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A report from The Economist Intelligence Unit.

# OUT OF OFFICE

AN OVERVIEW OF WORKPLACE ABSENTEEISM IN EUROPE



Supported by:



# Contents

About the report	2
Executive summary	3
Introduction: Diagnosing workplace absenteeism	5
In search of cover	6
Put it on the employer tab	8
Improving Europe's prognosis	10
Conclusion	13
Appendix	14

## About the report

*Out of office: An overview of workplace absenteeism in Europe* is an Economist Intelligence Unit (EIU) report, supported by Pfizer. It examines the causes of sick leave, how the cost of sick leave cover is divided between state, employer and employee, and how workplace absenteeism can be prevented. The report draws on two main sources for its research and findings.

● Desk research undertaken by the EIU in December 2013 to review regulation governing how the cost of sick leave is shared between employees, employers and the state in 17 European countries. The research focused on:

- the number of sick days an employee is entitled to
  - the period of sick leave covered by the employer
  - the proportion of salary the employer is required to provide
  - state provision of sickness benefit
- A series of in-depth interviews with senior business executives and leading experts:
- Mark Agius, spokesman, European Depression Association

- Claudia Menne, confederal secretary, European Trade Union Confederation
- Xenia Scheil-Adlung, health policy co-ordinator, International Labour Organisation
- Dimitris Theodorakis, European policy officer, Union Network International
- Donna Walsh, executive director, European Federation of Neurological Associations

The EIU also received comments from:

- Laszlo Andor, European commissioner for social affairs, employment and inclusion
- Tristan Lormeau, director of resources and group management, Renault
- Ralf Urlinger, vice president of health management, BMW Group

We would like to thank all interviewees and commentators for their time and insight. The report was written by Lois Rogers and edited by Sara Mosavi.

# Executive summary

At the turn of the 20th century, soon after the Curies had stumbled upon radium, an American company began to mix the radioactive substance with paint. They hired young girls with small and nimble hands to turn ordinary household objects into glow-in-the-dark futuristic furnishings, using the newly developed coating. Despite the company being aware of the risks, the workers wore no protection, and were encouraged to lick the paintbrushes to achieve better lettering. Going into work would soon become impossible for the young girls: jaw pain, rotting nails and an early death would be their fate.

In the modern workplace, such recklessness is rarely seen today. Still, work-related ill health, according to the European Agency for Safety and Health at Work, can cost EU member states anything from 2.6% to 3.8% of their GDP.<sup>1</sup> Add to that absences caused by factors unrelated to work, and the costs quickly rise. Given Europe's ongoing economic troubles, employees missing work and the resulting losses in output are a concern for both employers and national governments.

This report by The Economist Intelligence Unit discusses the biggest causes of sick leave in Europe; examines how sick leave cover is split between the employee, the employer and the state; and considers how both policymakers and

businesses are working to prevent workplace absenteeism.

The main findings are as follows.

**Benefits to cover sick leave vary significantly across Europe.** Our research brought to light a complex web of national regulatory frameworks determining how sick leave cover is to be split between the employee, the employer and the state. In each country, benefits are determined by a different range of factors, including age, length of service and sector. As a result, the proportion of sick leave benefits that is paid for by employees, employers and governments in different countries can vary significantly. In Germany, Denmark, Austria and Belgium, for example, the burden on employers is considerable. Elsewhere, including in the UK and Ireland, employees may have to rely on the state, and ultimately their families.

**Employees working while ill pose a risk to businesses.** Offering very limited sick leave benefits or none at all can help to lower rates of workplace absenteeism. The savings made, however, need to be assessed in light of more employees going into work despite being ill. The losses in productivity, the spread of infectious diseases and the increased likelihood of being injured are all potential consequences of

<sup>1</sup> "Socio-economic costs of accidents at work and work-related ill health", Directorate - General for Employment, Social Affairs and Inclusion, European Commission, 2011.

presenteeism. By protecting employers from having to provide sick leave cover, national governments also inadvertently encourage their complacency in tackling work-related causes of ill health.

