

Summary of the Project "Including Working Life ("IW") – what are the economic benefits and why do some achieve better than others?"

The project has estimated and documented that active and successful IW-work gives the local government economic rewards, and it has identified and described eight factors of success which can make local IW-work a success.

PricewaterhouseCoopers AS has, on an assignment from KS, carried out the Project "Including working life – what are the economic benefits and why do some achieve better than others?" during the period March 2006 through September 2006. The goal of the project has not been to analyze effects or results on a national level.

The main purposes of the Project has been divided:

1. To identify and describe factors of success, and possible pitfalls to achieve a successful IW-work in selected municipalities and agencies, including actions based on employer-policy, and partie-collaboration that have achieved documented results in relation to aims of the Agreement on an Inclusive Workplace.
2. To estimate and document possible economic rewards by active and successful IW-work in local governments and businesses.

These two goals (objectives) were related to the three framed operative goals that the parties in the working life and the government agreed upon October 3, 2001 (The Tripartite Agreement on an Inclusive Workplace):

1. To reduce sick-leave
2. Increase the number of employees with reduced operability
3. Increase the real age of retirement

The Project has been carried out by means of document studies, hypothesis testing, a national survey of Chief Municipal Executives and IW-contacts at the local governments and IW-consultants from the "Working Life Centers" of the County Welfare Authorities, search in registries, and case-studies of the local governments of Bodø, Rana, Tysfjord, Hamarøy, Moss, Asker, Bærum, Fredrikstad, Sør-Fron og Hvaler.

Factors of Success

Successful IW-work is hereby defined as reduction in sick-leave, more employees with reduced operability at work, and increased age of retirement. Those local governments that experience successful IW-work, bring up a number of factors which have been vital:

1. Anchored by the top management, public administration and politically

2. “SMARTER” goals – structured, measurable, accepted, realistic, time-fixed, and essential.
3. Carefully considered and continuous routines which are followed up and put into practice over time.
4. Clear leaders who follow up each individual employee.
5. Education in active IW-work, routines and working methods.
6. Close follow up of achievements of goals.
7. Interaction between the local governments and the IW-consultants from County Welfare Authorities, Employees’ Health Services and doctors.
8. Clear distribution of responsibilities and orderly conduct from staff and back-office functions.

Each of these eight factors of success is described below.

There are local governments which have fulfilled the three operative goals mentioned above, without fulfilling all eight factors of success. These findings are not mentioned in the report due to the limited transfer value to other local governments.

1. Anchoring by top management; administrative and politically

The number one factor of success is that the IW-work is anchored. However, it is not enough that the IW-work is anchored at the initiation of the IW-agreement. Superior plans, goal selection process, investments, organization, education and implementation must be anchored by the top management. Active IW-work involves goal-orientated work. This increased use of time is a necessary investment in order to achieve the IW-goals.

It was a common factor among the case-studies which had reached its goals that the top management followed up on the IW-work. They expressed that the pressure from the chief municipal executives was important in order to create a common understanding that the local government’s IW-goal was essential for the organization and that this work therefore was a priority.

2. “SMARTER” goals – structured, measurable, realistic, time-fixed, essential

Goals must be accepted, understood, be feasible in the near future, be in relation to each other, be measurable and they must be important. They must be important in the sense that it makes a difference to reach the goal, and they must be experienced by the employees as important to the organization. The good goals must also be important to the employees themselves. The reaching of goals must give meaning, and be rewarding. Most local governments have definite goals tied to reduction in sick-leave, whilst fewer local governments have definite goals attached to increasing

the number of employees with reduced operability, or to increasing the real age of retirement. The reason for this could be that it is easier to frame or formulate goals related to sick-leave as opposed to the other two.

Examples of “SMARTER” goals:

1. The total of sick-leave in the municipality should be reduced by 10% within the next 12 months, and none of the organizations should have more than 10% sick-leave.
2. Within 12 months, everyone on sick-leave should experience that the nearest superior gives an adjusted and good follow up during the period of absence.
3. Every year all employees over the age of 60 should have a confidential conversation with their supervisor to clarify what it takes to make them stay in the job until they reach the age of 67.

3. Carefully considered and continuous routines which are followed up and put into practice over time

To achieve the goals, the local government needs routines which will ensure that the organization will work in an unanimous and adequate way.

To find the means and develop the routines, the work shall:

- ensure equal treatment of employees on sick leave
- give supervisors the tools to do the job that some find difficult¹
- give all employees information about what will be done in regards to sick-leave (how the supervisor specifically will follow up the employee on sick-leave, what expectations the employee on sick-leave can have towards the employer, and what expectations the employer can have to the employee on sick-leave.)
- give assurance (when routines are known)
- give more information to the organization
- arrange for early following up
- ensure unanimity regarding relevant actions and means
- visualize development regarding the achievement of goals

The routines have little value in itself. When routines are established, they must be followed. Routines regarding sick-leave were established in all the IW-municipalities where the project had sufficient contact to check this out.

4. Clear leaders who follow up each individual employee

¹ Many supervisors feel that routines give them needed support to ask questions which are related to sick-leave, and which some employees on sick-leave find rather personal and some even tactless, even though the questions are relevant to the working relationship.

