

# Work absences and compensation

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In recent years there have been numerous studies on work absences. However, very few have focused on absences of two weeks or more or on the associated compensation. The matter of compensation is of vital importance, since prolonged absences from work can have major financial consequences, both for the employees involved and for employers. The latter experience decreases in production resulting from these absences and often pay compensation to workers who are absent because of illness or accident.

Between 1979 and 1986 there were on average 760,000 absences per year; between 1987 and 1994 there were approximately 823,000. Absences due to illness rose from 476,000 to 494,000 per year on average between the two periods; absences due to accidents rose from 284,000 to 330,000. These increases are hardly surprising, given the growth in employment among both men and women over the 16 years in question.

The rates of absence from work for two weeks or more appear to evolve in tandem with absence rates for illness or disability, to judge from the statistics gathered during the 12 one-week reference periods of the Labour Force Survey (LFS) (Akyeampong, 1995). The average annual number of work absences of two weeks or more is changing, probably, according to some observers, because of company practices and measures to promote occupational health and safety. Encouragement of em-

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## Data sources

The data used in this article are drawn from the Absence from Work Survey (AWS), an annual supplement to the February Labour Force Survey. Sponsored by Human Resources Development Canada, the AWS provides information on paid employees who, in the year prior to the survey, were absent from work because of illness, accident or pregnancy. The absences in question are for two weeks or more and include not only those resulting from a work-related illness or accident but also those caused outside the workplace, but which may be eligible for compensation by employers. (Maternity leave is excluded from this study.)

The AWS statistics concern only the most recent absence of two weeks or more reported by respondents (although there may well have been more than one prolonged absence in the year). The survey concentrates on absences of at least two weeks because this duration is required before a worker is entitled to Unemployment Insurance.

The AWS also gathers information on the type of financial compensation received during the last absence: Un-

employee fitness may also play a role: many employers now provide a fitness program in the workplace.

Using data from the Absence from Work Survey (AWS) (see *Data sources*), this article looks at the change in the number and rate of work absences of two weeks or more due to illness or accident between 1979 and 1994. Average rates and numbers of absences will also be used for the two periods, 1979 to 1986 and 1987 to 1994. Special attention will be given to the sources of compensation paid to absent employees and to the breakdown among the different

employment Insurance, Workers' Compensation, indemnification under group or automobile insurance, or partial or full pay from the employer. An absence may give rise to more than one type of compensation, since the various types are not mutually exclusive.

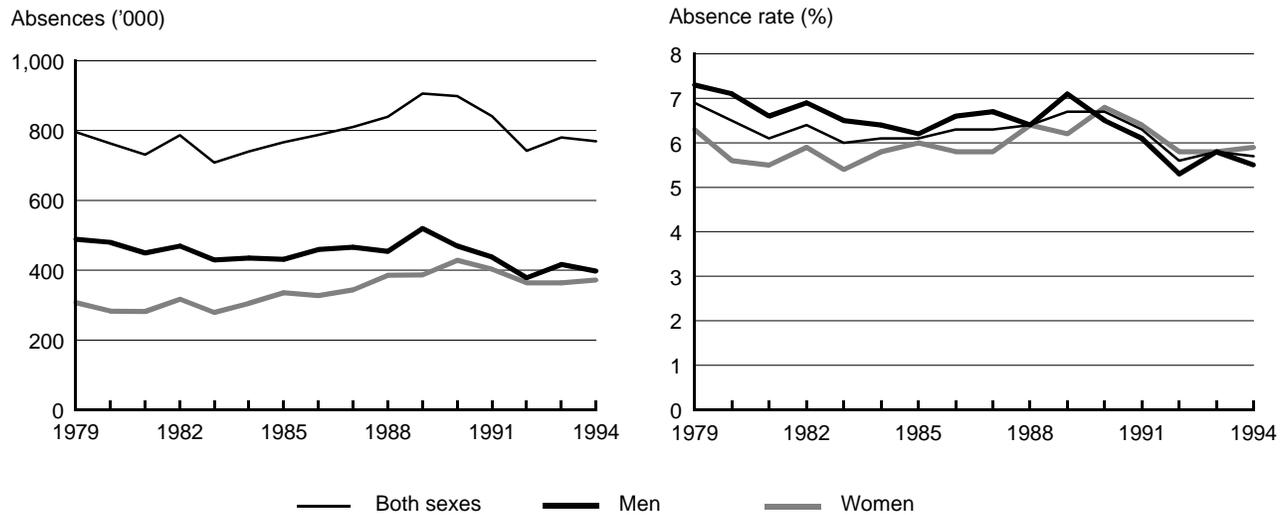
This study compares AWS figures on work-related accidents with data from the National Work Injuries Statistics Program (NWISP) to determine whether there is a causal link between work injuries and prolonged absences (two weeks or more). The NWISP provides data on work-related injuries and illnesses leading to a period of inactivity. Such injuries and illnesses may be caused by an accident, by the work environment or by other conditions of work. The data from this program also indicate the age and sex of the injured worker, the occupation and industry, the nature, cause and site of the injury and the type of accident that caused it. However, there is no information on the compensation paid to injured workers, nor on claims for reimbursement of medical costs for work injuries not resulting in an interruption of employment.

