



National Audit Office

The management of staff sickness absence in the Department for Transport and its agencies

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SUMMARY

1 Sickness absence across the Department for Transport and its seven executive agencies averaged 10.4 days for each full time employee¹ in 2005 costing around £24 million, including indirect costs. This compares with a Civil Service average of around 9.8 days in 2005.

2 The Department's overall figure reflects both strong and weak performance within the Department. Four agencies and the centre of the Department reported sickness absence at or below rates found in what we regard as comparable private and public sector organisations. These organisations have a similar staff profile and carry out similar activities to Department for Transport businesses. In 2005, three agencies reported sickness absence rates above those suggested by our sample of private and public sector comparators. The

Driving Standards Agency and the Driver and Vehicle Licensing Agency had sickness absence rates of 13.1 days and 14 days per full time employee respectively, this compares with 10 days in our comparator organisations. The Vehicle and Operator Services Agency achieved 8.9 days compared to eight days.

3 If the Department's businesses were to achieve the sickness absence rates achieved by comparable organisations, this could save £3 million each year (£15 million over five years). Ministers have challenged all Departments to reduce 2004 sickness absence rates by 30 per cent by 2010. Achieving this would save £6.3 million per year (£32 million over five years). To do so, however, requires all parts of the business to continue improvements made to managing sickness absence in recent years. In particular, some businesses need to

Summary text continued

hold managers more accountable for achieving targets on sickness absence and to review and take action in long-term sickness absence cases.

4 There are factors in the Driver and Vehicle Licensing Agency and the Driving Standards Agency which are known to lead to higher rates of absence. The Driver and Vehicle Licensing Agency has a large proportion of relatively lowly paid administrative staff and the Driving Standards Agency has a high incidence of work-related injury. The rates in both agencies are, however, higher than most other benchmark organisations that have some similar characteristics. There is evidence of low staff morale in both agencies which may also cause higher levels of sickness absence. In the Driver and Vehicle Licensing Agency shift working which can cause sleep and digestion problems may also be a factor.

5 Both the Driver and Vehicle Licensing Agency and the Driving Standards Agency have faced increasing volumes of work in recent years but have continued to perform well despite high levels of sickness absence. For example, the Driver and Vehicle Licensing Agency managed to achieve all but one of its key business performance targets in 2005-06, including its overall value for money target, and has delivered efficiency savings of nearly £32 million in the two years to March 2006. In part, this is because the Agency has based resource planning assumptions each year on existing levels of sickness absence. This means that managers are able to deliver their business objectives without achieving reductions in current absence levels. The Agency believes that this is a realistic basis on which to plan its business, without which the overall delivery of business objectives would be compromised. This may, however, reduce the incentives on individual managers to reduce sickness levels, as they know that staff will be available to cover for absentees. The Agency uses separate incentive regimes to encourage managers to deliver on sickness absence targets.

6 Although some parts of the Department, such as its central organisation and the Highways Agency report average levels of sickness absence comparable to the best performing similar organisations in both the public and private sectors, all businesses could do more in at least some respects to manage sickness absence. This could be achieved in part by more systematic sharing and

promulgation of good practice from within individual businesses, for example, the use of realistic trigger points for the management of short and medium-term absence at the Highways Agency, the early referral of a range of long-term cases to occupational health services at the Maritime and Coastguard Agency and the focus on stress cases under an initiative at the Driver and Vehicle Licensing Agency.

7 To make significant reductions to the level of sickness absence however, there is a need for action at both corporate and individual business level. At corporate level, the Department for Transport needs to:

- agree targets for each part of the Department which are tailored to their individual circumstances and reflect the best performing external benchmark organisations. At the moment, 2006 targets set by the Driver and Vehicle Licensing Agency and the Driving Standards Agency are above the median absence rates of equivalent benchmark sample organisations and a target should be set for the Government Car and Despatch Agency and for the central Department;
- establish quality standards for the recording of sickness absence and the provision of management information to line managers which allows them to identify particular problem areas or areas of good performance and take appropriate action. The Department has begun operations at a new Shared Services Centre, in part to deliver efficiencies through common Human Resources and financial processes and in part to support much better management through fuller and more consistent information. It will also process sickness absence transactions for the whole group and provide a standard set of management information. The full range of reports is due to be agreed as part of the implementation planned for this Summer; and
- establish a consistent framework for the evaluation of initiatives and for developing and sharing good practice. We found that while many of the businesses had put in place initiatives to tackle particular problems, there had been very little formal evaluation of their success.

