

An assessment of the level of compliance with the statutory duty to obtain insurance under the Employers' Liability (Compulsory Insurance) Act 1969

Final Report

Prepared by the **Institute for Employment Studies**
for the Health and Safety Executive 2012

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Final Report

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HSE is the national independent watchdog for work-related health, safety and illness. It is an independent regulator and acts in the public interest to reduce work-related death and serious injury across Great Britain's workplaces. In doing so, it:

- protects people from serious harm at work and helps businesses to manage risk sensibly;
- prosecutes those who put others at risk;
- provides authoritative and specialist advice, research and statistics; and
- provides a vital public interest role and helps avoid over-regulation.

If employees become ill or injured at work, they might be able to claim compensation from their employer. The ELCI Act (1969) requires that employers take out insurance against such claims. There are some exemptions to this, including public bodies, and those employing specified relatives only. Previous research in this area has found inconsistent levels of compliance, and some of it is quite out-of-date. This research was undertaken to provide a robust measure of levels of compliance in order to support policy development in this area.

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EXECUTIVE SUMMARY

KEY FINDINGS

- In this survey, 94.3 per cent of employers required to hold Employers' Liability (Compulsory Insurance) (ELCI) stated that they had it. A further 1.1 per cent of respondents did not know whether or not they held it due to reasons such as not having checked the documentation, being new in-post or outsourcing responsibility for the insurance to other bodies. In total 4.6 per cent reported that they did not have an EL insurance policy. This equates to an estimated 164,103 employees working for organisations in Great Britain (GB) that should be, but are not, covered by an EL insurance policy.
- These findings are taken from a large telephone survey (2,006 organisations) which was specifically designed to be representative of GB employers, exclude organisations that are exempt from the Act and reduce biases due to non-response and social desirability. Due to differences in methodology, it is not possible to directly compare the findings of this research with previous research on compliance with the ELCI Act.
- Whilst the response rate for the survey was relatively low compared with other telephone surveys, at 30 per cent, selection tests suggested that the findings had not been skewed by *non-response bias* (ie where employers who do not comply with the ELCI Act refuse to take part in the survey). However, interviews with stakeholders suggested that non-compliance may be higher amongst organisations that 'operate on the fringes of legality' and avoid company records such as Experian, which we are unlikely to have reached in this survey.
- Whilst high, the 94.3 per cent compliance level is in line with the expectations of the stakeholders, both insurance and Health and Safety Executive (HSE) representatives. As with previous projects in this area, these findings are based on self-report. A number of methods were taken to reduce *social desirability bias* in the survey (ie where employers who do not comply with the ELCI Act take part in the study but fail to admit to not holding EL insurance). However, it is important to bear in mind these findings may still have been subjected to bias. Some of the employers that stated that they had EL insurance also said that they did not have a certificate, or were unable to answer some clear questions about their policy (even when they had supposedly retrieved their certificate during the interview). Taking these occasions as evidence of non-compliance reduces the overall compliance level in the survey to just 81.7 per cent. Whilst the reliability of these questions was difficult to verify, a very cautious approach would be to consider the actual figure for compliance as lying on a range, with 81.7 per cent and 94.3 per cent as the lower and upper limits.
- Whilst the stakeholders felt that the vast majority of employers held a valid policy, they were concerned that employers did not always declare their casual or temporary workers who worked for them on an ad hoc basis. Either this was because the employers believed they could get away without covering these workers or did not understand the need to cover them. They were particularly concerned about sole traders in this regard, who were excluded from the survey. Amongst the employers in the survey who were using casual, temporary or agency staff at the time of the research, 13.0 per cent stated that these workers were not covered by their EL policy, whilst 25.3 per cent did not know whether they were covered. This would increase the number of workers potentially not covered by an EL policy substantially, although it is unclear whether these types of workers are covered by their own or another agency's EL insurance policy.

- Self-reported compliance was lower amongst the very smallest employers – 6.5 per cent of those with just 2 to 4 employees did not hold an EL insurance policy; this was 1.1 per cent amongst those with 5 to 9 employees (5.3 per cent amongst micro employers overall) and 0.4 per cent amongst those with 10 to 49 employees. Medium-sized firms (50 to 249 employees) and large firms (250+ employees) had zero non-compliance. This was in line with the expectations of stakeholders, who felt that smaller employers often lacked knowledge of the need to have EL insurance.
- Other factors from the survey that were found, through logistic regression, to be predictive of employers reporting to have EL insurance included **previous history of a claim for injury/illness being made by an employee** (with those with no experience of this being less likely to comply), **age of the organisation** (with compliance lower amongst the youngest organisations, in operation for less than two years compared to those operating for ten or more years), and **membership of a trade association/professional body** (with compliance lower amongst non-members). Another significant predictor of compliance was **how policies were purchased**; those that bought a package of policies were more likely to hold the insurance than those that purchased their insurance policies separately. Stakeholders were concerned about levels of compliance in the construction industry, but sector was not found to be a significant predictor of self-reported compliance.
- The survey findings showed that those employers that stated they had EL insurance were more likely to be aware of the requirement to hold EL insurance, suggesting that some of those that did not hold an EL policy were not knowingly flouting the law. They were also more likely to view injuries or disease amongst employees/workers caused at work as a financial risk to their business.
- Qualitative reasons given in the survey and in face-to-face interviews for not having an EL policy centred mainly around failure to realise that EL insurance was compulsory or the misguided belief that the business was exempt, and there was little evidence of organisations deliberately breaking the law. Some employers did not think the Act applied to them because they used workers who were self-employed or because they were a family business (without realising casual workers who were not relatives needed to be covered). Some employers, if they did not realise EL insurance was compulsory, decided against purchasing it to save costs; given the perceived low levels of risk in the business and small number of employees/workers affected, they felt that the costs were unjustified.
- Around one-fifth (19.5 per cent) of those who held EL insurance did not make information about their policy available to employees.
- Very few of the organisations with EL insurance reported any difficulties purchasing it, at just 2.3 per cent.

AIMS OF THE RESEARCH

The central objective of the research was to gauge levels of compliance with the statutory duty under the ELCI Act 1969 in small, medium and large firms across the UK. In addition, the research sought to understand reasons for non-compliance, where this occurred.

RESEARCH APPROACH

The research was focused on employers obliged to hold EL insurance, ie it did not include public sector organisations, sole traders or family businesses (unless they were currently

using casual, agency or temporary workers). The main phase of research with employers included:

- a telephone survey of 2,006 employers (achieved from 6,691 employers, response rate of 30 per cent)
- in-depth face-to-face interviews with three organisations, which were covered under the ELCI Act but did not hold the insurance.

A scoping phase was carried out prior to this in order to design a survey which would reduce social desirability bias and non-response bias. A number of stakeholders including insurance experts and HSE representatives were consulted in the design of the survey, which was also subject to stringent testing through cognitive interviews with employers and a pilot.

1 DETAILS OF THE RESEARCH

Summary

The project consisted of an initial scoping phase including:

- A review of literature on compliance with ELCI.
- Face-to-face and telephone interviews with stakeholders, including the Association of British Insurers (ABI), The British Insurance Brokers' Association (BIBA), representatives from five insurance and brokerage firms, and a representative from an employer body organisation.
- Face-to-face interviews with two HSE inspectors and a focus group of three Health and Safety Awareness Officers (HSAOs).

The main research phase for this project involved the following elements:

- A telephone survey of 2,006 employers across a range of sectors and sizes (all covered under the Employers' Liability (Compulsory Insurance), ELCI, Act).
- Three face-to-face interviews with employers who did not have EL insurance.

This report presents findings from both phases of the research.

1.1 INTRODUCTION

HSE is the national independent watchdog for work-related health, safety and illness. It is an independent regulator and acts in the public interest to reduce work-related death and serious injury across Great Britain's workplaces. In doing so, it:

- protects people from serious harm at work and helps businesses to manage risk sensibly
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If employees become ill or injured at work, they might be able to claim compensation from their employer. The ELCI Act (1969) requires that employers take out insurance against such claims. There are some exemptions to this, including public bodies, and those employing specified relatives only.¹ Previous research in this area has found inconsistent levels of compliance, and some of it is quite out-of-date. This research was undertaken to provide a robust measure of levels of compliance in order to support policy development in this area.

¹ Please note that specified relatives include husband or wife, civil partner, brother or sister, son or daughter, parent, grandparent or grandchild.

1.2 PREVIOUS RESEARCH

In the wake of sharp increases in the price of Employers' Liability Insurance between 2000 and 2002, a number of studies were conducted to determine whether levels of compliance had been affected, and in what way. Estimates from these studies have ranged from 0 or 1 per cent non-compliance for businesses overall, with the figure for SMEs slightly higher and more variable, from less than 1 per cent to 13 per cent.¹

The most in-depth study on EL insurance and possible explanations for non-compliance was carried out by **Greenstreet Berman Ltd**, on behalf of the HSE, in 2003.² The study surveyed 18,000 firms by post, achieving a response rate of 13.5 per cent (2,437 firms), and found non-compliance to be less than one per cent overall (0.92 per cent for micro firms, 0.37 per cent for small firms, 0 per cent for medium-sized firms and 0.6 per cent for large businesses). However, it is worth noting that the method of data collection used in this research may have underestimated non-compliance due to non-response bias (since businesses that do not carry the insurance are also less likely to respond to postal surveys). The response rate for small businesses was just 11 per cent and certain sectors were over-represented (eg health and social work, education, manufacturing and services). Given the different methodology of this research to the present study, it has not been possible to use the Greenstreet Berman Ltd findings as a baseline for this report.