sources. An examination of trends in absence rates and compensation will show whether some progress has been made (in other words, whether absence rates have declined) and whether there has been an increase in the incidence of financial compensation to employees coping with a prolonged absence.

## How have prolonged absences changed over time?

Changes in the number of absences between 1979 and 1994 do not appear to follow a particular pattern (Chart A). An analysis of the data

**Chart A**  
**Women's number of absences rose between 1979 and 1994, although their absence rate declined.**



Source: Absence from Work Survey

by sex shows a slight increase among women and a decrease among men. Given the growth in employment over the 16 years studied, especially among women, a corresponding increase in absences for this group is to be expected.

A simple way to account for the employment growth is to analyze the number of work absences as a proportion of the number of employees in a given group. According to this measure, the overall rate of absence from work declined from 6.9% to 5.7% for the 1979-94 period, owing mainly to a decrease in the rate for men, whose drop in absences was accompanied by an increase in employment. The increase in the number of absences among women was offset by their strong growth in employment between 1979 and 1994.

A more detailed analysis (Chart B) shows that men registered a steep decline in their rate of

absence due to illness during the period. Combined with a slight decrease in the rate for women, this decline lowered the overall rate of absence for illness from 4.4% to 3.5%. The relative stability of the accident absence rate is explained by a slight decrease for men, balanced by a corresponding increase for women.

The growing gap between men's and women's absence rates for illness clearly reflects the major decrease registered by men. By contrast, a recent narrowing of absence rates for accidents probably owes much to the increase in the number of women in industries once largely dominated by men. It would appear that this shift has led to an increase in the incidence of accidents resulting in an absence of two weeks or more among women.

**Average number and average rates of absence diverge**

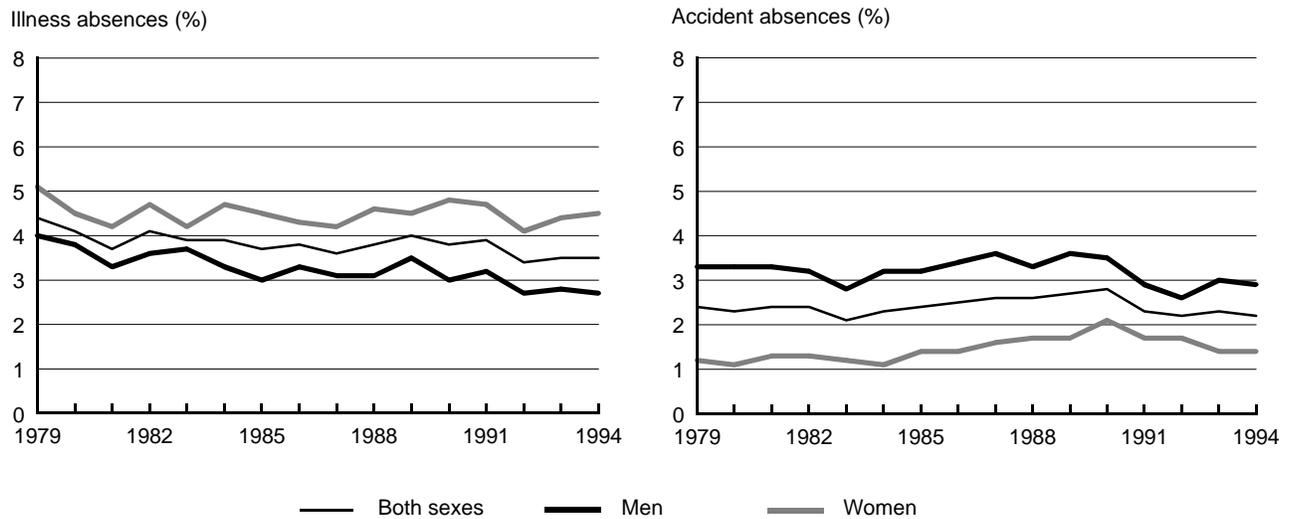
In order to minimize annual variations in the number of work ab-