**Workplace improvements can help employers reduce the number of sick days.** A few companies, such as the German car manufacturer BMW, are taking the lead with initiatives aimed at reducing rates of absenteeism. These include redesigning the workspace to suit the demographics of their workforce; providing easy and quick access to healthcare once employees fall ill; and offering access to counselling. As

part of their efforts, businesses should also ensure that managers are capable of identifying workplace triggers of ill health and spotting symptoms among employees as soon as possible.

**Better information-sharing between European countries could help identify best practice.**

National governments in Europe are unlikely to give up control of sick leave regulation. A key role for the EU, then, is to build systems that allow for comparisons between national systems, which would help national policymakers identify and pursue best practice.



# Introduction

## Diagnosing workplace absenteeism

National “Sickie Day” has become notorious in the UK. Every year on the first Monday in February British newspapers are plastered with stories about hundreds of thousands of people calling in sick on that day and with estimates of how much it is going to cost the economy. Post-Christmas blues, miserable weather and ill health all play a part.

During the rest of the year the reasons for absence from work are much broader. Minor illness such as a cold or flu, or chronic illness such as arthritic disease, depression and stress, childcare, elderly care and bereavement are all part of the picture. For European workers in particular, musculoskeletal pain is a concern: nearly half of all absences in the EU from work lasting more than three days are caused by musculoskeletal disorders (MSDs), which can affect the body’s muscles, joints, tendons, ligaments, bones and nerves.<sup>2</sup> A report last year by The Work Foundation, a British think-tank, predicted that at current rates half the European workforce would be diagnosed with back pain or a similar musculoskeletal disorder by 2030.

Workers’ mental health also poses a serious challenge to employers and policymakers. “Once people are suffering psychological illness, they are not going to be off for a day or two; they are going to be off for a long time,” says Claudia

Menne, one of four confederal secretaries at the European Trade Union Confederation, which is in charge of social protection issues for about 60m workers in 30 European countries.

Over the last few years European employees’ mental health has been under increased strain because of cost-cutting measures in the workplace introduced in response to continuing economic pressures. In the third quarter of 2013 alone the European Restructuring Monitor recorded 345 cases of restructuring, involving over 96,000 job losses.<sup>3</sup> “Our studies show that if employees feel involved in discussions over redeployment and changes in working practices, they are far less likely to go off sick,” says Ms Menne.

Another concern for employers is the impact of degenerative diseases, such as Parkinson’s and Alzheimer’s, on Europe’s ageing workforce, according to Donna Walsh, executive director at the European Federation of Neurological Associations. Many of those affected by neurodegenerative diseases, currently about 9m Europeans, want to remain at work explains Ms Walsh, but few European countries offer adequate protection and support—and those affected can face discrimination.

The reasons why employees miss work are many and wide in range. But who ends up picking up the tab for the workdays lost?

<sup>2</sup> S Bevan, “Reducing Temporary Work Absence Through Early Intervention: The case of MSDs in the EU”, The Work Foundation, 2013.

<sup>3</sup> “Job creation and job loss at a glance”, European Restructuring Monitor, January 2014. Available at: <http://www.eurofound.europa.eu/emcc/erm/templates/displaydoc.php?docID=82>

## 1

## In search of cover

The number of days lost to sickness can be hard to predict, and with an ever-ageing workforce, their consequences may be costly. As part of the research for this report, The Economist Intelligence Unit set out to understand how the cost of workplace absenteeism is distributed in Europe between the state, the employer and the employee (see pages 8 and 9). To do so, we analysed the regulations and provisions for sick leave across 17 European countries. The study considered two periods: one month and one year of employee absence. By doing this, we could take account of the fact that the degree of burden can vary significantly depending on the length of time taken off: benefits can be generous over one month, but may drop off hugely over the course of one year.

While all countries featured in the research provide some form of sick leave benefit, the provisions across member states are far from uniform. Our research unearthed a complex web of national regulations that is difficult to compare and contrast, with provisions influenced by any number of factors including age, type of employment, industry, length of service and social insurance contributions. To add to that, there are also great variations in the definition of reasons for sickness absence, and some administrations even include events such as maternity leave, which wildly alters the figures collected.

