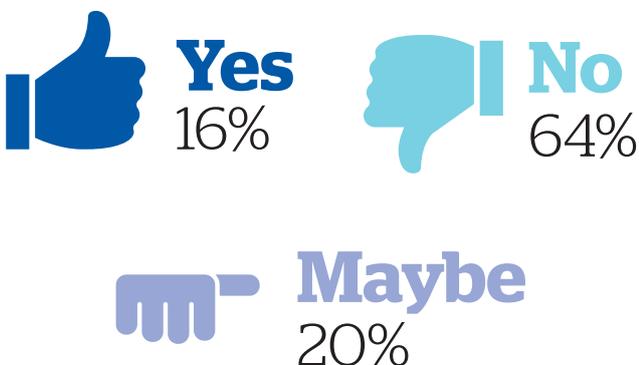
Worryingly 72% of Senior HR professionals surveyed did not know the average daily cost of employee absence.

Q: Do you know the average daily cost of one of your employees being absent (in 2013)?



Where the NHS does fall down is in the longer term care period, which our research findings supported. The research revealed that 64% of the senior HR professionals surveyed did not believe that NHS services were actively supporting their organisation in getting absent employees back to work. As a result, businesses really need to be focussed on how they perform this function themselves and how they can work in partnership with their insurer to achieve best practice.

Q: Do you feel that NHS services are actively supporting your organisation in getting absent employees back to work?



Top tips:

- Do not duplicate. Make sure that any additional services your EL insurance cover provides, over and above statutory requirements, do not duplicate what your business already offers employees. If it does, your business could incur additional cost for no reason.
- Consider whether your EL insurance cover takes into account the level of service being offered by the NHS at the acute stage. This will give you the ability to tailor any employees' rehabilitation programme and ensure it is as cost effective as possible. Furthermore, out of all the services on offer, at the acute stage (day 1 - 3), it is likely that the NHS will deliver the highest quality of care for your employee.

Health and Work Assessment and Advisory Service

Getting absent employees back to work is not currently a priority for the NHS although HWAAS, the government's new Health and Work Assessment and Advisory Service is due to be rolled out in 2015. This is a clear indication of the importance the government is placing on maintaining a healthy and operational workforce although it is worth noting that HWAAS will have a weakness. Its referral point will generally be after an employee has been absent for over four weeks thereby missing that critical window to reap the benefits of early intervention.



Compensation and return to work

Surprisingly 62% of senior HR professionals surveyed were unaware of on-going employers' liability claims within their organisation. Experience shows that employee attitudes and beliefs around their ability to return to work post injury can be hindered by the medico-legal process. Conflicting medical reports or delays in obtaining settlements can lengthen the time an employee is absent which in addition to increasing the cost of their absence also dramatically impacts recovery rates. Employees may also be facing financial difficulties as a result of their inability to work causing them stress which further impacts their speed of recovery.

Having an awareness of those employees currently claiming against your organisation can provide valuable insight into what additional support and services may be required and gives HR departments the ability to intervene to the employee's and organisation's benefit.

Getting the most from your EL policy

Many insurers offer rehabilitation support within their EL policies. The overarching objective is to return injured employees to work as quickly and safely as possible in order to enable policyholders to reduce absence rates, control and reduce the costs of EL claims and to ensure optimum functional levels and quality of life for severely injured employees.

Understanding what services are included or excluded in an EL policy is essential as it allows an organisation to avoid costly duplication and bridge any gaps in service provision. It is also important that businesses understand their responsibilities under an EL policy. Early incident reporting will be a critical requirement and EL policy wordings commonly have specified timeframes around reporting injuries to an insurer.

A good EL insurer will be able to cater for the support required by all levels of injury - from a back sprain to a brain injury. Nearly all insurers however differ in how they go about this but there are three general approaches:

- In-house rehabilitation teams who oversee intervention by third party service providers
- Clinical teams who triage and manage employees directly
- Outsourcing the entire function to private rehabilitation providers.

Typically the rehabilitation element of an EL policy will cover:

- A triage assessment of employees to assess the extent of the injury and recovery phase
- Diagnostics and treatments - eg X rays/MRI scans, physiotherapy
- Return to work assistance/planning.