sences, the observation period was divided (1979 to 1986 and 1987 to 1994), so that each period would cover eight years and a complete economic cycle. An average annual number of absences was then obtained for each period. The analysis of trends in average rates over the two periods serves to reduce the annual variations while taking account of the increase in the number of employees over the entire 16-year period.

A comparison of the two periods reveals an increase in the average number of absences, from 760,000 to 823,000 per year (up 8.4%). The increase is distributed very unequally between illness and accidents: the average number of the former increased by 3.8%, while that of the latter rose by 16.0%. Consequently, average absence rates (number of absences in relation to number of paid employees) slipped in the case of illness and rose slightly for accidents (Table 1).

Chart B

**The absence rate for illness is higher among women than men; for absences due to accidents the rate is higher for men.**



Source: Absence from Work Survey

**Analysis by sex**

For the two periods, a breakdown of the average number of absences by sex reveals quite different results. Men registered an average 455,000 absences from 1979 to 1986, compared with 442,000 from 1987 to 1994. Illness was the most common cause of absence during the first period; accidents took the lead during the second. The average rate of absence due to illness decreased by 0.5 percentage points, though the figure for accidents remained unchanged, reflecting the increase in employment among men.

The increase in the number of female workers from the first to second period was reflected in a jump in their average annual number of absences (up 25.0%). Although still fewer in number in the second period, prolonged absences due to accidents increased by 56.4%. As a result, the average rate

**Table 1**  
**Average annual number and rate \* of absences, by reason and sex**

	1979-1986		1987-1994	
	Average number	Rate	Average number	Rate
	'000	%	'000	%
<b>Both sexes</b>				
Illness or accident	760	6.3	823	6.2
Illness	476	3.9	494	3.7
Accident	284	2.4	330	2.5
<b>Men</b>				
Illness or accident	455	6.7	442	6.2
Illness	237	3.5	216	3.0
Accident	218	3.2	227	3.2
<b>Women</b>				
Illness or accident	305	5.8	381	6.1
Illness	239	4.5	278	4.5
Accident	66	1.2	103	1.7

Source: Absence from Work Survey

\* The average annual number of absences for the period as a proportion of the average annual number of paid employees for the same period.

## Comparison with other data sources

### Accident absences and work injuries

Prolonged absences due to accidents are generally the result of a work injury. Do available statistics from the National Work Injuries Statistics Program (NWISP) and the Absence from Work Survey (AWS) reflect this trend?

NWISP figures for work injuries appear to move in tandem with those for accident absences of two weeks or more collected by the AWS for 1982 to 1994. A slight gap between the two is probably explained by the different definitions used by the two sources. The AWS considers work absences of two weeks or more. The NWISP, using administrative files of workers' compensation boards in Canada (except the Yukon), counts any absence, even those of less than two weeks, so long as the compensation claim associated with it is accepted a few days after the work injury.

There may be other reasons for this slight difference. Data collected by a survey (AWS) may differ from those obtained from a census (NWISP). In addition, the AWS may provide a somewhat inexact picture of the number of absences due to accidents, since the survey relies on respondents' recollection of events that may have occurred up to a year earlier. Furthermore, the populations covered

by these two data sources are different, since the AWS covers only paid workers, whereas the NWISP includes all workers.