In Ireland, for example, a large proportion of sick leave cover is provided by the state using employees' social insurance contributions, which gives employers little incentive to prevent

sickness absence. The Irish government is, however, taking steps to reduce its costs: in January 2014 it announced that employees will no longer be entitled to any benefits for the first six days of a claim, up from three days previously. The impact of this new policy on both employers and employees is yet to be measured. In contrast, the Polish government uses age as a differentiator for the level of benefit entitlement. Workers aged under 55 are entitled to 33 days of employer-paid sick leave, while those over 55 get only 14 days. Europe's uneven playing field, coupled with the difficulties of predicting the rate of absences, makes this a challenge for companies looking to expand or move their operations.

In analysing the level of cover available for one month and for one year of sick leave, the study found that the employer's liability drops considerably the longer an employee is sick. In Austria, for example, the employer is required to cover the employee's full salary for one month of sick leave; for one year of sick leave, the proportion of the salary Austrian employers are legally required to cover drops to just 15%. Long-term sick leave is much more likely to be caused by a serious condition, and can make it much more challenging for the affected employee to return to work. Lowering the employer's liability in these cases discourages them to help employees get back to a normal working life, where it is possible.

The study also highlights stark contrasts between countries where employers bear the highest cost of time off work, and those where employees

are left reliant on whatever social security might still be available. In Germany, Denmark, Austria and Belgium the burden on employers is considerable, when considering one month of sick leave. Elsewhere, including in the UK and Ireland, as well as poorer countries such as Portugal, Italy, Greece and Spain, people may have to rely on the state, and ultimately their families. Given the economic troubles these last four have suffered in recent years and the health of their national coffers, it is remarkable that the state and employees have to cover a larger proportion of sick leave benefits than employers do.

Xenia Scheil-Adlung, health policy co-ordinator at the International Labour Organisation (ILO), believes that it should make little economic difference at a national level where sick pay comes from, provided funding is adequate and the individual is not thrown into poverty by illness. "High expenditure on paid sick leave is linked to a significantly higher economic productivity, and the corresponding gains more than balance out the cost," Ms Scheil-Adlung says.

Research by the ILO found that Austria, Luxembourg and Germany have average rates of workplace absences related to sickness, despite offering some of the most complete benefit schemes and highest income replacement rates. Conversely, countries that limit benefits to a greater extent, such as the Czech Republic, Slovakia and Sweden, show the highest numbers of workplace absences.<sup>4</sup> That said, reducing benefits drastically or offering none at all can result in the lowest number of workdays lost, as demonstrated by the UK and Portugal. The savings made from reducing benefits, however, should be assessed against the cost of employees continuing to work despite being ill.

## Always there

Presenteeism, according to Ms Scheil-Adlung, can be very detrimental to companies and economies. According to estimates by the Institute for Women's Policy Research, in 2009, when the economic crisis and the H1N1 swine flu pandemic occurred simultaneously, up to 7m people caught the disease in America because infected employees with no sickness entitlement continued to work.<sup>5</sup> That is a huge cost, but in the same year Germany, which has comprehensive sickness cover, reported the lowest number of sickness absences ever recorded.

Pressure to attend work when sick can have an effect on occupational injuries for workers too. A 2012 study produced by the American National Institute for Occupational Safety and Health showed that in the United States workers with access to paid sick leave were 28% less likely to be injured at work than those without such sickness cover. In other words, sick workers coming to work were more likely to have accidents, causing a potentially greater cost to the business.<sup>6</sup>

Presenteeism is not just an American phenomenon. According to the Fifth European Working Conditions Survey of the European Foundation for the Improvement of Living and Working Conditions (Eurofound), nearly two-fifths (39%) of European workers taking part in the study said they had gone into work while ill.<sup>7</sup> In the UK, over one-third (34%) of organisations surveyed by the Chartered Institute of Professional Development reported an increase in the number of people going into work while ill.<sup>8</sup> Fears of losing one's job, restructuring, downsizing and financial worries are all reasons for the dangerous and costly presence of the sick at work.

