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**To:** Personnel Committee

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**Subject:** Contractual Sick Pay

**Classification:** **Unrestricted**

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**SUMMARY:** This paper provides the Committee with an analysis of the issues relating to contractual sick pay and invites Members to consider any further areas of modelling on staff absence.

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## **1. BACKGROUND**

In 2006 Human Resources initiated a 4 year action plan aimed at improving the attendance of KCC staff. It joined employee relations, health & safety and well being activity to drive the initiative. Implementation of the plan has produced a significant and sustained improvement in attendance (from circa 11 days/fte to below 8 days). The work undertaken to deliver this plan and the on-going support from HR has seen a cultural shift with managers working to deliver improvements.

This report presents an analysis of current contractual sickness entitlement. The analysis used non-schools information as detailed information on sickness in schools is currently unavailable. This document adds context to the results, outlines ER implications and develops conclusions based on KCC's current position and the previous, and ongoing work, to manage attendance and performance in the workplace.

## **2. SICKNESS LEVELS IN THE UK**

The Chartered Institute of Personnel's annual absence survey has been used as a benchmark to assess goals and achievements in managing attendance in comparison to local government and other sectors.

The 2010 report indicated that the overall average absence level across all sectors in 2010 was 7.7 days per employee with the local government average at 10.3 days per employee. The Health sector also experiences an average of 10.3 days per employee.

### 3. KCC'S SICKNESS ABSENCE

Since the 4 year Health, Well-being and Attendance (HWA) action plan was implemented in 2006/07 Kent County Council has seen a sustained improvement in its attendance levels. Numbers of days lost per fte have fallen over the period.

Year	Days lost per FTE
2006/07	11.05
2007/08	11.35
2008/09	8.71
2009/10	8.56
2010/11	7.83

This shows a reduction of c.30% in the number of days lost per FTE in the last five years. If you take into account changes to the size of the organisation, subtle changes to the employee profile and base a calculation of the financial size of this change on 2010/11 salaries this would compare to a productivity saving of £2.5m (over 5 years) against a cost in 2010/11 of £8.2m.

Kent County Council's current levels of sickness compare favourably with the benchmark statistics from the Chartered Institute of Personnel's survey. However, there does remain room for improvement in some areas which is achievable through building on the initiatives that have previously been put in place and providing further support to managers through the new HR structure and initiatives such as Kent Manager.

Whilst the overall sickness figure for the Council is important when considering contractual sick pay it is important to understand the trends in sickness. This enables any analysis of the options to appreciate how the selected option will either impact on the authority's ability to manage absence, or if an option, whilst saving money, may see a rise in absence or if a particular option will significantly impact on a certain group of staff.

### 4. KCC'S SICKNESS TRENDS

Based on sickness figures for the last three financial years (excluding schools staff) it is known that:

- Most people take 1-7 days off (c.82%)
- 66% of people take 1-3 days off
- Fewest people take long term absence (28 days or more) c.7.5%
- The top 4 reasons for sickness were musculoskeletal, stress (not mental health related), mental health and gastro-intestinal conditions.

For a number of years Kent County Council has not only been monitoring the overall levels of sick leave but also has been analysing what types of employee take it as well. This analysis has told us that:

- **Length of Service** – people are more likely to take more sick leave after a couple of years service and between years 8 and 9
- **Gender** - There is no significance in the pattern of sickness absence by gender. The analysis shows that peaks and troughs tend to mirror possible trends relating to length of service and age but not to gender. However, since KCC employs a high percentage of female employees (over 75%) it is likely any reduction in sick pay entitlement would have a significant effect on women.
- **Age** - Analysis on age and absence confirms people access sickness benefit at all ages and that the number of days lost increases significantly with age. KCC's demographics indicate, in common with the wider workforce and local government generally, an ageing workforce. The average age of a KCC employee is 45 years. The average new starter is around 37 years old. The Council's current workforce profile combined with the apparent trend for people to take more sickness with age presents a significant dilemma when considering measures to improve attendance. It is highly likely that any cut in sickness benefit will detrimentally affect those who are older.
- **Salary** - The data suggests that those who earn under £30,000 per year are more likely to take more paid sick days than those earning over £30,000. This is likely to reflect a number of factors including the type of job, the degree of control and influence and work and domestic flexibility.

