

Earnings and Employment Trends ♦ November 1999

Absenteeism from Work -- the impact of the ageing population

The ageing BC population and the likely affect on labour turnover rates was covered in the April 1999 release of Earnings and Employment Trends. This article looks at a different aspect of the ageing workforce, this time from the perspective of workplace absenteeism due to own illness or disability.

In any one week, approximately 4.4 per cent of employees take some time off work because of illness¹. Among those who do, the average length of time off the job is 23 hours per week². When these numbers are converted to an annual basis and calculated across all employees, the results show that in 1998, employees took an average of 7.5 days of sick leave³.

Data from the Health and Activity Limitations Survey⁴, shows that the occurrence of health problems increases dramatically from the age of 45 on. By the time an individual reaches the 55-64 age range, the chances of having a health problem is one in four. Most of the impairments are some sort of mobility/agility difficulty. Hearing problems is also fairly common (8%) for this age group.

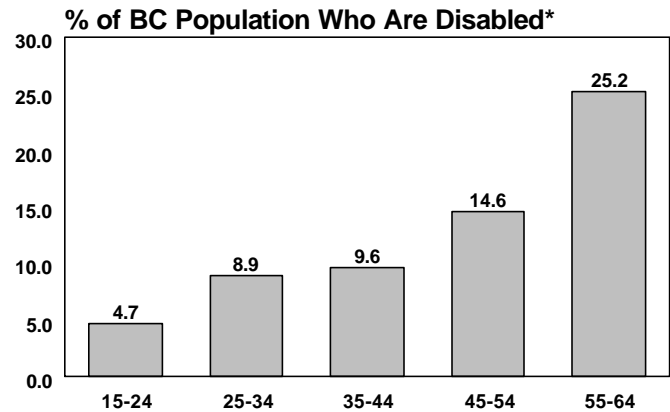
¹ Based on data from the Labour Force Survey, 1998.

² Among those who were away part of the week, the average number of hours away was 10.0

³ Based on a 7 hour day which is the average for 1998.

⁴ Conducted in 1986 by Statistics Canada

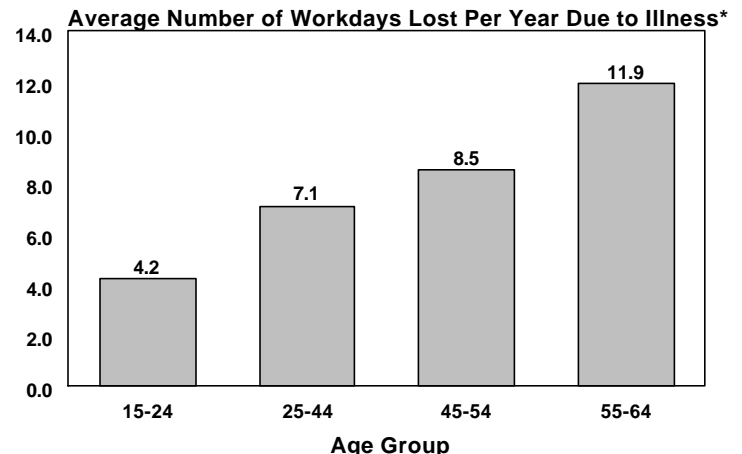
The Incidence of Disability Rises Dramatically in the latter years of working life



*Based on the 1986 Disability Survey, Statistics Canada

How do these disabilities or health problems impact work attendance? As can be seen from the chart below, the number of days taken off per year due to illness increases with age, particularly after 55, much in line with the disability profile.

Employees approaching retirement take 12 sick days per year, compared to 4 for the young.



*Source: Labour Force Survey - based on four year average 1995 to 1998

Currently, the 55-64 year age group

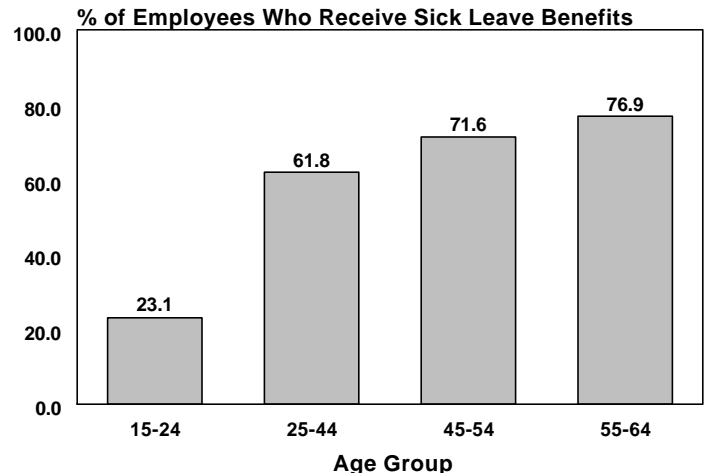
comprises only 8 per cent of the total workforce but because of their high rate of absenteeism, they contribute 14 per cent of total sick days. As the population in this age group increases, their absenteeism will rise to constitute 21 per cent of the total by 2014.

For employers, the outcome of this ageing population will be more absenteeism in the workplace, not due to any behavioural change but just from the demographics alone. Absenteeism goes hand-in-hand with declining productivity and increasing costs. It can also cause further damage if the burden of coverage spills over to co-workers and creates staff morale problems.

To what extent the employer will see direct cost increases will depend on their sick leave policy. Employers who do not provide sick leave benefits will have a reduction in wage costs that will at least partially offset any loss in productivity. For employers who provide wage replacement benefits for sick leave but do not back-fill the absent employee's job, their costs will be the full drop in productivity. The employers who will be most impacted by increased absenteeism will be those that pay sick benefits and also must hire short-term replacement staff to fill in.

In the Statistics Canada Survey of Work Arrangements (1995) it was determined that 58 per cent of all employees receive wage replacement sick benefits. As one would expect, the older members of the workforce have better coverage than the young. On top of that, wages increase with age so the cost of sick leave benefits will be higher for older employees.

The senior members of the workforce are 3 times more likely to receive sick leave benefits than the young.



If all three factors are taken into account, that is the shift of absenteeism to older staff members who have better sick leave benefits and higher wages, employers can expect an 8 per cent increase in sick leave costs per employee by 2014.

That 8 per cent increase is an economy wide average -- some employers are bound to experience far larger cost increases than that. The education and health services sector is a case in point. Data show that nurses and teachers have high proportions of their members over the age of 44 and who are almost all entitled to sick leave benefits. In addition, these particular jobs usually require full coverage so substitute teachers and nurses have to be hired to fill-in. This means the equivalence of two wages is paid every time an employee is off sick. Under such circumstances, BC will inevitably see increasing public sector employee costs over the next 15 years.