The reasons stated for non-compliance in the Greenstreet Berman Ltd research included affordability, the belief that it was not needed, and difficulties in trying to renew a policy (including being refused cover). With reference to this latter point, the report indicated that 10-25 per cent of firms had found it increasingly difficult to secure EL insurance than before, with larger firms and those trading in the agriculture, construction and utilities industries reporting difficulties more frequently. However, in a 2004 postal and web survey of 602 SMEs (businesses employing between 10 and 250 employees), the **Office of Fair Trading (OFT, 2005³)** found that this trend had been reversed and that the proportion of firms being refused renewal had come down to three per cent. They theorised that this was due to increased capacity in the insurance sector and an increase in communication between insurers and the insured.

We are also aware that **AXA Insurance** has undertaken its own research on compliance with the ELCI Act. In 2002 they studied 700 businesses with between 6 and 249 employees, and 13 per cent admitted to being uninsured.⁴ More recent research undertaken by **AXA and the British Chambers of Commerce (BCC)** in 2009, based on a survey of BCC members (322 responses), looked at employers' understanding of EL insurance, and reported low levels of understanding about the legal obligations of the ELCI Act and the circumstances under

¹ Please refer to the Greenstreet Berman Ltd report for HSE (RR188) for a list of previous studies. Please note that we were unable to obtain all of these sources during the literature review.

² Wright M, Marsden S, Turner D and Genna R (2003), *Survey of compliance with Employers' Liability Compulsory Insurance (ELCI) Act 1969*. Prepared by Greenstreet Berman Ltd for the Health and Safety Executive Research Report 188. This is available on the HSE website: www.hse.gov.uk/research/rrhtm/rr188.htm

³ *The UK liability insurance market: A follow-up to the OFT's 2003 market study, June 2005*. The Office of Fair Trading.

⁴ *Business future liability and risk report: A UK study examining SME attitudes to risk management*. Vanson Bourne Report for Axa 2002.

which they would be covered.¹ They found that only one-third (34 per cent) of respondents fully understood that EL insurance was compulsory, whilst 15 per cent of the businesses did not hold EL insurance. The research also found a distinct lack of knowledge about EL insurance, despite this insurance being ranked by respondents as the second most important type of cover for businesses to hold (after public liability insurance). Please note that we have not seen the methodology for the research in either of the AXA projects, so it remains unclear to us who and how employers were surveyed, or whether the sample was representative of the population of employers that are required to have EL insurance. In particular, it is not clear whether the surveys excluded organisations that were exempt from the Act.

As the above shows, there has been a lack of consensus in the research undertaken on compliance with the ELCI Act to date and, methodologically, previous research projects differ substantially. As such, there is no clear benchmark against which to compare the findings of this present survey. So, this research was undertaken to provide a robust measure of levels of compliance with the duty which may be used to support policy development in this area.

1.3 RESEARCH AIMS

The central objective of the research was to gauge levels of compliance with the statutory duty to obtain insurance under the ELCI Act in small, medium and large firms across the UK. In addition, the research sought to understand reasons for non-compliance, where this occurred.

1.4 OVERVIEW OF RESEARCH METHODS

Before work on the research with employers began in earnest, a development phase for the project was undertaken. This included: a review of existing literature; interviews with stakeholders and HSE representatives (in which they were consulted on the design of the survey, please see Appendix 4 for more details); testing of the survey instruments with employers in cognitive interviews; and a telephone survey pilot of 200 employers.

Following this, the main research involved:

- a telephone survey of 2,006 employers (achieved) across Great Britain
- face-to-face interviews with three employers who did not have EL insurance.

An overview of the different elements is provided below. Further technical details are available in Appendix 1.

1.4.1 Survey of employers

A quantitative survey is a cost-effective means of obtaining data on a large population and, where sample sizes are sufficiently large, of making statistically reliable comparisons between two or more groups. Assuming that the sampling methodology is appropriate and the achieved sample is representative of the target population, in order to obtain statistical reliability it is necessary to have sufficiently large samples which allow subgroup

¹ *Understanding Business Insurance. Axa and British Chambers of Commerce, 2009.*

comparisons to be made so that the research questions can be answered with confidence (please see Appendix 1's technical report for more details).

The main telephone survey of 2,006 employers (achieved interviews) was conducted by Ipsos MORI Telephone Services using Computer Assisted Telephone Interviewing (CATI), between 11 January and 19 February 2010.

Since this was a quota survey, response rates could not be calculated in the same way as a random probability survey. The initial sample base was 16,128 and of these, 12.4 per cent resulted in an interview being conducted. However, when this is adjusted to the amount of sample where contact with an eligible organisation was actually received (6,691 employers), this figure increases to 30.0 per cent. This compares reasonably well with similar telephone surveys of organisations conducted by Ipsos MORI. For example, the National Employer Skills Survey, one of the largest employer surveys carried out by Ipsos MORI, got a 35 per cent response rate in 2007. In 2009-10, Ipsos MORI achieved a 39 per cent response rate in a survey of car body shop owners/managers about health and safety practices for HSE. Whilst the response rate for this project was slightly lower than these examples, we believe this is reasonable given the subject matter and it is substantially higher than the response rate for the Greenstreet Berman Ltd postal survey, which was 13.5 per cent.

Designing the survey

In designing the survey, there were two key issues that needed to be considered and mitigated against:

- Employers who do not comply with the ELCI Act may refuse to take part in the survey – causing *non-response bias*.
- Employers who do not comply with the ELCI Act may take part in the study but fail to admit to not holding EL insurance – causing *social desirability bias* (for a review on this please see Nederhof, 1985).¹

In order to avoid these potential biases as far as possible, interviewers were asked not to mention that the research was being carried out on behalf of the Health and Safety Executive until the end of the interview, unless this was necessary in order to secure an interview (in most cases it was not necessary). It was revealed to all respondents at the end of the survey that it had been carried out on behalf of the Health and Safety Executive. This is recognised as ethical market research practice and when this introduction was tested in the pilot it was found not to affect the response rate. During recruitment, respondents were asked to take part in a survey about 'how you manage operational risks to your business', rather than a survey about Employers' Liability Insurance specifically. This approach is in line with the Market Research Society Code of Conduct which states that members must ensure that the general subject of the interview is clearly communicated to respondents.

Embedding key questions in a series of questions to 'reduce the focus on a specific behaviour question' (Sudman and Bradburn, 1982, p.61) has been advocated as good practice in questionnaire design.² This was the principal approach taken in designing the research instrument for this project, where questions about EL insurance were embedded

¹ Nederhof A (1985), *Methods of coping with social desirability bias: a review*, *European Journal of Social Psychology*, 15, pp. 263-280.

² Sudman S and Bradburn M (1982), *Asking questions: A practical guide to questionnaire design*, San Francisco: Jossey-Bass.

amongst other general questions about purchasing business insurance. Interviewers were asked not to mention EL insurance prior to the question asking the respondent whether or not they had it, which was itself placed amongst a series of questions referring to a range of types of insurance. Another approach to reduce bias is to place the controversial question towards the end of the survey.¹ This survey was designed such that it started with a series of questions about financial risks faced by employers, and how they purchase insurance, before moving on to find out what sort of insurance policies they have.

For the purposes of the survey, EL insurance was referred to as ‘Employers’ Liability Insurance’ and the word ‘Compulsory’ was removed from its title to ensure that responses were not biased by this. However, for clarity, the abbreviation ‘EL insurance’ has been used throughout this report. Throughout the interview, respondents were reassured that their responses were confidential and that no details would be passed onto a third party, in line with the Market Research Society’s Code of Conduct.

It should be stressed that whilst attempts were made to reduce non-response and social desirability bias from affecting the findings of this research, it is unlikely that either of these biases has been eliminated entirely.

The survey was tested in cognitive interviews with ten employers (from a range of sectors and sizes) and a telephone survey pilot of 200 employers before the mainstage fieldwork began.

Testing social desirability bias

To test the level of social desirability bias, ie to assess how truthful employers were being about holding EL insurance, questions on specific details of their EL policy were included (insurer, extent of cover) and participants were asked whether they had a copy of their certificate to hand. The idea behind these was to ‘catch out’ those who stated that they had insurance when in fact they did not. The responses to these questions identified a number of inconsistencies, although the extent to which these actually reflect non-compliance is questionable (see Section 3.3 for more detailed discussion on this).

Testing non-response bias

A logistic regression analysis was conducted with respondents and non-respondents to identify whether there were any organisational factors (using Experian data records) that determined whether or not an organisation took part in the survey. It found that size, industry and country were related to whether or not an employer took part. However, a separate selection test identified that there was no systematic relationship between the likelihood of response to the survey and whether or not the employer had EL insurance. This suggests that the non-response factors in the survey (those factors that we know about at least) have not biased the findings related to compliance, so no additional weighting was required to account for this difference in response rates. Please refer to Appendix 1’s technical report for more details on this analysis.

The sample

The sample frame used was taken from the Experian Business Database (please refer to the technical report in Appendix 1 for more detail on this). The database is compiled from

¹ Barton A (1958), *Asking the embarrassing question*, *Public Opinion Quarterly*, 22(1), 67-68.

various sources including Companies House data, Thompson Directories and Yell Data. The Inter Departmental Business Register (IDBR) was used to establish the current profile of private sector businesses in Great Britain, and therefore was used when determining the sample to be drawn from Experian. Interlocking size and sector quotas were used for each country (England, Scotland, Wales) when purchasing the sample. This was done to ensure that the sample issued was representative of our desired profile. However, the size and industry sector quotas were adjusted to ensure that sufficient interviews were achieved (100 in each group) to enable robust analysis by size and sector (please refer to Appendix 1's technical report for more details). Data was then weighted back to be representative of the population prior to analysis.

The survey asked to speak to 'the person who makes decisions about insurance cover' for the organisation. The ELCI Act (1969) has some exemptions, so it is important to look at proportions holding the insurance amongst organisations that are included under the Act. Public bodies and sole traders are exempt from the Act, so these were screened out of the survey. Those employing specified relatives only are also exempt. If family businesses with specified relatives only in their employment were not using casual labour, temporary labour or agency workers at the time of the survey they were also excluded. Please note that employers in the construction industry were asked to include 'labour-only subcontractors' as employees.