## 5. KCC'S CURRENT SICK PAY SCHEME (KENT SCHEME EXCLUDING SCHOOLS)

- Current sick pay structure is derived from the 'green book' or the National Joint Council for Local Government Services terms and conditions of employment and is common in structure to most local authorities
- Sick pay is contractual which means changes to it would require individual, as well as collective, negotiation to implement. The unions' position would be to retain the current provision.
- Our current contractual sick pay structure is as follows and is available to all members of staff irrespective of their grade. Exceptions to this are limited to staff who have very short term contracts, casual staff and some specific staff groups in Commercial Services who are entitled only to statutory sick pay.

<b>Service Required</b>	<b>Entitlement</b>
Up to 4 months service	1 month full pay
During year 1 (after 4 months service)	1 month full pay + 2 months ½ pay
During year 2	2 months full pay + 2 months ½ pay
During year 3	4 months full pay + 4 months ½ pay
During year 4 and 5	5 months full pay + 5 months ½ pay
After year 5	6 months full pay + 6 months ½ pay

- The structure of sick pay varies considerably by sector and organisation type although in most cases service related incremental increases in sick pay are standard. In some cases there remain differential sick pay structures for managerial and 'staff' grades. For comparison a range of employer approaches were considered to determine which options to model including those who offered anything from the statutory minimum to 50 weeks at full pay with 10 years service.

## **6. ACTIONS TO DECREASE SICKNESS ABSENCE**

Since 2006 a 4 year action plan, Health Well-Being & Attendance, has been in place. It was designed to tackle the way KCC handled sickness absence. The plan focused on improving attendance by reviewing systems, procedures, practice and support as well as, most significantly, building managerial confidence.

Existing benefits and policies were reviewed to ensure the Authority's employment proposition remained fit for purpose and was able to impact on some of the pressures people experience in balancing work and home; which can affect attendance.

Kent County Council has also introduced facilities to enable better managed periods of absence. The types of initiatives introduced included carer leave, flexible working options and a shorter, more attractive, career break scheme. Equally important well being activities have focused on proactive health management and the top reasons for absence which include stress, mental health and musculoskeletal.

### **Examples of HWA Achievements to date:**

- **Reduced Long Term Absence**  
One of the most significant achievements under the plan the on-going reduction of long term sickness absence attributed to the concerted efforts of HR staff to support managers in dealing with these cases.

- **Better sickness reporting** - on-line sickness reporting has helped managers and staff manage this more effectively. This has not only achieved productivity savings in terms of processing but with the improved categorization of sickness provides a clearer picture of the causes and patterns of absence.
- **Better Management of sickness absence** – managers in all directorates receive monthly sickness statistics and are actively supported by HR to achieve outcomes including redeployment, dismissal or termination of contract by other means. There have also been targeted interventions in service areas where there has been high levels of sickness absence. Refresher training for managers has resulted in a higher level of ‘casework’ on sickness absence overall.

The achievements that have resulted from the HWA initiative have endured beyond the period of the action plan indicating that the measures put in place have the potential to have a lasting effect on the Council’s sickness absence statistics. Maintenance and further improvement of attendance levels in the organisation will also be supported further as a result of HR now having a single Business Support team.

## **7. CONTRACTUAL SICK PAY MODELS**

Whilst continuing investment in the management of sickness absence, the Authority has the option to further consider changes to contractual sick pay provision. The following models have the potential to save the County Council money but would require further analysis to determine the extent of their impact. Whilst nearly all the options described would save money these savings would not be easily realised by the Authority. This is because the ‘savings’ described are purely productivity savings and limited to the actual cost of sickness. They do not take into account replacement costs (agency or internal), sickness administration or advice, OH advice or the cost of SSP. These costs have an impact on the overall levels of savings that can be achieved.

The possible models are as follows:

### **7.1 Keep the current scheme**

No change but continue to invest in absence management

### **7.2 No entitlement in the first year of service**

No sick pay to those in their first year of service.

### **7.3 No payment for the first three days of sickness. Payment thereafter in line with existing entitlements**

No payment for the first 3 consecutive days of absence, in line with Statutory Sick Pay conditions.