There may also be several mental health services available but be mindful that not all will include stress management support. A forward-thinking and proactive insurer would cover:

- Self help advice
- Face to face Cognitive Behavioural Therapy (CBT)
- Eye Movement Desensitization and Reprocessing (EMDR)

Surgery may be available as part of the rehabilitation package.

Legal liability

It is common for an insurer-led rehabilitation service to be attached to legal liability so for accidents where your organisation is deemed to be liable, the insurer is more likely to fund rehabilitation. This is particularly the case for minor injuries and therefore low value claims.

However, for complex injuries such as amputations, the focus can be less on liability and more around organisations acting responsibly. In cases such as this, open and honest dialogue between a policyholder and its insurer is essential and will generally result in a positive outcome for the injured party and their employer.

What business leaders should be asking

As a business insurer, QBE works with many organisations to help them assess, manage and mitigate their insurable risks. In many cases, our support and guidance enables clients to reduce insured losses which leads to operational cost savings and business efficiencies.

Questions business leaders should be asking include:



Am I effectively exploiting the resource and expertise of my insurer to help me assess, manage and mitigate work related absence in my business?

Forward thinking insurance companies will actively seek to work with their clients to improve their business, including return to work timeframes following accidents and can bring, and help apply, a wealth of best practice experience from a multitude of sectors.

Am I owning the problem and putting rehabilitation high up on the corporate agenda?

Best practice companies are those whose leaders facilitate and proactively support return to work policies.

To what extent is the culture of my organisation inhibiting a best practice approach to work related injury absences and return to work management?

Where are the blocks and why do they exist? How can I instil a culture to embed proactive assessment of employees injured at work and rehabilitation to support them back? Are my HR teams and insurance buyers aware of what services are available within our EL policy?

Do I understand the return on investment of implementing best practice rehabilitation and return to work procedures?

Better productivity, operational cost savings, informed decision making, improved employee morale.

How the research was conducted

The research was conducted by an independent research agency via an online survey of 50 senior HR professionals across the UK.

Respondent demographics were as follows:

No of employees



● 2 - 9	4%
● 10 - 51	8%
● 50 - 249	24%
● 250 - 999	24%
● 1000+	40%



About QBE

QBE is a business insurance specialist. We understand the risks businesses face and support organisations from a diverse range of sectors in managing and mitigating their risk enabling them to realise their objectives. An A+ rated insurer, we have the appetite and capacity to provide cover for businesses of all sizes.

As well as employers' liability cover, our extensive product range includes:

Accident and health (inc commercial PA and business travel)	Pharmaceutical and medical
After the event insurance	Political risk and terrorism
Commercial crime	Product guarantee and recall
Commercial combined	Product protection
Contractor all risks/EAR	Property
Energy, offshore and onshore	Reinsurance
Entertainment and leisure industry	Scheme underwriting facility
Environmental impairment liability	Specie
Financial and professional liability (Director's & Officer's, Professional Indemnity)	Surety
General liability (Employer's Liability, Public Liability, Tradesman)	Trade credit and bonds
Marine	Warranty and GAP
Motor Commercial (inc fleet, haulage, bus and coach, motor trade)	

Rehabilitation

Effective return to work support and planning is a feature of all successful organisations – and it's one of our rehabilitation considerations. We work closely with our clients to supplement and improve their return to work services, minimising their exposure to risk and helping to reduce the costs associated with work related injuries and also claims costs.

We stand by our claims

Inevitably, claims do occur. That's when businesses really discover the value their insurance company delivers. We pride ourselves on our positive attitude and proactive approach to claims management. Our claims teams have a deserved reputation for the professional, efficient and sympathetic way they work with brokers and clients when losses are incurred.

Local knowledge

UK underwriting offices: London, Belfast, Birmingham, Bristol, Chelmsford, Glasgow, Leeds, Manchester and Stafford.

To find out more

For more information about QBE and how our rehabilitation services can help your business, please visit our website

QBEurope.com/rehabilitation

QBE European Operations

Plantation Place, 30 Fenchurch Street, London EC3M 3BD

tel +44 (0)20 7105 4000

QBEurope.com

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4881/GC/EMPLOYEEABSENCEREPORT/JUN2014