For the purposes of simplification, all employers who took part in the survey were considered to be required to have insurance under the ELCI Act. However, it is important to bear in mind that in some cases it is difficult to be certain whether they are included under the Act without a legal analysis of the contracts in place between an employer and employee. For example, some companies consist of two equal 'partners' who may not be related and do not have any additional employees. Whether or not these employers should have EL insurance is dependent on the contract between the partners, which was not feasible to assess in this study. In addition, some employers may use casual labour where the workers are self-employed. Understanding whether the employer is truly responsible for these workers would again depend on the set up and the contracts in place. It is therefore possible that some of those who stated that they did not have EL insurance were not in fact breaking the law. This should be recognised as a potential weakness in this research.

1.5 IN-DEPTH INTERVIEWS

In addition to the survey, face-to-face interviews were conducted with three small employers which were obliged to hold EL insurance but did not have it during the period of the research. These organisations were selected from survey respondents who had agreed to take part in further research.

The original plan was to conduct more face-to-face interviews with non-compliant organisations (ten in total). However, this proved difficult to achieve given the low pool of non-compliant organisations from the survey. Whilst the proportion of non-compliant organisations which stated that they were happy to take part in further research was reasonable (19 out of 64 cases), for the majority of these an interview was not appropriate; it was not possible within the research to ascertain whether or not they were legally required to have EL insurance (eg if a partnership with no employees). In other cases it was not possible to track the respondent down. Only one of the contacted organisations refused to take part in a face-to-face interview, so it would seem that employers were happy to discuss their non-compliance.

Given the difficulties in recruiting for interviews, halfway through the qualitative fieldwork a decision was made to provide an incentive of £50 to employers for their time in taking part in the research. One of the three interviewees received this incentive.

2 RESEARCH WITH EMPLOYERS: SAMPLE PROFILE

Summary

In order to achieve the aims of the research, the survey covered a range of employers across England, Scotland and Wales. The respondents varied along a number of organisational characteristics including: size, sector, membership of a trade association/professional body, length of time in operation and number of years they have employed staff.

The profile of the achieved sample was broadly in line with the profile of non-public sector organisations in Great Britain in terms of size and sector (using ONS statistics), but some weighting was required prior to analysing the survey findings.

Face-to-face interviews were conducted with three non-compliant employers. All three organisations were very small (less than five employees) and employed a few staff either on a part-time or casual basis.

There were initially a few differences between our sample and the profile of organisations across Great Britain, because we had specifically set quotas for large employers and certain sectors to ensure there were sufficient employers in these groups. Corrective weights were applied to the final data prior to analysis to rebase under-represented and over-represented sizes and industry sectors in line with the sample design. Weighting is used to adjust the relative contribution of respondents without making any changes to the actual responses to survey questions. The weights were calculated using the information provided by the Office for National Statistics (ONS) on the overall number of private sector businesses in GB that have employees (please refer to Appendix 1's technical report for more details). Please note that this population is not a perfect match for this survey. Not all of the businesses from the ONS estimates are required to take out EL insurance (eg family businesses which are disproportionate amongst micro and small businesses). In addition, construction companies that took part in the survey were asked to include labour-only subcontractors, which are not captured in the ONS data (although it is likely that these companies would still fall in the 2-9 size band). No better database is available against which to make a more accurate comparison for weighting, but this should be recognised as a potential weakness in this research.

In this chapter the data for the sample is reported unweighted, in order to show the actual numbers achieved and the full breakdown of the sample, but in all subsequent chapters weighted data has been used (unless specified).

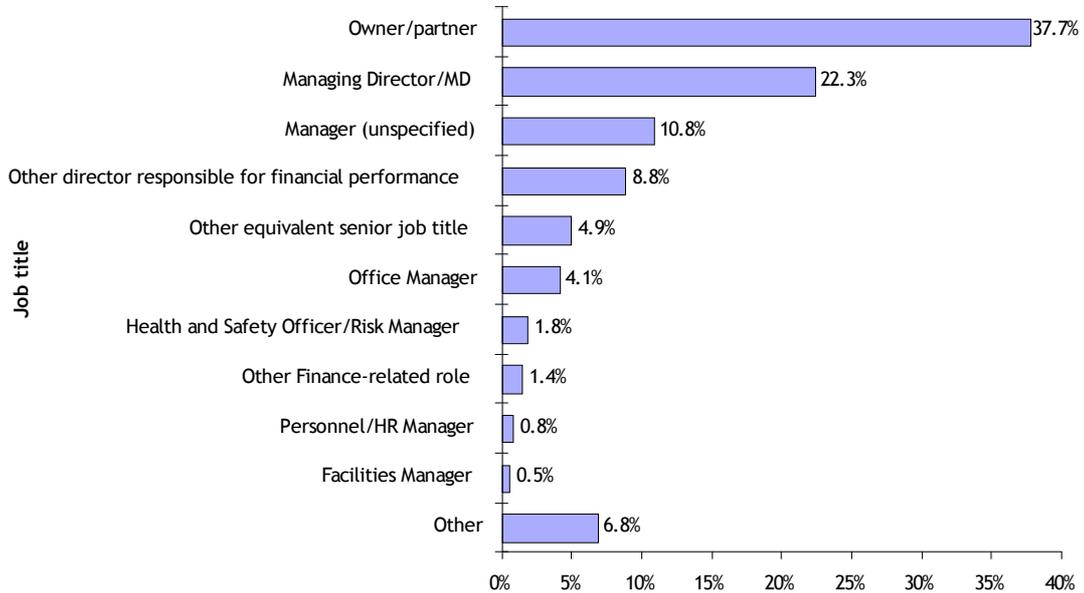
Please note that any statistical differences reported in this and subsequent chapters have been identified as significant using chi-square tests or logistic regression, with the significance level set at $p < 0.05$.

2.1 RESPONDENTS

The job titles of the respondents varied substantially. By far the biggest group, in particular amongst smaller employers, was the 'owner/partner' (at 37.7 per cent). Other common job

titles mentioned were ‘managing director’ (at 22.3 per cent), ‘other (unspecified) manager’ (at 10.8 per cent) or ‘other director responsible for financial performance’ (8.8 per cent).

Figure 2.1: Job title of respondents



(N=2,006)

Source: IES/Ipsos MORI ELCI survey of employers 2010

Employers were sampled from across Great Britain. The majority of employers were from England, at 86.4 per cent, but a substantial proportion were also taken from Scotland (8.5 per cent) and Wales (5.1 per cent).

Table 2.1: Country where employer based

Country	Per cent
England	86.4
Scotland	8.5
Wales	5.1
Base (N)	2,006

Source: IES/Ipsos MORI ELCI survey of employers 2010

2.2 SIZE OF EMPLOYERS TAKING PART

The survey was designed to include companies of different sizes, and this is reflected in the achieved sample (Table 2.2). Please note that sole traders were excluded from the survey. In the survey, large- and medium-sized employers were boosted to ensure that there were at least 100 employers in each size category. As mentioned above, the data was weighted to be representative in terms of both size and sector prior to the analysis of survey findings.

Table 2.2: Employer size

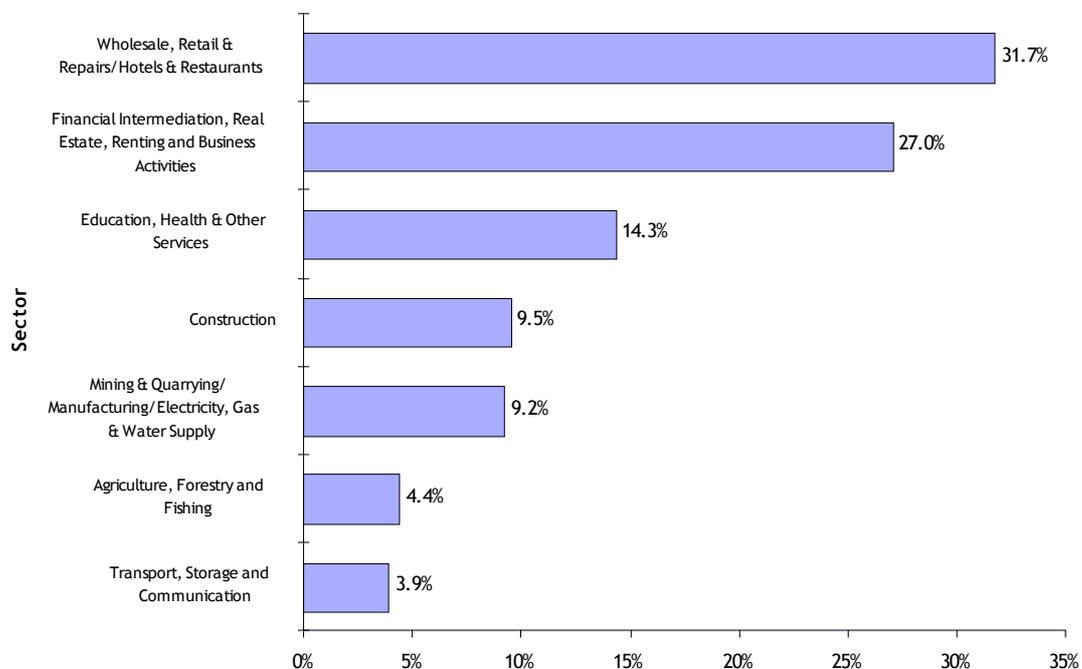
Employer size	Per cent
2 to 4 employees	42.9
5 to 9 employees	28.6
Small (10 to 49)	16.7
Medium (50 to 249)	5.1
Large (250+)	6.4
Base (N)	1,999
Missing/don't know (DK)	7
Total	2,006

Source: IES/Ipsos MORI ELCI survey of employers, 2010

2.3 PARTICIPATING BUSINESS TYPES

Public sector organisations were excluded from the survey. The majority of those included in the research were from the private sector (94.2 per cent) and the remainder from the third sector (charity and voluntary organisations). Organisations were categorised as belonging to one of a range of different industry types (or industrial sectors), according to how they described the main business interest of the organisation. The profile of different business types was broadly in line with that of establishments generally in Great Britain, although some groups were boosted to ensure sufficient numbers for sectoral comparisons.