<sup>4</sup> X Scheil-Adlung and L Sandner, "Wage continuation during sickness: Observations on paid sick leave provisions in times of crises", International Labour Organisation, 2010.

<sup>5</sup> R Drago and K Miller, "Sick at Work: Infected Employees in the Workplace During the H1N1 Pandemic", Institute for Women's Policy Research, January 2010.

<sup>6</sup> A Asfaw, R Pana-Cryan and R Rosa, "Paid sick leave and nonfatal occupational injuries", American Journal of Public Health, Vol. 212, No. 9, September 2012.

<sup>7</sup> Fifth European Working Conditions Survey, Eurofound, Publications Office of the European Union, 2012.

<sup>8</sup> Absence management: Annual survey report 2013, Chartered Institute of Personnel and Development, 2013.

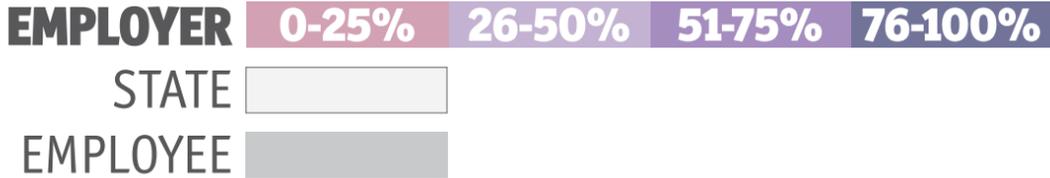
# PUT IN ON THE EMPLOYER TAB

## WHO HAS TO PAY WHEN AN EMPLOYEE TAKES SICK LEAVE?

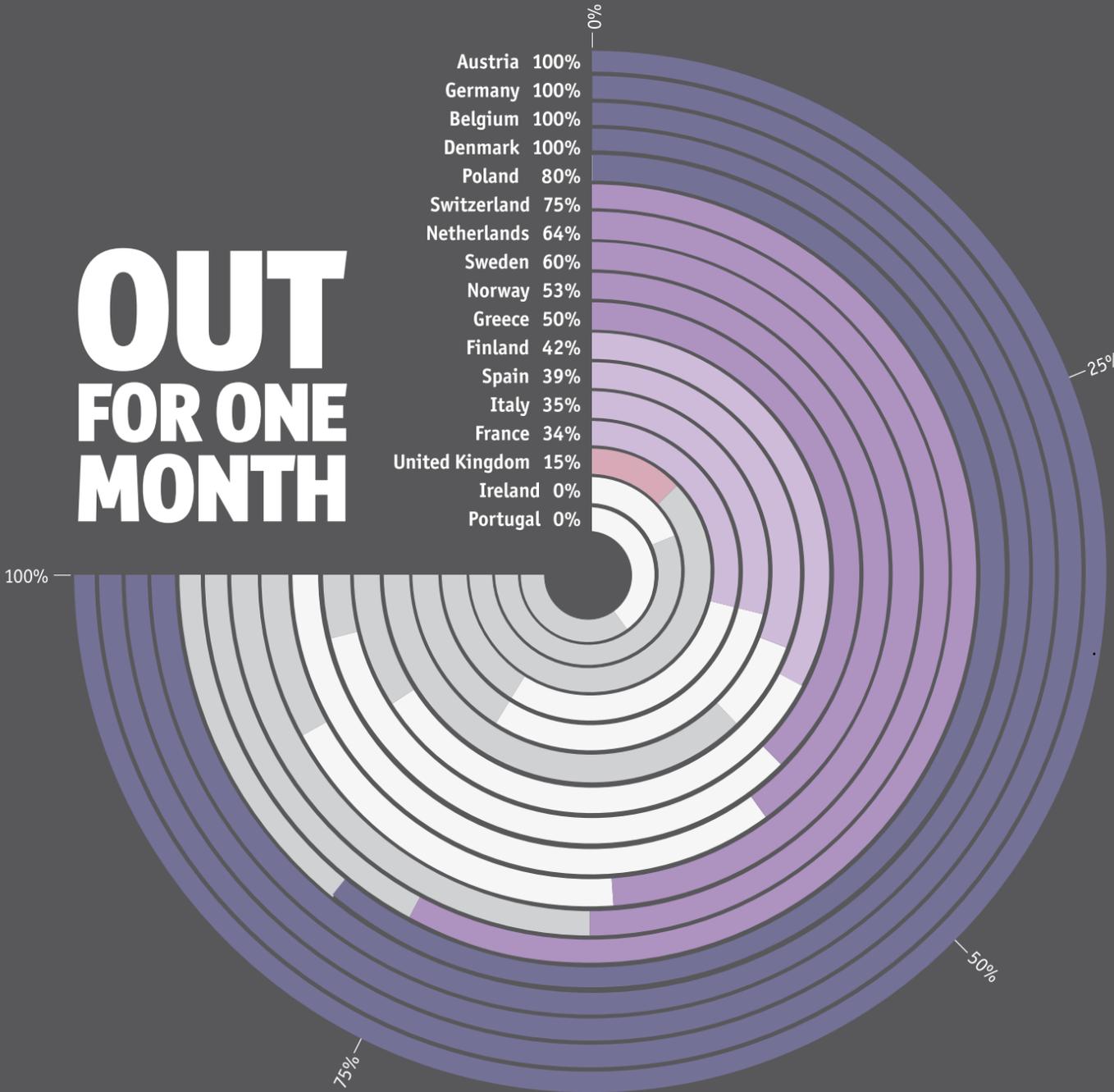
Each ring in the charts below represents one of the 17 countries in the study. The rings highlight the proportion of a salary that is covered by employers during sick leave, as well as the proportion covered by the state and employees. In Sweden, for example, 60% of a worker's salary is paid by their employer for one month of sick leave. The remaining 40% is split between the state and the employee.