### **7.4 Full pay only for existing entitlement (removal of half pay)**

Only full pay at the current entitlements (e.g. someone in their 6<sup>th</sup> year of service would be entitled to 6 months full pay and no half pay at all).

### **7.5 Reduce current entitlements by 10%**

Current entitlements reduced by 10% (e.g. someone in their 6<sup>th</sup> year of service would be entitled to 6 months at 90% of their full pay and 6 months at 40% of their pay)

### **7.6 Reduce current entitlements by 20%**

This is as detailed in the option above but the entitlements are reduced by 20% (e.g. someone in their 6<sup>th</sup> year of service would be entitled to 6 months at 80% of their pay and 6 months at 30% of their pay).

### **7.7 Sliding scale of percentage reduction in existing entitlements**

This model reduces current entitlements on a sliding scale related to years of service.

### **7.8 Reduce all of current entitlements by 50%**

Reducing all entitlements by 50% (e.g. someone in their 6<sup>th</sup> year of service is currently entitled to 6 months full pay and 6 months half pay under this option they would receive 3 months full pay and 3 months half pay).

### **7.9 Rolling aggregate entitlement over 3 years**

A proposed aggregate entitlement for those between 0 and 3 years of service would be 1 month full pay and 2 months half pay. Sickness periods are accumulated over the three years and once the full entitlement is exhausted employees then receive nil pay

### **7.10 Remove the sick pay scheme**

Remove all contractual sick pay but pay statutory sick pay.

## **8. SUMMARY**

There is a potential for savings through remodeling our current sick pay scheme, albeit these savings are not easily realised by the organisation as they are productivity savings. Also, given the challenge associated with making and negotiating a significant contractual change, this financial benefit may end up being felt over an extended period, i.e. by introducing changes for new staff rather than existing employees. The current pay and employee relations climate do not lend themselves to any further reduction in 'the KCC offer', actual or perceived.

A model that would have a significant impact in the first instance could be to take the radical step such of cutting the first 3 days sickness, a model adopted by some retail organisations. However, in KCC, this kind of model is likely to have a significantly detrimental effect on our staff group and to affect disproportionately less well paid staff and women. It also has the potential to impact on those who have more regular sickness through a disability. Also, people who work with vulnerable service users and the public are, in some services, actively discouraged to attend work if unwell.

The greatest impact to be achieved in terms of reducing days lost is through the reduction of long term sickness. Sickness absence trends in KCC show that long-term sickness absence is experienced by c.7.5% of the people who have time off work ill. Therefore it is important to continue managing this group of staff to reduce the amount of time off taken to decrease the impact on the organisation. Some success has already been made on bringing these levels down and with the support of HR an increasing impact can be achieved through sharper focused line management interventions.

Initiatives implemented through the HWA Action Plan have impacted upon the level of managerial responsiveness and accountability for sickness as well as building on the preventative measures that will increase individuals' awareness of their health and generate joint responsibility for managing health at work.

Cutting either sick pay entitlement or access to it is only one means of attempting to affect attendance levels and would not necessarily have the effect of reducing sickness absence.

This should also be considered alongside the impact that significant organisational change has on sickness absence. It can have a major impact on staff stress levels and one of the most common symptoms of this during organisational change are sickness absence and poor performance. Alongside this levels of employee engagement, which can be a predictor of sickness, are likely to be impacted by periods of change if not managed well.

Kent County Council has made a range of changes to the offer it makes to staff, some of which have resulted in costs savings and some that support staff in the workplace. Any change to contractual sick pay entitlement would significantly amend the offer the Authority makes to staff and would present a challenge in its implementation due to having to obtain either collective or individual consent to the contractual change. Alternatively any change made unilaterally runs the risk of litigation against the council.

Any identified savings would not be easily realised by the organisation as they will be productivity savings. Also, the organisational change currently under way also has the potential to impact on the performance of the organisation. It is important that HR continue to support management in managing levels of performance and attendance amongst their staff through building on the significant achievements the HWA initiative has made. It is also vital to continue to review and adapt the organisational strategy for supporting staff and managing down levels of staff absence in the Council

## **9. RECOMMENDATIONS**

Personnel Committee is invited to

- a) note the analysis of staff absence and
- b) indicate any further required areas of modelling on staff absence

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