Figure 2.2: Types of businesses



(N=2,006)

Source: IES/Ipsos MORI ELCI survey of employers, 2010

2.4 TRADE ASSOCIATION/PROFESSIONAL BODY MEMBERSHIP

All employers were asked whether their organisation is a member of a trade association or professional body. Just over half, 53.7 per cent, did hold membership. This varied significantly by size, with smaller employers being less likely to have membership than larger employers.

Table 2.3: Membership of a trade association/employer body

Size	Per cent	Base (N)
2-4 employees	47.8	841
5-9 employees	52.4	563
10-49 employees	57.6	316
50-249 employees	68.7	99
250+ employees	78.8	118
All	53.7	1,937
<i>Don't know/missing</i>		69
<i>Total</i>		2,006

Source: IES/Ipsos MORI ELCI survey of employers, 2010

2.5 OTHER SAMPLE CHARACTERISTICS

The survey asked respondents how long their organisation had been in operation. It is clear in Table 2.4 below that the majority, 62.6 per cent, had been in operation for more than 10 years. The survey was less successful at capturing brand new organisations and less than 1 per cent had been in operation for less than six months. However, 10.9 per cent of the survey participants had been in operation for less than two years. Similarly, most of the organisations sampled had had employees in post for more than 10 years, at 58.9 per cent. Nonetheless, 13.4 per cent had had employees for less than two years.

All employers were asked whether they are currently using casual labour, temporary or agency staff, and 22.7 per cent stated that they were.

Table 2.4: Other organisational characteristics

Characteristic		Per cent
Years in business	Less than 6 months	0.9
	6 months to 1 year	2.7
	1 to 2 years	7.3
	3 to 5 years	12.8
	6 to 10 years	13.8
	More than 10 years	62.6
	<i>Base (N)</i>	<i>1,997</i>
	<i>Missing/DK</i>	<i>9</i>
Years with employees	Less than 1 year	5.6
	2 years	7.8
	3 to 5 years	14.3
	6 to 10 years	13.4
	More than 10 years	58.9
	<i>Base (N)</i>	<i>1,963</i>
	<i>Missing/DK</i>	<i>43</i>
Currently using casual labour, temporary or agency staff	Yes	22.7
	No	77.4
	<i>Base (N)</i>	<i>2,000</i>
	<i>Missing/DK</i>	<i>6</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

2.6 FACE-TO-FACE INTERVIEWS

Face-to-face interviews were conducted with three employers (all of whom had taken part in the employer survey). All three employers were micro organisations with less than five employees. One was the joint owner of a shop selling second-hand household goods, which employed casual staff on an ad hoc basis to carry out tasks such as checking and moving goods when the shop was busy. Another was the owner of a stock counting business which employed three workers part-time, all of whom were self-employed for tax purposes. The third was the owner of a pizza delivery company. This business employed two to three staff – often university students – to work part-time in the shop and carry out the deliveries.

3 COMPLIANCE WITH DUTY TO HOLD EL INSURANCE

Summary

In this survey, which attempted to be representative of employers covered under the ELCI Act in Great Britain, 94.3 per cent of participants reported that they held the insurance. In determining this value, employers who believed that it was ‘not applicable’ to their business were considered as failing to comply. An additional 1.1 per cent of employers did not know whether or not they had EL insurance. Overall, 4.6 per cent of organisations reported that they did not have an EL insurance policy. This equates to an estimated 164,103 employees working for organisations that should but do not have EL insurance.

Levels of compliance varied across a number of organisational groups. It was lowest amongst the very smallest organisations; 6.5 per cent of employers with 2-4 employees reported that they did not have EL insurance, whilst all of the organisations with more than 50 employees reported that they had a policy.

Some of the organisations that stated that they had EL insurance were unable to answer some clear questions about their policy (even when they had supposedly retrieved their certificate). Taking the absence of a certificate or inconsistencies in the responses as evidence of non-compliance reduces the overall compliance level dramatically to just 81.7 per cent. Given that this was a telephone survey, and that there may have been a number of reasons why participants did not have a certificate/could not locate the right information from their certificate, it has not been possible to ascertain whether these questions provided genuine evidence of non-compliance. However, given the issues with social desirability bias in this kind of research, a very cautious approach would be to consider the actual figure for compliance as lying on a range, with 81.7 per cent and 94.3 per cent as the lower and upper limits.

This chapter reports on levels of compliance with the statutory duty to obtain insurance under the ELCI Act 1969 across employers in Great Britain, and looks at levels of compliance for different organisational groups. The chapter begins with an explanation of how the compliance figure was derived.

Before looking at the figures it is important to stress that these findings are based on self-reporting. Whilst a number of attempts were made to reduce social desirability bias in this survey, these may not have been entirely successful. For ease of reading, the terms ‘compliant organisations’ and ‘non-compliant organisations’ have been used throughout this report to denote those that do and do not hold an EL insurance policy (please note that this does not refer to compliance with the other specific aspects of the duty, eg providing information on the policy to employees).

3.1 DETERMINING THE LEVEL OF COMPLIANCE

Employers that took part in the survey were asked whether they currently have a range of types of insurance. Whilst 3.5 per cent (21 organisations, unweighted) stated that they do not

have EL insurance, a further 1.1 per cent (15 organisations, unweighted) stated that it was not applicable to their business and 1.1 per cent did not know whether or not they had it. A decision on what to do with the ‘not applicable’ and ‘don’t know’ responses (ie whether to include or exclude them in the calculation) is important as it can increase or decrease the final value for compliance.

3.1.1 ‘Not applicable’ responses

As mentioned previously, it is difficult to determine precisely whether some organisations are required by law to hold EL insurance as it depends on the technicalities of the employment arrangements and contracts in place, which is not possible to assess in a survey of this nature. Whilst some may truly not be required to have EL insurance, others may mistakenly believe that they do not need it when in fact they do. Some of the reasons given for stating that EL insurance was ‘not applicable’ to their business are given below:

- ‘We don’t have employees’ (although earlier in the survey they reported that they did have employees/workers).
- ‘Employees don’t work on site.’
- ‘Employee works from home.’
- ‘The contractors are under their own insurance.’
- ‘There are only two staff.’
- ‘We don’t want to spend out on something we are unlikely to need.’
- ‘It was a small company set up for a specific project which is about to finish.’

Given that many of these responses appear to suggest that the employer should have had EL insurance, we have decided to include ‘not applicable’ responses as evidence of non-compliance rather than excluding these organisations from the sample. More information on the reasons for non-compliance is given in Chapter 5.

Looking at the qualitative data on reasons for non-compliance (presented in Chapter 5), ten of the non-compliant organisations stated that they did not comply because they were a partnership (ie only business partners involved, no employees). Because it was not possible to ascertain with any certainty whether this meant they were exempt, we have decided to keep these employers in the ‘non-compliant’ group.

3.1.2 ‘Don’t know’ responses

The survey invited those responsible for purchasing insurance in the organisation to take part. Looking at the details (unweighted) of those that stated that they did not know whether or not they had EL insurance (21 employers in total), 15 were from companies with less than 10 employees. As such, it might be expected that actually they would know if they had it and therefore are non-compliers. However, looking at the free text responses for this, it appeared that they genuinely did not know because they had not looked at the documentation or were not responsible for that type of insurance. Some examples of the responses given were as follows:

- ‘I just started the job.’
- ‘Would need to look at the documentation and check.’

- ‘I don’t deal with this type of insurance.’

As such, these are taken as genuine cases of uncertainty and reported as such in what follows.

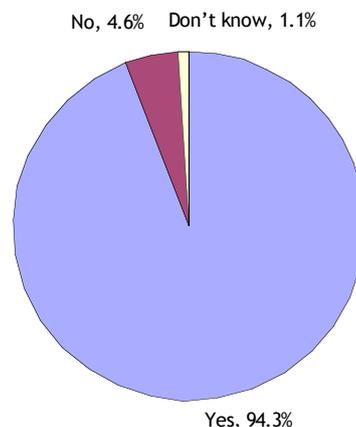
3.1.3 Compliance level

With the new categorisation, the following breakdown for compliance with the statutory duty to obtain EL insurance is presented below. This shows that 94.3 per cent of employers in the survey reported that they had an EL insurance policy.

Strictly speaking, confidence intervals can only be applied to pure random probability surveys. However, it is common practice to apply confidence intervals to data from quota surveys to provide a good indication of statistical reliability, and as a method for determining statistical significance of differences between subgroups.¹ In this case we recommend using the 99 per cent confidence level, where there is less than one chance in a hundred that a result could have occurred by chance, rather than the 95 per cent level more commonly used for random probability surveys. It should be noted that a sample which is weighted is less accurate (ie has a larger standard error) than an adjusted sample of the same size. The effect of this weighting, therefore, needs to be taken into account when considering statistical reliability.

In a random probability sample, the confidence interval for this statistic with a sample of 2,000 would be +/-1.37 per cent, ie we would be 99 per cent confident that the level of compliance for these survey participants lay between 92.63 and 95.37 per cent. However, as some sectors and samples were disproportionately sampled in this research, the confidence interval may be marginally higher.

Figure 3.1: Have you got employers’ liability insurance?



(N=2,006)

Source: IES/Ipsos MORI ELCI survey of employers, 2010

¹ Most of the evidence comparing random probability and quota surveys has shown that suitably weighted quota surveys tend to behave in the same way as random probability surveys.

