



Towards recognising workforce health as a constituent of intellectual capital: Insights from a survey of UK accounting and finance directors[☆]

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A B S T R A C T

To date workforce health and wellbeing have not been recognised as one of the key constituents of the human capital component of intellectual capital. In an era when workforces are widely acknowledged as being highly valuable assets, and therefore in large part worth retaining within the organisation by virtue of their contribution to the value creation and delivery process, a healthy workforce would seem to be a doubly important asset to cultivate. This paper presents and discusses the findings of an exploratory questionnaire survey of senior accounting and finance practitioners regarding some of the issues associated with recognising workforce health and wellbeing as an additional constituent of intellectual capital. The study was carried out in the UK, the site of a continuing, costly sickness absence problem.

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1. Introduction

Absence from work in the UK owing to sickness has declined from a high point of 10.1 days per employee in 2002 to 7.7 days in 2011 (CIPD, 2011). In 2009 the Chartered Institute of Personnel and Development (CIPD) estimated that the cost of such absences averaged £692 per annum per employee, an increase of 3.9% on the previous year and 5% on 2007. Based on an Institute of Directors' estimate that in 2007 such absences cost organisations £13.2 billion per annum, the total 2009 figure was probably of the order of £14 billion. After 2009 CIPD did not estimate an average annual cost per employee, although Paton (2011) reports that the annual CBI/Pfizer absence and workplace health survey for 2010 estimates the cost to the economy to have been in the region of £17 billion for that year. In the same article, PricewaterhouseCooper's 2011 estimate of the cost of unscheduled absence from work in the UK of £32 billion is also cited, suggesting that while it might be possible to draw some comfort from a marked decline in the headline figure for the UK over the past decade, sickness absence remains an increasing cost for most if not all UK organisations. An indication of just how large a number this is becomes evident when it is compared with the £150 billion that the UK Coalition Government is committed to saving during the present administration.

From a narrow accounting and finance perspective, such costs directly impact on the profitability of the enterprise or, in the case of not-for-profit organisations, the quality of service that can be provided to clients. A clear imperative to reduce these costs exists, although this task falls to line managers and the human resource management function rather than accounting and finance. If a broader, critical accounting standpoint is embraced, however, it becomes apparent that shareholders and clients are not the only people who lose from employees being absent from work. It is a truism that being absent from work as a result of illness is unpleasant for the individuals concerned. However, in those cases where absence and illness might

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be decoupled, as in the case of 'sickies' that may be the result of some degree of dissatisfaction with aspects of employment, the employee is denied the opportunity to find expression of their creativity and similar attributes (albeit often without an attendant loss of income). At the same time, the broader society is denied the incremental benefits of the exercise of these same attributes, in the form of a loss of service quality or in the case of the manufacturing sector, shoddy products.

It follows from the above that, from a critical accounting perspective, the health and wellbeing of employees (hereafter termed 'workforce health') is to be viewed as a key organisational asset, any diminution in which is to the detriment of employees and the broader society, not to mention the organisation itself. As a consequence, any opportunity to reduce sickness absence levels should be examined, in particular those absences that might be deemed to be reducible by means of making changes to the work is currently pursued. While such interventions are not part of the jurisdiction of accounting and finance professionals, they are able to make some contribution to any initiatives designed to reduce sickness absence levels, principally by identifying, measuring and reporting relevant information thereon. Their traditional jurisdiction has consistently encompassed taking other valuable assets into account.

The principal purpose of the paper is to report and discuss some of the findings of a recent exploratory study of the thinking and practice regarding workforce health of a sample of UK accounting and finance directors. In addition to being motivated by a commitment to the critical accounting project, envisaged as the promotion of enabling modes of accounting that seek to contribute to the process of social betterment (Roslender & Dillard, 2003), the paper is also offered as a further contribution to the evolving intellectual capital field as envisaged in a recent paper in this journal by Alcaniz, Gomes-Bezaries, and Roslender (2011). The remainder of the paper is organised as follows. The next section contextualises the study by providing details about the persistence of costly sickness absence levels in the UK. In section three the case is made for viewing workforce health as a further, significant constituent of the human capital component of intellectual capital. Section four discusses the limited impact that the intellectual capital concept, including human capital, has had on the thinking and activities of UK accounting and finance practitioners. Details of the study are provided in section five, with a number of the relevant findings of the questionnaire survey of accounting and finance directors outlined in section six. These findings are discussed in section seven, with the continuing lack of an appreciation of the intellectual capital phenomenon being identified as a major obstacle to what is perceived to be desirable progress. The paper concludes with some observations on how such progress might be accomplished, including possible future research pathways.

2. Sickness absence in the UK

For a number of years the Chartered Institute of Personnel and Development (CIPD) has provided a detailed overview of the pattern of sickness absence in the UK in its annual absence management surveys. The 2011 report indicates that the downward trend of days lost to sickness evident between 2002 and 2009 has reversed since then, now standing at 7.7 days per employee per annum, still significantly lower than a high point of 10.1 days. After 2009 the CIPD has not estimated an average cost of sickness absence per employee. In that year the cost was estimated as £692 per employee per annum in 2009, 3.9% above the figure for 2008 and 5.0% higher than in 2007. As observed in the introduction, based on an Institute of Directors' estimate that in 2007 sickness absence cost organisations £13.2 billion in total, the total cost for 2009 was probably around £14 billion and continues to rise. A further indicator that sickness absence constitutes a major problem in the UK, irrespective of any reduction in days lost since the beginning of the previous decade, is Dame Carol Black's 2008 estimate that the total cost to society of illness in the case of working-age people was in the region of £100 billion (TSO, 2008).

Public sector employees evidence higher levels of sickness absence, at 9.1 days per employee per annum in 2011, at a median cost of £800. The health and local government sectors appear to be most severely affected, with an average loss of 10.9 days, significantly higher than within the education sector, which is close to the average level with 7.6 days lost. This was despite having experienced major investment during three Labour administrations after 1997, followed by an abrupt downturn in fortunes after May 2010. Private sector employees appear less susceptible to illness, at 6.5 days lost in 2011 in both the manufacturing and services sectors, back to 2009 levels after a slight rise in 2010. There is considerable variation by sector, with sickness absence in call centre organisations averaging 12.4 days in 2009, in excess of three times the level in the textiles industry (3.7 days). Absence from non-profit organisations in 2011 is similar to that evident in the public sector, at 8.8 days per employee, up on 2010 but below 2009 when it was at a similar level to the public sector.

Traditionally, manual workers have experienced greater levels of sickness absence than their non manual counterparts, 8.7 days compared with 6.4 days in 2009, although for the two subsequent years both the levels and the gap between the two categories have fallen, with the reduction among public sector manual workers particularly impressive. Larger organisations continue to exhibit higher sickness absence levels, with those employing in excess of 1000 employees losing over 9.2 days per employee per annum as compared with 5.6 days for those with less than fifty employees. Public sector organisations report the worst statistics, followed by non-profit organisations.

Short term absence continues to predominate, with colds, flu, stomach upsets, headaches and recurring musculoskeletal problems to the fore. Single day 'sickies' remain a major concern for employers, fuelling arguments about the 'real' extent of the sickness absence problem. In 2009 two thirds of sickness absence was for up to seven days, with the remaining third evenly divided between two to four weeks, and in excess of four weeks. During the previous decade the trend has been for more longer term absences, with a greater rise in the case of absences in excess of four weeks, a scenario that serves as a counterbalance to suggestions that the problem may in substantial part be more apparent than real. One statistic for 2009

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