### KEY

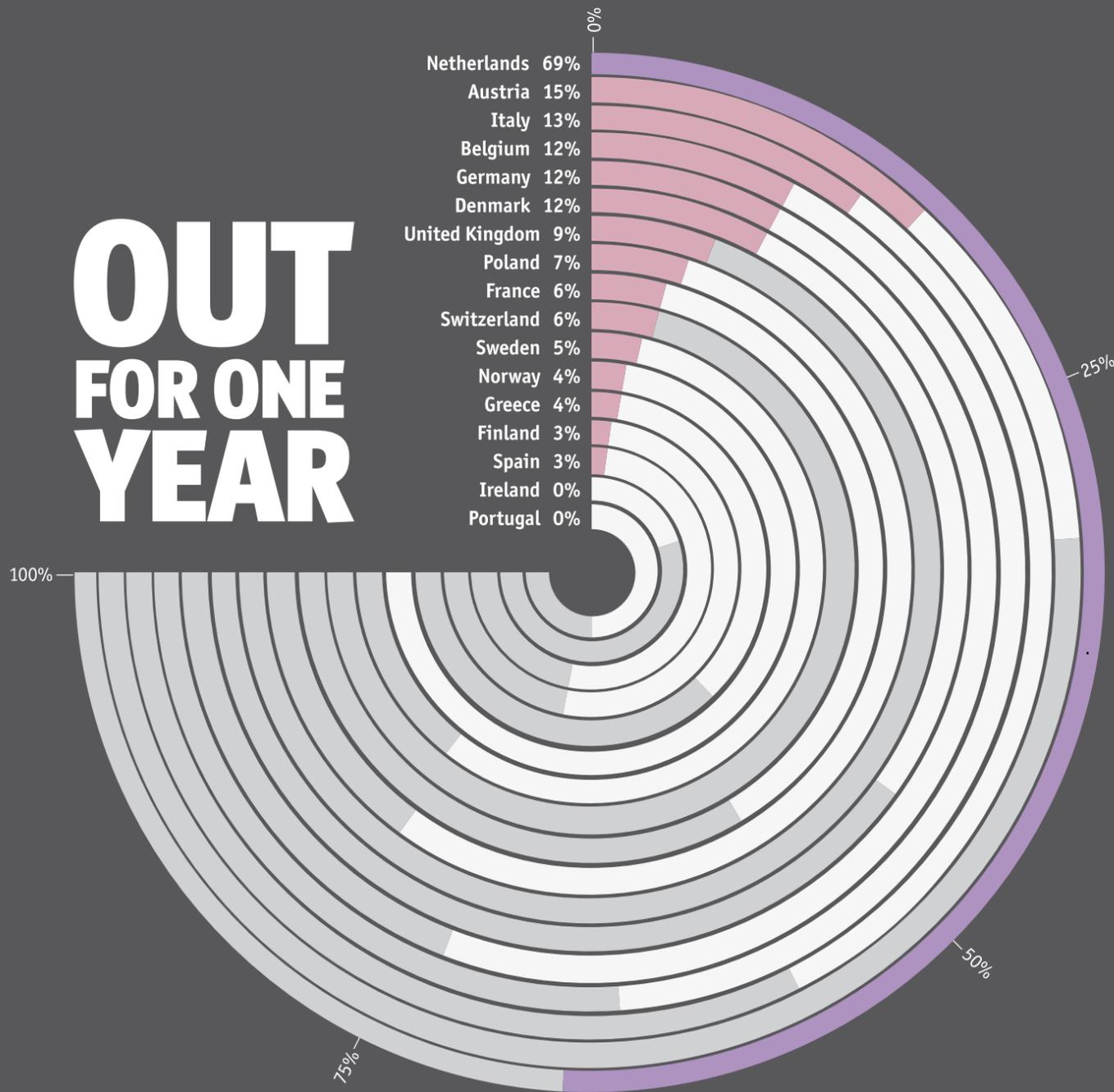
PROPORTION OF SALARY COVERED BY:



# OUT FOR ONE MONTH



# OUT FOR ONE YEAR



Assumes 21.6 working days per month, and employee with 10 years of service who has made the minimum required social insurance contributions. For additional notes, please see the Appendix.

## 2

## Improving Europe's prognosis

A few European governments have introduced policies to minimise the impact of long-term sick leave on the economy. For example, since 2007 Finland has helped employees suffering from long-term sickness by offering the opportunity to work part-time instead, to avoid them dropping out of the labour market altogether.<sup>9</sup> And in the Netherlands, where benefits are generous anyway, employers can be forced to pay an employee's sickness benefit for a second year if they are deemed not to be doing enough to get the employee back to work. However, proving that the employer is to blame for long-term sick leave remains a grey area.

<sup>9</sup> "Part-time sick leave found to speed up return to work", European Working Conditions Observatory, April 2012, based on an article by Simo Virtanen and Eira Viikari-Juntura, Finnish Institute of Occupational Health. Available at: <http://www.eurofound.europa.eu/ewco/2012/02/FI1202011I.htm>

<sup>10</sup> "Evaluation of the European Strategy 2007-2012 on health and safety at work", Commission Staff Working Document, European Commission, May 2013.

Although arrangements for health cover and sick leave are firmly the preserve of national governments in Europe, there are various EU initiatives to improve systems and issue guidelines for good practice in occupational health.

For Laszlo Andor, European commissioner for social affairs, employment and inclusion, job quality is a key concern. The European Commission is working on ways to measure factors such as levels of autonomy, stress, supervision, support, usefulness and job security to determine the elusive work quality factor. "We have already agreed a list of indicators relating to job quality with member states, and this list now

forms part of the assessment used for the yearly cycle of EU economic policy guidance," explains Mr Andor.

The Commission also attaches great importance to improving health and safety at work, according to Mr Andor. His department is currently concentrating on the implementation of the European Strategy on Health and Safety at Work, which ran from 2007 to 2012.<sup>10</sup> Its principal recommendation was to reduce accident-related absence by 25%, although there are currently no figures available on whether this has been achieved. However, Mr Andor says the strategy has significantly improved working conditions: "It is important [these issues] are not seen as a burden on companies, but as an investment in growth and competitiveness. The costs of not acting are much higher in the long term."