3.1.4 Numbers of employees not covered by EL insurance

As yet unpublished data by ONS (from the IDBR) on the profile of businesses in Great Britain was used to estimate the number of employees working in a company obliged to have EL insurance but *not* covered by a policy. Please note, as discussed in Chapter 2, that this population is not a perfect comparison for this survey but provides the best database available for our purposes. As Table 3.1 shows, the estimated number of employees not covered by EL insurance by their employer in Great Britain is 164,103. Please note that the calculations used the midpoints in the size bands below. It is likely that in each size category, most organisations are towards the lower end of the scale (eg most employers in the 10-49 group are likely to have less than 30 employees). As such this calculation may overestimate the numbers affected when using the self-reported non-compliance rate of 4.6 per cent.

Table 3.1: Employees not covered by EL

Size band	Size used	Non-compliance rate (weighted) %	No. employees affected
2-4	2.5	6.5	128,804
5-9	7.0	1.2	18,022
10-49	29.5	0.4	17,277
50-249	149.5	0.0	0
250+	-	0.0	0
Total	-	4.6	164,103

Source: IES/Ipsos MORI ELCI survey of employers, 2010

3.2 CHARACTERISTICS OF COMPLIANT VS NON-COMPLIANT ORGANISATIONS

Comparisons between compliant and non-compliant organisations were conducted looking at a range of organisational characteristics. Whilst some trends emerged, the number of non-compliant organisations was small, so the findings need to be treated with some caution. Self-reported non-compliance was highest amongst:

- **Very small organisations;** 6.5 per cent of employers with 2-4 employees did not comply, whilst none of the organisations with more than 50 employees were non-compliant. Looking at the non-compliant group, the vast majority of them (94.5 per cent) had fewer than five employees.
- **The financial intermediation, real estate, renting and business activities sector or construction sector;** where the levels of non-compliance were 8.5 per cent and 6.9 per cent respectively. In the transport sector, the level of non-compliance was zero.
- **Young organisations;** non-compliance amongst those who had been in operation for less than two years was 11.8 per cent.
- **Employers who had had employees in post for less than two years;** the level of non-compliance was 10.2 per cent amongst this group.
- **Non-members of a trade association or professional body;** the level of non-compliance amongst this group was 6.1 per cent.

- **Those without experience of claims;** non-compliance was 4.8 per cent amongst those without experience of prior claims, whilst none of those who had experienced a claim failed to comply.

The numbers of non-compliant firms originating from Scotland or Wales were too small to allow for cross-country comparisons on compliance.

Table 3.2: Self-reported non-compliance, by organisational characteristics

Characteristic		Per cent non-compliance	<i>Unweighted Base</i>
Size	2 to 4 employees	6.5	860
	5 to 9 employees	1.1	574
	10 to 49 employees	0.4	334
	50 to 249 employees	0.0	102
	250+ employees	0.0	129
Sector	Agriculture, forestry and fishing	2.9	88
	Mining and quarrying/ manufacturing, utilities	3.4	185
	Construction	6.9	191
	Wholesale, retail and repairs/hotels and restaurants	2.5	635
	Transport, storage and communication	0.0	79
	Financial intermediation, real estate, renting and business activities	8.5	541
	Education, health and other services	2.3	286
Age of business	2 years or less	11.8	215
	3 to 5 years	5.0	255
	6 to 10 years	5.9	276
	More than 10 years	2.7	1,251
Length of time with employees	2 years or less	10.2	262
	3 to 5 years	2.2	281
	6 to 10 years	3.9	264
	More than 10 years	2.5	1,156
Membership of trade association/professional body	Yes	3.5	1,043
	No	6.1	901
Previous experience of claims	Yes	0.0	227
	No	4.8	1,764

Please see Chapter 4 for details of logistic regressions using these and other variables from the survey, which were carried out to identify which organisational factors were key determinants of compliance once all other characteristics were held constant.

3.3 THE EL INSURANCE CERTIFICATE

Those who stated that they had EL insurance (N=1,921) were asked whether they had their certificate to hand. Looking at the unweighted data, over a quarter (27.4 per cent) were able to retrieve their certificate during the telephone interview. However, 6.2 per cent claimed that they did not have a certificate and a further 1.4 per cent thought that this was not applicable to them, for reasons which remain unclear. If these cases were included in the definition of ‘non-compliant organisations’, it would reduce the (weighted) level of compliance to 87.0 per cent.

Table 3.3: Whether able to locate EL insurance certificate

Do they have the certificate (unweighted)	%
Yes, I’ll go and get it	27.4
No I don’t have it to hand/don’t know where it is	65.0
No I don’t have a certificate	6.2
Not applicable	1.4
<i>Unweighted Base (N)</i>	<i>1,921</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

All of those who reported that they had EL insurance (whether or not they had their certificate to hand) were then asked a number of questions relating to their policy, including who is their insurer and the minimum level of cover their policy provides. The weighted responses are provided in Table 3.4 and Table 3.5 below.

Table 3.4: Who insurance provider is (for all who state they have EL)

Insurance company	%
Able to name insurer	69.9
Would need to check certificate	10.1
Don’t know	18.9
Not applicable	0.2
Refused	0.7
<i>Unweighted base (N)</i>	<i>1,921</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

Table 3.5: Minimum level of cover (for all who state they have EL)

Minimum level of cover provided by EL policy	%
Less than £1 million	3.2
£1-2 million	15.7
£3-4 million	1.6
£5 million	26.5
£6-9 million	0.7
£10 +million	13.9
Would need to check certificate	17.6
Don't know	19.9
Not applicable	0.8
<i>Unweighted base (N)</i>	<i>1,921</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

For those who stated that they had the certificate to hand, some of the answers given in the above questions were inappropriate. For example, of those that stated that they had a certificate (N=527), the unweighted data showed that 3.4 per cent did not know who their insurer was or thought it was not applicable to them. Of the same group, 7.2 per cent claimed that their insurance cover was less than £5 million (which is not possible, as all EL insurance policies must cover at least £5 million) and 11.4 per cent either did not know how much their cover was or did not think it was applicable to them. This may again suggest higher levels of non-compliance than was self-reported in the survey. If these employers are included as 'non-compliant organisations', the (weighted) level of compliance is reduced further, to 81.7 per cent¹. Using this figure, levels of non-compliance were high even amongst the larger organisations; 10.8 per cent amongst those with 50-249 employees and 11.1 per cent amongst employers with 250+ employees.

Overall, these findings show a number of inconsistencies in the reporting of those who claim that they have EL insurance with some stating that they do not have a certificate (or that it is not applicable for them to have one). Furthermore, of those who obtained the certificate during the call, some were unable to give their insurer or level of cover, and some gave inappropriate answers. These cases may suggest that actual levels of compliance are far lower than was self-reported in the survey. However, it remains unclear whether these questions provide strong evidence of non-compliance. It is possible that participants without a certificate had failed to realise they had a certificate or had not received a certificate from their insurance company/broker. In terms of the inappropriate responses for those who stated they had their policy documentation to hand, it is again difficult to take this as strong evidence of non-compliance since it is not clear how easy it was for participants to locate this information on the certificate, or whether indeed the right certificate had been retrieved. We would therefore be hesitant to use the 81.7 per cent figure as a more reliable measure of compliance. It is lower than stakeholders' expectations, lower than previous research would suggest, and highlights a reasonable amount of non-compliance even amongst larger firms

¹ Please note that all other participants who stated that their cover was less than £5 million were not assumed to be non-compliant; since they did not have their certificate to hand it is possible that they were guessing the answers.

(again out of line with stakeholders' expectations). Moreover, this approach has not been used in previous research projects, including the previous report for the HSE by Greenstreet Berman Ltd, all of which have looked at self-reported compliance. However, given the issues with social desirability bias in this kind of research, a very cautious approach would be to consider the actual figure for compliance as lying on a range, with 81.7 per cent and 94.3 per cent as the lower and upper limits.

Please note that analysis throughout the rest of the report focuses on the self-reported compliance level.

4 BEHAVIOUR AND BELIEFS OF COMPLIANT AND NON-COMPLIANT ORGANISATIONS

Summary

The purchasing behaviour, levels of awareness, attitudes and understanding of EL insurance requirements varied substantially between those who stated that they had EL insurance and those who said they did not. In terms of purchasing behaviour, compliant organisations were more likely than non-compliant organisations to:

- have bought their insurance policies as part of a package (as opposed to purchasing them all separately)
- be aware that EL insurance is compulsory (suggesting that some of those who do not hold an EL insurance policy are not knowingly flouting the law)
- view injuries or disease amongst employees/workers (caused at work) as a financial risk to their business.

There was also some evidence that compliant organisations were more likely to state that they understood the types of workers and incidents covered by EL insurance and their legal obligations in relation to it, although it was not possible to test the statistical significance of this. It is important to bear in mind that some of these different behaviours and attitudes may in themselves be related to other organisational factors such as size and sector, and further analyses would be required to ascertain this. Also it was not possible to determine the direction of any of the relationships described.

Logistic regression analysis using key organisational characteristics and some purchasing behaviour variables found that, once other factors were considered, the only determinants of compliance were:

- **Size** – the probability of an employer being compliant increased as the size of the employer increased (to the extent that there was variation in insurance). In comparison to employers with 2-4 employees, employers sized 5-9 or 10-49 were more likely to hold EL insurance. For larger employers this effect did not hold, which may be due to the fact that there was close to 100 per cent compliance amongst these larger groups.
- **Previous history of claim being made** – those employers with no previous history of a claim being made against them were less likely to comply than those that had experienced this.
- **Age of the organisation** – organisations that had been established for more than ten years were more likely to be compliant than those that had been around for two years or less.
- **Membership of a trade association** – those that were members of a trade association were more likely to comply than those that were not.

- **How insurance is purchased** – employers that purchased their insurance policies as part of a package rather than separately were more likely to hold EL insurance.

Despite stakeholders' concerns about the construction sector, the logistic regression found that sector was not a significant factor once other characteristics were controlled for.