Four central elements were pointed out in regards to good leadership:

1. The supervisor must clearly communicate goals, and through action show that the agreed IW-routines is to be followed. The supervisor is a pioneer in relation to active IW-work.
2. The supervisor must be considerate, in the meaning of wanting to help the employee. The supervisor's appearance must make the employee feel that the dialog is meaningful and has an effect. The employee must experience that the supervisor actually acts afterwards. Under these circumstances the employee will feel it to be easier to contact the supervisor at an early stage.
3. The supervisor must be clear about the IW-agreement also obliges the employee. Both the employer and the employee must contribute for the employee to be able to work, but it is the employee who holds the "key" to what he/she can do and how the employer possibly can organize for this.
4. The supervisor must share the credit for achievement of goals with the employees. Working towards goals must be rewarding. It is a minimum that the achievements of goals are communicated to the employees. Achievement of goals related to results, effect and process gives motivation for further tasks.

5. Education in active IW-work, routines and working methods

A condition for complying with the routines is that supervisions and employees with the routines is that supervisors and employees are familiar with them. This requires education. Common mental pictures regarding IW-work and response to "SMARTE" goals are created through education.

The education regarding IW-work should be mandatory for supervisors, administrative personnel, trade union representatives, and personnel safety representative, and should take place at the workplace. The education should include what the IW-agreement implies for the supervisor and the employees, the goals of the IW-agreement, tools that the "Working Life Centers" have at their disposal and new possibilities that the IW-organizations have regarding use of sick-leave by self-certification and active sick-leave. The education should be clear as to which tasks are to be solved, how to solve them, and show the allocation of responsibilities between the divisions and staff functions.

6. Close follow up of achievement of goals

It takes time to achieve the goals of the IW-agreement. It requires systematic work and:

- the goals must constantly be accentuated to become a guiding star
- goal achievement must be reported frequently and regularly
- comparable numbers and the same methods of measurement must be used over time
- reporting must be followed up, especially by the top management
- the involved must experience the goal-orientated and systematic work is valued through stimulation of desired behavior / action

7. Interaction between the local governments and the consultants from the “Working Life Centers” of the County Welfare Authorities

In work related to sick-leave the municipalities especially stress co-operation and partners as important. The local governments have different comprehension of who they actually experience as good partners in order to reduce sick-leave. 65% of the IW-contacts who responded to the survey meant that the Working Life Centers was an important partner for the local government in order to reduce the sick-leave, 31% answered that doctors were important partners, and 41% meant that employee's health services were important partners in relation to reduce sick-leave.

8. Clear distribution of responsibilities and orderly conduct from staff and back-office functions

The IW-contacts were mainly staff and back-office personnel in the different municipalities. In relation to achievement of goals in the IW-work it is essential that the allocation of responsibility in the organization is clear. Supervisors have the responsibility to live up to the operation routines, and carry out the work appointed by the local government. A good co-operation between the management and staff and back-office personnel is essential in the IW-work. Important functions for supervisors to succeed are the IW-contacts, Head of Personnel Services, EHS-consultants (environment, health and safety), finance department and systems for management by following up results.

Reduction in sick-leave

Even though it is difficult to find economic effects of active IW-work in the accounts of the local government, it is possible to estimate the costs of sick-leave in a municipality.

Our estimates show that a local government must cover 57% of the expenses related to a sick-leave of 1 month (provided an annual salary of NOK 300 000). In addition, many local government organizations will engage temporary staff, and will have to

cover the costs of this. After having examined the estimates in the municipalities of the case-studie, it is our impression that the local governments underestimate the share of costs related to sick-leave that is covered by the local government.

Even a whole year of sick-leave have a large share of funding for the local government – estimated to 26% for an employee with an annual salary of NOK 300 000. If the annual salary of this employment is NOK 450 000, the percentage increases to 37.

A reduction in sick-leave is undoubtedly rewarding not only for the central government, but also for the local government.

Increase in the number of employees with reduced operability

In this field there is no documentation available of a reward due to IW-work. If a local government is able to keep an employee with reduced operability employed, and therefore avoid disability pension and joint pension under collective agreement, the local government will be able to see an economic profit of this.

There is nothing that indicates that to include more employees with reduced operability increase the costs for a local government.

Increase in the age of retirement

An increase in the age of retirement that leads to that the Agreement on Early Retirement (AFP) is not being used, gives the local government an economic reward. If the local government has a system of 50% self-financing, an employee who retires with AFP-pension at the age of 62 will cost the local government approximately NOK 115 000 if his annual salary is NOK 300 000. The employee will cost the local government approximately NOK 340 000 over three years. The cost of new recruitment and remuneration of him will come in addition.

There is no doubt that a reduction in number of AFP-pensioners are rewarding – also for a local government. How large the direct savings are, is dependent on what agreement the municipality has.

National statistics

Nationwide statistics and reports does not show a unanimous answer to if local IW-work is rewarding. As an example, this can be due to:

- some of the statistics suffer from evidently incorrect reporting
- some of the statistics lack information about several municipalities, and this results in insufficient foundations.

A comparison between KOSTRA-numbers and numbers of sick-leaves show that there is no direct relation between reduced numbers of sick-leave and a change in relevant cost indicators.

(KOSTRA = Municipality-State-Reporting)

As an example, this can be due to:

- the relations are not intercepted due to weaknesses in the statistics
- there is no relation between the numbers of sick-leave and the various KOSTRA-indicators
- the relation is overshadowed by other factors which have greater influence on the cost-indicators

Closure

The parties of the working life and the central government have entered into a new Letter of Intent for the IW-work prevailing the period 2006 to 2009. Based on PricewaterhouseCoopers' knowledge from the Project, we believe that the parties' IW-work still will be very important in order to reduce the local governments' total costs.