It is therefore hardly surprising that the number of work injuries resulting in an interruption of employment is greater than the number of accident absences of two weeks or more. But given their similar trends, work injuries and prolonged absences due to accidents appear to be causally linked.

### Prolonged absence compared with rates of absence for illness or disability

It may be useful to compare the AWS rates of absence due to illness or accident with the illness or disability absence rates drawn each month from the Labour Force Survey (LFS). The LFS is a household survey used to gather data about various aspects of the labour market. It counts all absences occurring in the reference week.

It is possible to establish a certain correlation between the findings of the two surveys, although the AWS absence rate is considerably higher than the LFS rate. This is probably because the LFS refers to 12 weeks distributed throughout the year, whereas the AWS is concerned with the entire year prior to the survey.

of absence because of illness among women remained stable. The increase in the number of women in the labour market was not sufficient to prevent a strong increase in their average rate of absence due to accidents; that rate rose from 1.2% in the first period to 1.7% in the second.

### Analysis by industry

Absences due to illness or accident decreased from the first to second period for goods-producing indus-

tries (-5.4%), and increased for service-producing industries (16.3%) (Table 2). The decrease in the former was the result of a sharp reduction in the number of absences due to illness (from 146,000 to 127,000), especially in manufacturing and other primary industries. This was offset slightly by a rise in the number of accidents resulting in long-term leave. In the service sector, the average annual number of absences increased for both illness and accidents from one period

to the next (11.4% and 27.0%). For both types of absence, the increase is attributable to the service industry.<sup>1</sup>

The average rate of absence from work due to illness or accident is greater for the goods sector<sup>2</sup> than for the service sector, although it declined by 0.3 percentage points from one period to the next. This was owing to a drop in the rate for illness (4.0% to 3.6%). By contrast, the rate for accidents rose in both the goods and service sectors, although the latter experienced a corresponding decrease in the rate due to illness.

Some service industries, namely, transportation, communication and other utilities, and public administration, tend to produce fluctuations in absence rates.

## Types of compensation received

### All industries

When a worker is forced to take extended illness or accident leave, financial resources may need to be bolstered by another source of income. In some cases, workers may receive no compensation for absences of two weeks or more. Others may receive Unemployment Insurance, group insurance, automobile insurance or Workers' Compensation. In some cases, as in many service industries, the employer provides full or partial pay, depending on the nature of the absence.

Over the 16 years considered, the coverage provided under some group insurance contracts has undergone many changes. So too have Workers' Compensation and Unemployment Insurance benefits. In addition, some provincial laws now oblige employers to pay in full or in part the salaries of employees absent for a prolonged period

**Table 2**  
**Average annual number and rate \* of absences, by reason and sector**

	1979-1986		1987-1994	
	Average number	Rate	Average number	Rate
	'000	%	'000	%
<b>All industries</b>				
Illness or accident	760	6.3	823	6.2
Illness	476	3.9	494	3.7
Accident	284	2.4	330	2.5
<b>Goods</b>				
Illness or accident	279	7.7	264	7.4
Illness	146	4.0	127	3.6
Accident	132	3.6	137	3.8
<b>Services</b>				
Illness or accident	481	5.7	560	5.7
Illness	329	3.9	367	3.7
Accident	152	1.8	193	2.0

Source: Absence from Work Survey

\* The average annual number of absences for the period as a proportion of the average annual number of paid employees for the same period.

be expected, Workers' Compensation was paid most often, though the rate declined slightly from the first to second period studied.

**The goods sector**

From the 1979-86 to 1987-94 period, the compensation rate for full pay from the employer increased for illness absences in the goods sector, while that for Unemployment Insurance grew moderately.