This chapter reports on the behaviour and beliefs¹ of employers in relation to EL insurance, making comparisons across the compliant and non-compliant organisations (ie those that self-reported that they did/did not hold an EL insurance policy).

4.1 PURCHASING BEHAVIOUR

All respondents were asked how they purchased their insurance, whether as a package or single policies (or a combination). Looking at those who stated that they had an EL policy, it was clear to see that their purchasing behaviour differed to that of those who stated they did not hold a policy.

Compliant organisations were:

- More likely to have purchased all insurance policies as part of a package rather than separately (59.1 per cent of compliant organisations had purchased policies as part of a package compared to 36.6 per cent of non-compliant organisations).
- More likely to have purchased their insurance from a broker (67.9 per cent compared to 55.3 per cent of non-compliant organisations).

Of those who used a broker or an insurer, it was interesting to see that compliant organisations stated that they were more likely to rely on these suppliers to tell them what insurances the organisation needed than the non-compliant organisations. Just over a quarter (26.0 per cent) of non-compliant organisations stated that they did not rely on their insurer/broker at all to tell them what they needed, compared to just 9.9 per cent of compliant organisations.

4.2 AWARENESS OF THE REQUIREMENT FOR EL INSURANCE

All the respondents were asked whether any of the types of insurance mentioned in the survey (five in total) were required by law. The responses are provided in Table 4.1 below. It is clear that the majority of organisations, 86.8 per cent, were aware that EL insurance is compulsory. Nonetheless, the table shows some misconceptions about the requirement to hold certain other types of insurance. A reasonable proportion for each insurance type thought it was compulsory, whilst 87.7 per cent of the employers believed that public liability insurance was compulsory. It is also surprising that relatively few recognised the need for motor insurance, although it is possible that employers were only considering the sorts of insurance applicable to their business when answering this question.

¹ Please note that in most cases, 'don't know' responses on these variables were treated as missing, unless they were in themselves indicative of differences between compliant and non-compliant organisations.

Table 4.1: Which types of insurance are required by law

Insurance type	Per cent
Buildings and content insurance	27.3
Business interruption insurance	19.7
Motor insurance for company vehicles	63.1
Employers' Liability Insurance	86.8
Public Liability Insurance	87.7
None	2.2
<i>Unweighted Base (N)</i>	<i>2,006</i>

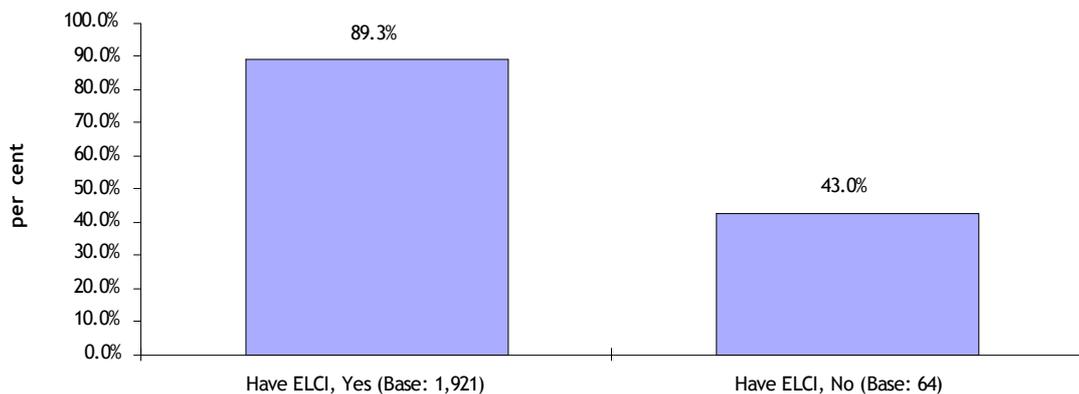
Please note that this was a multiple response question so the percentage can add up to over 100.

Source: IES/Ipsos MORI ELCI survey of employers, 2010

Awareness of the requirement to hold EL insurance varied by size of organisation. Whilst 85.1 per cent of employers with fewer than five employees thought that employers' liability insurance was compulsory, this figure was 93.5 per cent for those with over 50 employees.

Figure 4.1 below shows a link between awareness of the requirement to hold EL insurance and self-reporting that they held the insurance. Amongst the compliant organisations, 89.3 per cent believed it was compulsory to obtain EL insurance (compared to just 43.0 per cent amongst the non-compliant organisations). It would seem, therefore, that some of the non-compliant organisations do not realise they are in breach of the law, or at least do not think it is applicable to them (see Chapter 5). The direction of the relationship is not clear here. It is possible that the process of obtaining EL insurance makes employers realise it is required by law rather than vice versa.

Figure 4.1: Awareness of legislation



(N=1,985)

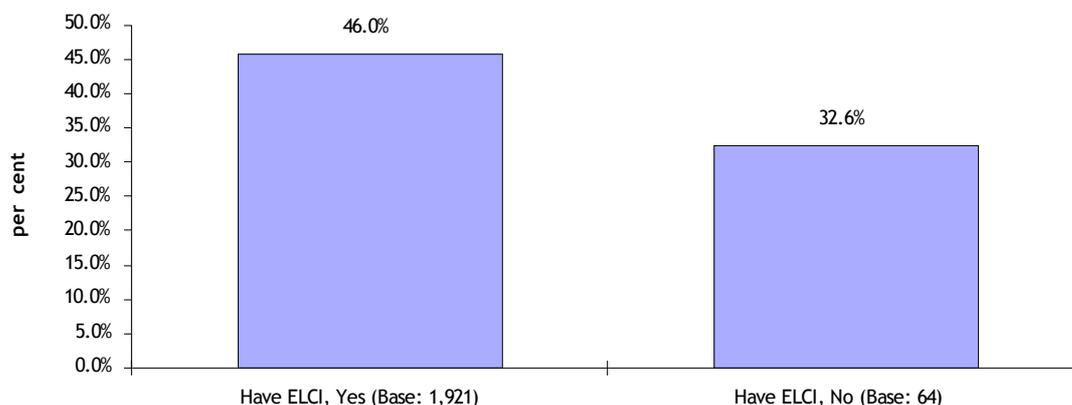
Source: IES/Ipsos MORI ELCI survey of employers, 2010

4.3 WHETHER THEY HAD SEEN THE HSE/DWP LEAFLET FOR EMPLOYERS

All employers who took part in the survey were asked whether they had seen the HSE's guide to EL insurance for employers.¹ Just under half of the employers had seen it (at 45.2 per cent). This did not differ significantly by size of organisation. The data appear to show a link between seeing the leaflet and levels of compliance with the ELCI Act, with those stating that they held the insurance being more likely to have seen the leaflet (46.0 per cent) compared to those who stated they did not hold EL insurance (32.6 per cent).

Awareness of the legal obligation to hold EL insurance was not related to whether or not the employer had seen the HSE leaflet; those who had read the leaflet were just as likely to state it was not compulsory as those who had not. It is important to bear in mind that a full impact assessment of the leaflet was beyond the scope of this project and would require further investigation. It is unclear whether or not the employers really understood which HSE leaflet was being referred to, as they were not shown anything during the interview. In addition, employers may have read the leaflet for different reasons, so these findings should be treated with caution.

Figure 4.2: Seen HSE leaflet on EL insurance



(N=1,985)

Source: IES/Ipsos MORI ELCI survey of employers, 2010

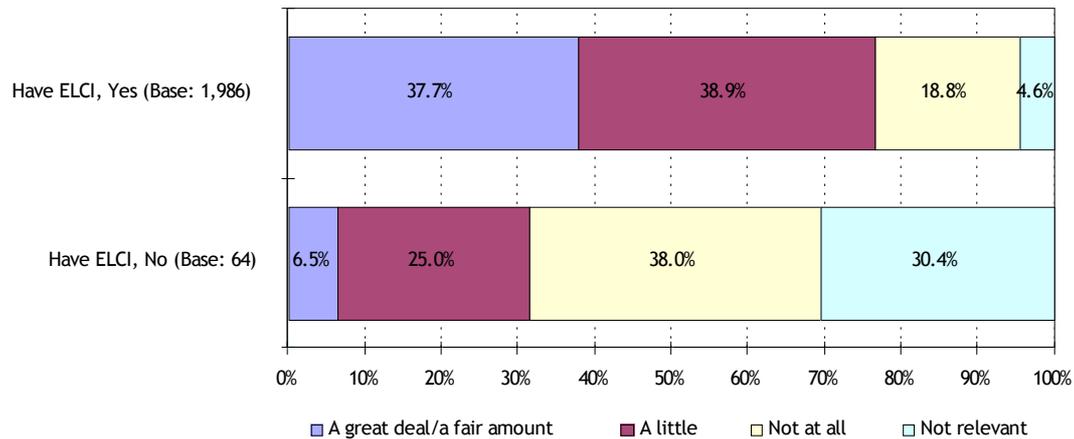
4.4 ATTITUDES AND UNDERSTANDING AROUND EL INSURANCE

At the beginning of the survey, all of the respondents (N=2,006) were asked to rate the extent to which they view a number of scenarios as a financial risk, including 'if employees or workers make a claim for an injury at work or disease caused at work'. Responses for this were fairly spread out, with 15.4 per cent stating they considered it a 'great deal' of risk, and 19.6 per cent stating that it was not a risk at all. The chart below (Figure 4.3) shows that this attitude to the risk was related to whether or not the organisation stated that they held the insurance. Those that said they did hold EL insurance were more likely to consider injuries or illness amongst employees a risk than those that said they did not (37.7 per cent of

¹ This is a joint DWP/HSE publication. They have issued two guidance leaflets on ELCI, one for employers (HSE 40) and another for employees (HSE 39). These are available to download from the HSE website: www.hse.gov.uk/business/elci.htm

compliant organisations stated that it was ‘a great deal’ or a ‘fair amount’ of risk for their business, compared to just 6.5 per cent of non-compliant organisations). Non-compliant organisations were much more likely to state that this question was not relevant to their business (30.4 per cent compared to just 4.6 per cent of compliant organisations).