- 8** At individual business level we found that:
- all businesses could do more to:
 - a** ensure that line managers realise their responsibilities and duties in relation to managing sickness absence and to hold them accountable for reducing sickness absence at business level. We found that line managers did not always take appropriate action in individual cases;
 - b** improve intervention in long-term cases, which our file examination showed at best was first done at six weeks despite some agencies having policies to intervene earlier, and to take steps to resolve long-running absences;
 - a review of case files showed that there were particular areas in each business which required improvement;
 - a** long-term sickness absence cases in the Driver and Vehicle Licensing Agency take a long time to progress through the latter stages and they need to take a more rigorous approach to bring them to a swifter resolution. They accounted for 61 per cent of working days lost in 2005 and 2006. The Agency also needs to redress the staff perception that management has become “soft” on sickness absence;
 - b** in the Department for Transport (Centre), the Highways Agency, Maritime and Coastguard Agency, Driving Standards Agency and the Vehicle and Operator Services Agency managers did not always hold return to work interviews, despite a mandatory requirement to do so in the Driving Standards Agency for example;
 - c** trigger points for action in the Department for Transport (Centre) and the Maritime and Coastguard Agency were too high at 21 days and 22 days respectively.

We understand that since our fieldwork, and in preparation for the Shared Services Centre roll out and following a review of best practice, all businesses are reviewing their trigger points and reporting requirements. In the Driver and Vehicle Licensing Agency an eight day trigger was implemented in April 2007 and other Department for Transport businesses are considering a similar approach, subject to trade union consultation.

9 The transfer of human resources transaction processing to the Shared Services Centre will result in greater responsibility falling on line managers for the day to day management of individual sickness cases. This makes it more important that managers are trained well and have access to good quality specialist advice. The project timetable has slipped and agencies began migrating their payroll, financial and human resources functions over two years from April 2007. The delay to the project has caused staffing problems at some agencies which had put in place arrangements to release relevant staff in anticipation of originally expected timelines. The slippage has also delayed progress on, for example, standardising codes, management information, workflows and related management accountabilities and training.

10 We recommend that:

the Department should:

- a** set sickness absence targets for each part of the Department in consultation with each business which are tailored to their individual circumstances and reflect the best performance in comparable external organisations to aid their drive to reduce sickness absence levels. The approach to setting basic and longer term sickness absence targets suggested in this Report provides a useful starting point;
- b** establish quality standards for the provision of management information to line managers, which allows them to identify particular problem areas or areas of good performance and take appropriate action;
- c** establish a consistent framework for the evaluation of initiatives across the different businesses to develop understanding about the effectiveness of individual initiatives and to develop and share good practice more systematically; and
- d** base resourcing and workforce planning calculations for each part of the Department on agreed sickness absence targets rather than on current sickness rates, with contingency measures in place if targets are not met.

The Shared Services Centre should give priority to:

- e** discontinuing the use of any remaining general or vague reason codes and ensure that all staff enter a valid reason code for every absence;
- f** providing line managers with prompt, accurate notifications of when trigger points have been reached in every case;

- g** as a minimum, producing regular reports analysing sickness absences by length and cause of absence, grade and gender. Analyses should seek to identify particular problem areas to inform understanding of sickness patterns and appropriate management responses. Additional reporting of trigger points hit, actions taken and progress against sickness targets would also be useful;

All businesses in the Department should:

- h** agree specific sickness absence targets with individual business units and hold managers at appropriate levels accountable for achieving them;
- i** remind line managers of their responsibilities in managing sickness absence as part of the mandatory training for line managers following the introduction of the Shared Services Centre. In the **central Department, the Driving Standards Agency, Highways Agency, Maritime and Coastguard Agency and the Vehicle and Operator Services Agency** this should stress the need to hold return to work interviews and to keep proper records;
- j** all cases of long-term sickness absence should be reviewed to establish which could be resolved by either return to work, staged return, medical retirement or dismissal. This should be a particular priority for **the Driver and Vehicle Licensing Agency**. In assessing the feasibility of a return to work, agencies should consider extending to all staff the possibility of making reasonable adjustments to working arrangements advocated by disability legislation;
- k** in all long-term cases managers should intervene at the point of three weeks of absence at the latest and consider whether specific illnesses, such as stress, should be the subject of immediate referral to occupational health services;
- l** **The Driver and Vehicle Licensing Agency** should provide additional training to its Human Resources staff on managing the latter stages of long-term sickness absence cases;
- m** **The Driver and Vehicle Licensing Agency, Driving Standards Agency and the Highways Agency** should routinely collect and analyse data on the amount of sick leave resulting from work-related activities to identify and take appropriate preventive measures.