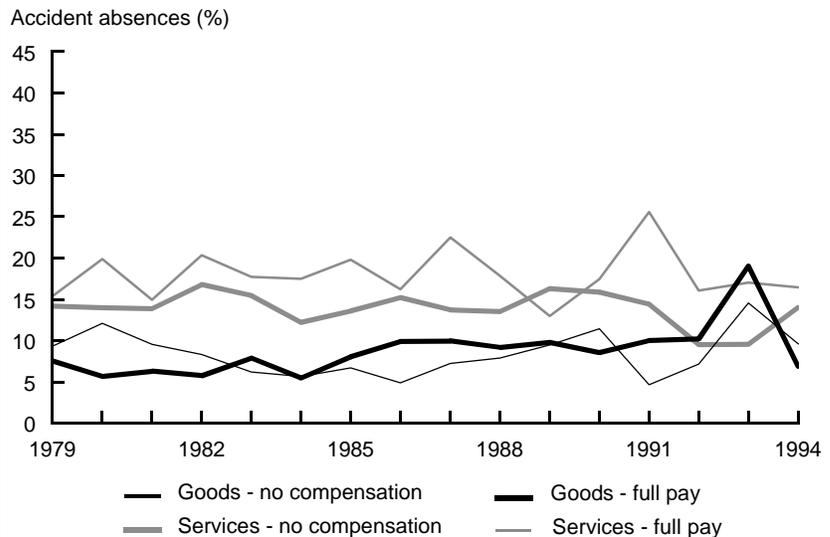
In the case of absences due to accidents, the incidence of full pay compensation by employers continued to increase until 1993 (Chart C). However, the most common forms of compensation (Workers' Compensation and group insurance) dropped a few percentage points (Table 3). A growing proportion of workers in the goods sector receive no compensation for prolonged absences because of accidents.

because of an illness or accident. Faced with several compensation possibilities, employees opt for the most generous one, and in some cases may draw on two or more income sources.

If illness and accident absences are considered separately, incidence of compensation varies considerably among the sources (Table 3). For absences due to illness, the incidence of compensation has increased for Unemployment Insurance, Workers' Compensation and full pay<sup>3</sup> from the employer. The last source, followed by group insurance, is most common for this type of absence.

By contrast, for accident absences the rate of no compensation grew slightly. Despite this, the incidence of full pay from the employer has risen for this absence, as has that of Unemployment Insurance, though not as much. As might

**Chart C**  
**The rates for full pay and no compensation have been relatively stable for absences due to accidents.**



Source: Absence from Work Survey

Table 3  
Average annual number and rate \* of compensations, by sector and reason

	Illness				Accident			
	1979-1986		1987-1994		1979-1986		1987-1994	
	Average number	Rate						
	'000	%	'000	%	'000	%	'000	%
<b>All industries</b>								
No compensation	102	21	92	19	32	11	38	12
Unemployment Insurance	64	14	80	16	22	8	27	8
Workers' Compensation	16	3	22	4	142	50	163	50
Group insurance	127	27	129	26	39	14	41	12
Automobile insurance	--	--	--	--	15	5	18	6
Full pay	144	30	152	31	37	13	49	15
Partial pay	36	8	36	7	14	5	15	5
Other compensation	15	3	22	4	7	2	10	3
<b>Goods</b>								
No compensation	25	17	20	16	10	8	12	9
Unemployment Insurance	21	14	18	15	10	7	11	8
Workers' Compensation	8	6	9	7	78	59	77	56
Group insurance	57	39	46	37	22	17	21	15
Automobile insurance	--	--	--	--	5	4	6	5
Full pay	29	20	27	22	9	7	14	10
Partial pay	12	8	10	8	6	4	6	4
Other compensation	4	3	5	4	--	--	4	3
<b>Services</b>								
No compensation	77	23	72	20	22	14	26	13
Unemployment Insurance	44	13	62	17	12	8	16	8
Workers' Compensation	8	2	13	4	64	42	86	45
Group insurance	70	21	83	23	17	11	20	10
Automobile insurance	--	--	--	--	11	7	12	6
Full pay	116	35	125	34	27	18	35	18
Partial pay	24	7	26	7	8	5	9	5
Other compensation	11	3	16	4	4	3	5	3

Source: Absence from Work Survey

Note: An absence may be compensated by more than one source.

\* The average annual number of compensations received in the period as a proportion of the average annual number of absences for the same period.