Figure 4.3: View employees/workers having accident/ill-health caused at work as a financial risk



(N=1,960)

Source: IES/Ipsos MORI ELCI survey of employers, 2010

All of the employers who took part in the survey were asked to rate their agreement with a series of statements regarding their understanding of the details of EL insurance. As Figure 4.4 below shows, the vast majority strongly agreed or tended to agree that they understood: the types of workers covered; their own legal obligations in relation to EL insurance; and the types of incidents covered by EL insurance.

The numbers were too small to test the statistical significance of any differences between compliant and non-compliant organisations on these variables. However, the data show that in general, those who did not have the insurance were much more likely to say they had no opinion on these issues and more likely to admit that they did not understand each aspect; 21.7 per cent of non-compliant organisations did not understand which types of workers should be covered; 25.0 per cent did not understand their legal obligations in relation to EL insurance; and 14.0 per cent of non-compliant organisations did not understand the sort of incidents that would be covered by EL insurance. Nonetheless, it is worth noting that the majority of non-compliant organisations stated that they did understand each aspect (possibly they were mistaken in their understanding).

Figure 4.4: Understanding of EL insurance



(N=2,006)

Source: IES/Ipsos MORI ELCI survey of employers, 2010

4.5 REQUESTS FOR FURTHER INFORMATION

All of the participants in the research (N=2,006) were asked whether they would like to receive further information on employers’ liability insurance. Just under a quarter (23.8 per cent) stated that they would like to receive more information. This did not differ significantly by either size or sector. It also did not differ by compliance, ie those who stated that they did not hold EL insurance were no more likely to request further information than those that did. This again suggests some misplaced complacency amongst non-compliant organisations about their understanding of the ELCI Act. The most preferred formats suggested for further information are given below.

Table 4.2: Preferred format for further info on EL insurance

Preferred format for receiving further information	Per cent
Dedicated leaflets or booklets	38.7
Online	24.9
Direct correspondence from an insurance broker or provider	15.7
Email	13.7
Post/mail/fax	3.0
Trade press	2.8
Other	1.1
<i>Unweighted base</i>	<i>474</i>
<i>Missing/don't know</i>	<i>1</i>
<i>Total N</i>	<i>475</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

4.6 PREDICTORS OF COMPLIANCE

Two logistic regression analyses were conducted using STATA software to identify which business factors (out of those measured in the survey) were predictive of whether or not an employer reported holding EL insurance. The initial analysis included all of the following factors: size of organisation, previous history of a claim being made against them (due to employee/worker accident/ill-health), age of organisation, how long they had employed staff, industry, whether a member of a trade association, how insurance was purchased (whether part of a package or as single policies), and whether insurance is purchased through a broker or insurer and country. Attitudinal and knowledge-based questions were not included as it was felt that these are not sufficiently independent of obtaining EL insurance, as described in the sections above. The second analysis included the same factors but was conducted separately for the smallest organisation (which showed lowest levels of compliance), those with 2-4 employees. Please refer to Appendix 2 for detailed outputs for these analyses.

The initial logistic regression was highly significant and able to explain a good proportion of the variation in compliance. It found the following factors to be predictive of whether or not an organisation reported having EL insurance:

- **Size** – the probability of an employer being compliant increased as the size of the employer increased (to the extent that there was variation in insurance). In comparison to employers with 2-4 employees, employers sized 5-9 or 10-49 were more likely to hold EL insurance. For larger employers this effect did not hold, which may be due to the fact that there was close to 100 per cent compliance amongst these groups.
- **Previous history of claim being made** – those employers with no previous history of a claim being made against them were less likely to comply than those with this experience.
- **Age of the organisation** – organisations that had been established for more than ten years were more likely to be compliant than those that had been around for two years or less.
- **Membership of a trade association** – those that were members of a trade association were more likely to comply than those that were not.
- **How insurance is purchased** – employers that purchased their insurance policies as part of a package rather than separately were more likely to hold EL insurance.

The above factors suggest that there is a certain amount of experiential learning that goes on in determining whether or not an employer has EL insurance; learning through previous experience of a claim being made against them; learning over time as the organisation gets older; and learning through membership of a trade association.

For the smallest organisations (with 2-4 employees), the model was also highly significant. The significant factors remained the same (although it was not possible to include previous history of a claim against them due to a reduced number of cases).

5 REASONS FOR NON-COMPLIANCE

Summary

All the telephone interviewees who stated that they did not have EL insurance (N=64) were asked at the end of the interview why this was so. Further, three of these employers took part in further face-to-face interviews to discuss their reasoning in greater depth. The findings showed that most non-compliance was either due to a lack of awareness of the requirement to hold EL insurance, or belief from the employer that they were exempt (52 respondents gave reasons to this effect, out of 64). Some of the main reasons for non-compliance given by the organisations were as follows:

- **Size.** Some thought that because they only had one or two employees, it was not necessary to insure them.
- **Employment status of the workers.** Some employers believed that because their staff were temporary, worked part-time or on a casual basis, did not have a written employment contract or were self-employed for tax purposes, that their business would be exempt from the ELCI Act. Some family businesses also believed they were exempt, even where they employed staff who were not relations.
- **A lack of information.** Some employers had a very low level of awareness about their legal obligations. Indeed, a handful had not thought about EL insurance until it was discussed in the interviews.
- **New business.** Owners of recent start-ups sometimes claimed that they had only just heard about this type of insurance, or had not got around to organising it yet.
- **Low risk.** Some commented that they thought the insurance was only necessary for organisations in high-risk industries such as manufacturing and construction.
- **Cost.** This is related to size and level of risk; some employers felt that the insurance was an extra burden on costs, considering the low turnover of the business and the belief that the likelihood of a claim was low.

Sixty-four of the participants in the telephone survey claimed that they did not have an EL insurance policy at the time of the survey. All of these were asked at the end of the interview why they did not have this insurance, while three of the non-compliant employers took part in further face-to-face interviews to discuss their reasoning in greater depth. Responses from both elements of the research have been included here.

Following analysis of the qualitative data (from both the survey and interviews), the non-compliant organisations can be divided roughly into two groups:

1. Those who knew that the insurance was compulsory for some companies but thought that it did not apply to their business for reasons such as the employment status of their workers, the size of the company or the relationship with the workers (eg family

businesses), or had not got round to purchasing it yet because the business had only just started up.

2. Those who did not know it was compulsory and had decided not to take it out, for instance because of cost, apathy, or the perceived low risk of a claim being made.

There was little evidence from the qualitative research of participants who knew it was compulsory for their business but decided not to take it out anyway. Whilst the responses in both the survey and the face-to-face interviews appeared to be genuine, this may be in part due to social desirability bias (ie not wanting to admit to flouting the law).

5.1 IT'S A SMALL ORGANISATION

Almost all of the non-compliant organisations were very small companies with fewer than five employees (54 out of the total of 64). Some employees directly mentioned their size as a reason for not having EL insurance, although this sometimes appeared to be a proxy for risk and cost factors, as the following quotations illustrate.

'Because I don't really employ that many people and only have occasional staff when I am busy.'

(Wholesale and retail trade/repair of motor vehicles and household goods, employing 2-4 people, telephone survey participant)

'You'd need to be quite big, you'd need to have more shops before you want to start thinking about all them sort of things. That's how I feel. You're right in what you're saying someone could have an accident here, but because I'm just a small thing then the risks are less than if I had three shops with more employees, then it would make sense to think about liability for all of the shops and all of the employees.'

(Wholesale and retail trade/repair of motor vehicles and household goods, employing 2-4 people, qualitative interview participant)

Size can impact on compliance in a range of ways. Firstly, small companies can present cases where it is unclear whether or not they are exempt from the ELCI Act. For example, small businesses are likely to employ their workforce on a casual or part-time basis, an area around which the rules can be unclear. Small business owners may also have a lower level of understanding of their obligations to employees, perhaps because there is less likely to be a dedicated member of staff responsible for health and safety or insurance or because the business is relatively new. These issues are discussed in the sections that follow below.

5.2 MISUNDERSTANDINGS AROUND WHETHER THEY NEED TO BE COVERED

The majority of businesses asked why they did not have EL insurance reported that their business was exempt from the Act because it did not have 'employees'. By this, they normally meant that the people who worked there were employed on a casual, ad hoc basis or did not have a formal or written contract.

'Because we just use casual workers so I don't feel the need for it at the moment.'

(Construction company employing 2-4 people, telephone survey participant)

'I don't feel it's compulsory if you've got a small business and you're using casual labour part-time, it's not full-time.'

(Wholesale and retail trade/repair of motor vehicles and household goods, employing 2-4 people, qualitative interview participant)

Others felt that, because their workers were self-employed for tax purposes, they were officially classed as contractors and therefore exempt. For example, one qualitative interview participant who employed four people part-time in a stock-counting business commented that:

'I don't need it because they are all self-employed.'

'Do you mean that they are self-employed for tax purposes?'

'Yes, they sort out all of that themselves, they have to do their own tax return... so they are not my actual employees.'

(Real estate, renting and business services, employing 2-4 people, qualitative interview participant)

However, when probed, this interviewee reported that, although he did not deduct NI or income tax from their pay, he did provide the equipment they used at work, they had committed to working a certain number of hours per week for him, they did not work for anyone else, and they were not able to pass the work onto a third party if they were unable to do it; all factors that may oblige him to take out EL insurance.

A couple of employers also reported that their workers did not enter the business premises, and that therefore the company would not be liable for an accident while at work. The same interviewee as above, from a stock counting company, who sends out staff with stock to pubs and shops said:

'The client should have their own insurance, it's up to them to make sure their premises are safe and that my people are protected when they are working.'