Others believe that beyond Brussels, enthusiasm for European initiatives to reduce workplace absenteeism may be rather lukewarm. Dimitris Theodorakis, policy officer for the European arm of the global white-collar workers' organisation, Union Network International, is actively involved in EU talks. "The financing of health and long-term care terms has always been of concern," he says. "European standards are being introduced, and we are trying to benchmark them, but it's a very soft policy process compared to, say,

discussions on trade." It seems, then, that change might have to start within companies.

### On the road to best practice

Despite the complex web of sick pay arrangements, there is much evidence of general progress towards improving the wellbeing and productivity of workers. The European Agency for Safety and Health at Work rewards good practice every year. In 2013 the Rigshospitalet, a hospital which employs 8,500 people in Denmark's capital Copenhagen, was commended for improved management in sorting out squabbles between departments over access to equipment, complaints about a backlog of 850 unwritten case notes, and a host of allegations about bullying and unnecessarily stressful working conditions, all of which led to excessive sickness absences. Cemex Polska, a Polish building materials company, was commended for reducing accidents by two-thirds between 2009 and 2012, and SONAE, a Portuguese retail group employing 35,000 people, was praised for its introduction of "safety walks", where managers were encouraged to monitor safety and welfare within their departments.<sup>11</sup>

Among major employers, the German car manufacturer BMW is pioneering efforts to tackle the problem of maintaining the productivity of Europe's ageing workforce. Out of its 110,000 employees worldwide (79,000 of them in Germany), one-quarter are already aged over 50, and in common with most large organisations, this older age group will soon make up more than one-half of the company's workforce.

BMW's project to minimise workplace absences has been so successful that it is now running "Healthy Working, Healthy Living" conferences for politicians and occupational health professionals from other big organisations. "We have probably led the field in recognising the economic significance of the demographic time bomb," said Ralf Urlinger, vice president of health management for the BMW Group. "For the overall success of the business, it is essential that we

continue to motivate and retain experienced workers in later life who would otherwise be more likely to fall sick."

Many industries are paralysed by not knowing what to do about the ageing population. "Because of the size of BMW, we have been able to try out different approaches to improving working conditions. We are now sharing our experience with other companies to address the problems they are facing in trying to minimise sick leave," adds Mr Urlinger.

The group began an initiative in 2007 to compare the efficiency of parallel gear box production lines set up for older and younger workers. Floors were relaid and special boots issued with cushioned soles designed to minimise the impact on knees of repeated swivelling movements. Older workers were slower, but they were also less likely to make mistakes than their younger colleagues, so overall efficiency was similar. The redesigned production line is now becoming standard throughout BMW. Similar ergonomic initiatives in improving the environment for older office workers have also been adopted, along with improved gyms, exercise classes, workplace sports clubs, and access to external counselling services for work- or non-work-related problems. BMW says its success in losing just 4.4% of working time through sick leave is well below the car industry average.

As well as preventing work-related health problems, employers need to be able to quickly address any health issues that arise among employees. Ensuring fast and easy access to healthcare is a part of that. A study by The Work Foundation of 13,000 MSD cases in the Spanish capital Madrid found that referring employees for specialist treatment after five days cut the number of days off work by 39%, and the number of employees never returning to work by 50%. If the results were repeated across Europe, 1m more workers a day would be available, concluded the study.<sup>12</sup> A London-based consultancy, Great Place to Work, has also praised a number of

<sup>11</sup> "Healthy Workplaces, Working together for risk prevention", European Agency for Safety and Health at Work, 2013.

<sup>12</sup> S Bevan, "Reducing Temporary Work Absence Through Early Intervention: The case of MSDs in the EU", The Work Foundation, 2013.

multinationals for their comprehensive provision of occupational health services, including rapid workplace access to doctors and nurses.