### The service sector

In the service-producing industries, the incidence of compensation observed between 1979 and 1994 in cases of absence due to illness rose substantially (Chart D). This was mainly because of Unemployment Insurance and group insurance. However, full pay from the employer continues to be the most common form of compensation in the case of prolonged

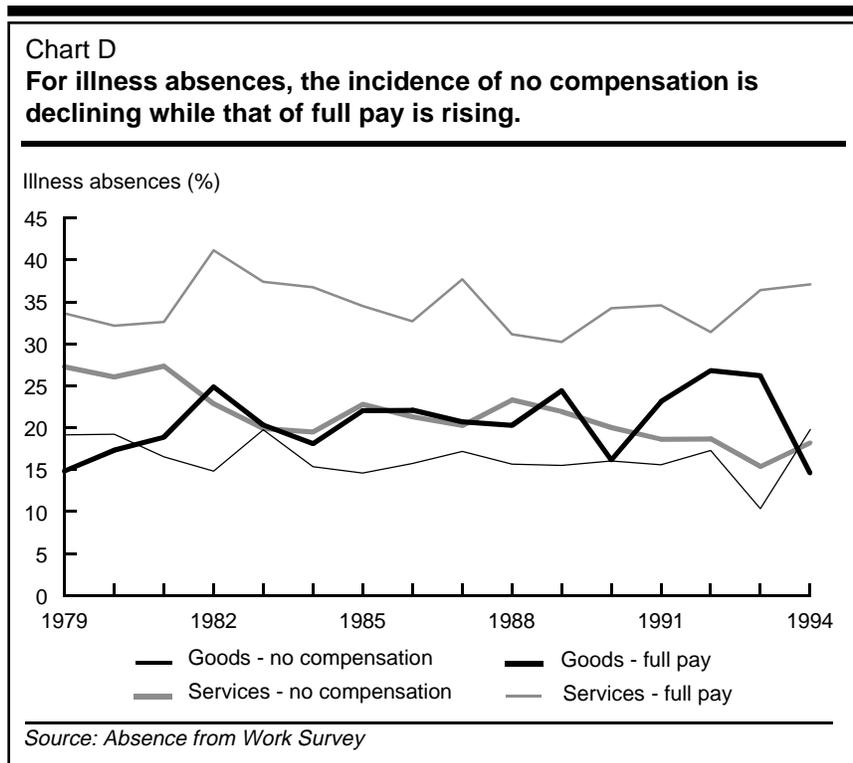
absence for this reason, although its frequency decreased in the second period.

The situation is quite different for absences due to accidents. From one period to the next, the rate for Workers' Compensation increased. Unemployment Insurance and full pay from the employer rose only marginally. In contrast to the goods sector, the service sector has experienced a decline in the proportion

of cases for which there was no compensation for absences of two weeks or more.

### Summary

The number of work absences of two weeks or more due to illness or accident increased between 1979 and 1994, primarily because of the increase in employment. Only women experienced an increase in both types of work absence.



However, if men's drop in absences and women's remarkable growth in employment are taken into account, the overall rate of absence actually decreases.

A comparison of the two periods (1979 to 1986 and 1987 to 1994) reveals an increase in the annual number of absences. This was mainly attributable to women, since there was a sharp decline in absences due to illness among men. The overall average annual rate of absence also increased.

The average numbers of absences per year are higher in the service-producing industries, while the rates are higher in the goods-producing industries, probably because some of the latter are relatively high-risk.

As far as sources for compensation are concerned, most workers absent because of illness receive group insurance, full pay from their employer or Unemployment Insurance, regardless of whether they are employed in goods or services. By contrast, the compensation

received by workers absent because of accidents is generally in the form of Workers' Compensation, full pay from the employer (in the service sector) or group insurance (in the goods sector). The incidence of compensation paid for a prolonged absence due to illness has increased in both sectors, as it has for absences due to accidents in service-producing industries. □

### Notes

1 This industry includes business services; educational services; health and social services; accommodation, food and beverage services and other service industries.

2 Some industries, particularly in the goods sector, are characterized by greater risks of illness or accident than others. (For further information, see Marshall, 1996).

3 Full pay means the absent worker's full salary, paid by the employer.

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