Additionally, businesses should educate managers to spot workplace triggers of ill health and detect symptoms as soon as possible. This is an area in which the Brussels-based European Depression Association has been particularly active. In 2013 it published a guide for employers<sup>13</sup> on how to handle the vast problem of a genetic predisposition to this debilitating condition, which may affect more than one in ten people. "We need more education for employers, because many of them don't really understand depression," says Mark Agius, a spokesman for

the association. "One of the things they can be helped with is identifying it as a disability. By law, they have to make reasonable arrangements for people with disabilities and they get financial benefits for doing so."

Spotting symptoms is not always straightforward, however. Mental health issues and chronic pain can be difficult to discern, which means that those affected are at risk of not having their disability acknowledged. In these cases, despite national regulation, accessing financial and medical support can become a challenge. "More education and awareness is needed to ensure those affected receive the support they need", adds Ms Walsh. ■

<sup>13</sup> Depression, A Guide for Employers and Employees, The European Depression Association, 2013.

# Conclusion

There is still much to be done in terms of improving co-operation between national governments, employers and employees to overcome the challenges of workplace absenteeism for every employer, from the largest multinationals to the smallest local enterprises.

Companies operating in Europe continue to face pressures to cut costs and increase productivity. Instilling strong practices with regard to workplace absenteeism could go some way towards helping companies achieve those goals. For one, company leaders need to take stock of the demographic make-up of their workforce, identify key risk areas (such as age) and respond accordingly with changes to their current practices. By altering aspects of the workplace, employers can help to mitigate the occurrence of work-related injury and illness. As part of that, managers across the company need also to be made aware of workplace triggers of health and psychological problems.

Employers should also be trained in how to identify symptoms of potentially serious, long-term illness and how to respond effectively. This could include having easy and rapid access to healthcare on site. Employers and the state also need to work together on identifying ways in which the long-term ill can be kept in the labour market, for example through regular contact with the employer or part-time work.

As for policy, there is little the EU can do on its own as long as sick leave regulation remains firmly in the domain of national governments. Still, there is certainly a need for systems that would allow comparisons between national schemes—this would help policymakers to identify and promote best practice. An element of uniformity in policy would also make it easier for companies looking to expand into Europe or across Europe: while sick leave regulation may not be a key decider in whether a company invests or not, having to navigate a complex web of national regulation certainly does not help to make Europe more attractive.

What has emerged from this study is that national governments and employers need to work together to reduce the burden of sick leave on employees. Expecting workers to fund their own living costs from savings while sick is counterproductive. People will continue to work while unfit, potentially spreading infection, or will simply be unproductive, with damaging knock-on effects on the success of the whole business. If people are excluded from work because of inadequate sickness cover, they may be forced into poverty, lose their skills and never return to the labour market—arguably becoming a bigger burden on the state. That places preventing workplace absenteeism firmly in the court of the state and the employer.

# Appendix

**Table of assumptions used to estimate the number of salary-days which an employer is obliged to pay for an employee during sick leave**

Country	Waiting period	Restrictions	Type of employment implied in the calculation
Ireland	3 days		Full-time employee
Portugal	3 days		Full-time employee
UK	n/a		Full-time employee
Greece	0 days; 3 days (social insurance)		Private sector full-time employee
Spain	4 days		Full-time employee
Italy	0 days; 3 days (social insurance)	For tertiary, financial, blue-collar and trainees Diverse schemes in place due to collective agreements	Full-time employee
Sweden	1 day		Full-time employee
Norway	0 days		Full-time employee
Denmark	0 days		Full-time employee
Poland	0 days	Estimation for employee under 50 years of age. If employee is 50 or over, they receive sick leave for no more than 14 days in a calendar year.	Full-time employee aged under 50
Belgium	0 days	Applies to white collar employees	Full-time white collar employee
Germany	0 days	A different scheme applies to public sector employees	Full-time private sector employee
France	3 days		Full-time private sector employee
Austria	0 days		Full-time white collar employee
Finland	0 days		Full-time employee
Switzerland	0 days		Full-time employee
Netherlands	0 days (or 2 days depending on collective labour agreement)		Full-time employee

While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in this white paper.

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