(Real estate, renting and business services employing 2-4 people, qualitative interview participant)

Another stated:

'My employee works from home.'

(Real estate, renting and business services employing 2-4 people, telephone survey participant)

Ten of the non-compliant organisations maintained that all workers (usually just two or three people) were equal partners in the business, and the company was not therefore obliged to take out cover. As noted previously, it has not been possible to assess whether these cases are genuinely exempt in a survey of this nature.

For some family businesses there appeared to be misunderstandings surrounding their exemption. One private sector participant employing five to nine people commented that the business did not need the insurance because *'it's mainly a family company'*. However, the same company also claimed to employ casual workers, suggesting that in fact they are obliged to take out EL insurance.

While this research was not in a position to determine whether particular employers are actually required to hold EL insurance, the above demonstrates uncertainty about the law, which may lead some business owners and managers to assume they are exempt when they are not.

5.3 A LACK OF INFORMATION/THEY HAD NOT THOUGHT ABOUT IT

As mentioned in the previous chapter, some of the respondents without EL insurance reported that they did not have a clear understanding of their legal obligations in relation to it. In the open-response section of the survey, a handful indicated that they did not know enough about EL insurance to have made an informed choice about whether or not to take out a policy, or that it was simply not on their radar. For instance, one respondent commented during a qualitative interview that he had not *'given it much thought'* until after the telephone survey, at which point he looked it up on the Internet. Another reported simply:

'I don't know why I don't have it, I just don't.'

(Hotels and restaurants, employing 2-4 people, telephone survey participant)

Such instances may indicate that, for some employers, EL insurance simply is not uppermost in their minds (in the way that motor insurance, for example, may be). Clearly the requirement to hold it by law was also not salient. Another employer mentioned that they had not been informed by their broker.

'It's not something our broker has told us we need to have.'

(Real estate, renting and business services, employing 2-4 people, telephone survey participant)

Please note that there was no other evidence from this project suggesting that brokers were failing to pass on the right information. In fact, as described in the previous chapter, those who relied heavily on their brokers to tell them what types of insurance they needed were more likely to comply than those who did not.

5.4 IT'S A NEW BUSINESS

New businesses, or those which had only recently taken on an employee, were sometimes slow to understand – and meet – their obligations in regard to EL insurance, as these comments from the telephone survey illustrate:

'We haven't been running for a very long time... I haven't looked into it yet.'

(Hotels and restaurants, employing 5-9 people, telephone survey participant)

'We have literally just started employing someone and only just heard about the legal stuff about employer liability.'

(Real estate, renting and business services, employing 2-4 people, telephone survey participant)

Again, this may be because this type of insurance is not prominent in their minds, or is low down on their list of priorities, when setting up a business or making changes to staffing arrangements.

5.5 COST (IN RELATION TO RISK)

Some organisations thought it was optional to take out EL insurance and stated that the main barrier to purchasing it was the cost. Whilst they did not specifically mention figures, they stated that they did not want to pay for insurance for what they believed to be a low-risk activity or working environment.

'There's a very very low risk of staff getting hurt, and the drivers are covered by the car insurance.'

(Hotels and restaurants, employing 2-4 people, telephone survey participant)

'We ensure that the office is safe and we feel it is unlikely that any claim against us would be successful. We make ourselves blameless, if you like.'

(Financial intermediation, employing 2-4 people, telephone survey participant)

'We don't want to spend out on something we're unlikely to need.'

(Construction, employing 2-4 people, telephone survey participant)

A handful reported that they felt this type of insurance would only be necessary in particularly high-risk industries:

'You would need it in places like warehouses where something could fall on you or you could get badly hurt.'

(Real estate, renting and business services, employing 2-4 people, qualitative interview participant)

'So as far as you're aware what sort of organisations are required to have employers' liability?'

'I would think it would be more dangerous professions, people who would be more at risk like people in the bank who could get shot... people who are working with machinery or in forklifts or in warehouses, because the forklift can hit someone and crush them. Here [the risk] is tiny.'

(Wholesale and retail, trade, repair of motor vehicles and household goods, employing 2-4 people, qualitative interview participant)

6 ORGANISATIONS THAT HAVE EL INSURANCE

Summary

Those who stated that they have EL were asked what they do in relation to their insurance, and their responses suggested that some were not keeping up with all of their obligations under the Act:

- Around one-fifth (19.5 per cent) of the compliant organisations stated that they did not provide any information on their policy to their employees/workers.
- 13.0 per cent of compliant organisations stated that their casual, temporary or agency workers were not covered by their EL insurance, whilst another 25.3 per cent did not know whether they were covered, suggesting that a high proportion of these types of workers are at risk.

Very few of the compliant organisations reported any difficulties in purchasing EL insurance, at just 2.3 per cent.

This chapter focuses on the employers who stated that they held an EL policy. It looks at the way in which these organisations let employees/workers know about their policy, the extent of coverage and whether they have had any difficulties purchasing EL insurance.

6.1 HOW INFORMATION IS PROVIDED TO WORKERS/EMPLOYEES

Compliant organisations were asked whether and how they provide any information on their EL insurance policy to employees/workers. Just over half (57.3 per cent) displayed their certificate in their place of work. Only 1.9 per cent provided it online whilst 7.8 per cent provided a copy of insurance on request. Around one-fifth (19.5 per cent) reported that they did not provide any information to their employees/workers and an additional 2.9 per cent thought that this question was not applicable to them.

Table 6.1: How information on EL insurance is provided to employees

How information is provided	Per cent
Display certificate in place of work	57.3
Provide copy of certificate of insurance on request	7.8
Through meetings with employees	5.6
Certificate of insurance is available online for employees to view	1.9
Verbally/tell them	1.4
Staff/company handbook	1.1
In their contract	1.1
At their induction/part of the induction pack/starter pack	0.6
Other	3.0

How information is provided	Per cent
Don't provide info	19.5
Not applicable	2.9
Don't know	2.4
<i>Unweighted Base</i>	<i>1,921</i>

Please note that this was a multiple response question so the percentage can add up to over 100.

Source: IES/Ipsos MORI ELCI survey of employers, 2010

6.2 INCLUSION OF CASUAL, TEMPORARY AND AGENCY WORKERS

All those who stated that they had EL insurance and who were currently using casual, agency or temporary staff (N=438) were asked whether their insurance covered these individuals. Whilst the majority (61.7 per cent) said that it did, a significant proportion either stated that it did not (13.0 per cent) or that they did not know (25.3 per cent). The proportion of family businesses stating that their insurance did not cover their extra workers was 17.9 per cent, but this was not significantly higher than amongst other, non-family businesses.

All in all, this might suggest that a high number of these types of workers in Great Britain are not covered by employers' liability insurance, although it is unclear whether they are covered by their own or another agency's EL insurance policy.

Table 6.2: Inclusion of casual, temporary or agency workers in EL insurance

Whether covered	Per cent
Yes	61.7
No	13.0
Don't know	25.3
<i>Unweighted Base (N)</i>	<i>438</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

6.3 DIFFICULTIES PURCHASING EL INSURANCE

All of those who stated that they had obtained EL insurance (N=1,921) were asked whether they had experienced any difficulties in trying to purchase it. The overwhelming majority (at 97.7 per cent) had not. The difficulties experienced by the small minority of EL insurance policy holders included: not having enough choice over providers, difficulties getting cover because of the risky nature of work, cost and expense, and because they had had a claim.

Table 6.3: Any difficulties purchasing EL insurance

Experienced difficulties	Per cent
Yes	2.3
No	97.7
<i>Unweighted Base</i>	<i>1,896</i>
<i>Missing/don't know</i>	<i>25</i>
<i>Total (N)</i>	<i>1,921</i>

Source: IES/Ipsos MORI ELCI survey of employers, 2010

APPENDIX 1: TECHNICAL REPORT

SAMPLE DESIGN

Interviews were conducted at the company level, rather than establishment level, as this is the level at which EL insurance is generally purchased. There were two main potential sample frames of businesses: the Experian Business Database and the Inter Departmental Business Register (IDBR). Both have their pros and cons as outlined below.

Experian

The decision to use the Experian Business Database for this survey was driven by its better coverage of smaller businesses compared with the IDBR. The Experian database contains 1,935,050 business records, including the self-employed, and is compiled from various sources including Companies House data, Thompson Directories and Yell Data. The key advantages of using the Experian Business Database for this survey are that:

- it has the better coverage of the smallest businesses compared with the IDBR
- it has telephone numbers – therefore, no further matching is required
- according to Ipsos MORI’s experience, the database is current and relatively accurate – up to 120,000 record validations are conducted each month.

A key disadvantage of this sample frame is that it is increasingly being used in social surveys and this can have a negative impact on response rates in sectors where the population is small. Many social surveys also tend to over-sample large employers because they are ‘rare’, and this increases the probability of these employers being selected to take part in surveys.

IDBR

The Inter Departmental Business Register (IDBR) was used to establish the current profile of private sector businesses in Great Britain, and therefore was used when determining the sample to be drawn from Experian.

The IDBR is a list of UK businesses that is maintained by ONS. It is based on inputs from three administrative sources: traders registered for VAT purposes with HM Customs and Excise; employers operating a PAYE scheme, registered with the Inland Revenue; and incorporated businesses registered at Companies House. The ONS Annual Register Inquiry and other surveys are used to identify and maintain the business structures necessary to produce industry and small area statistics.

A key advantage of the IDBR is that it indicates companies that have been interviewed (drawn from IDBR) for Government surveys, thus reducing respondent burden. According to Ipsos MORI, the IDBR also has better coverage of public sector organisations than Experian (although this was not an issue for this survey, which did not include public sector employers).

However, its key drawback is that the telephone number field is poorly populated. In the past, one of the key weaknesses identified by ONS’ review of the IDBR is poor quality contact details at the local unit level which clearly impacts on the ability to match telephone numbers. However, it is possible to enhance the match rate through the use of manual and/or near matching (ie finding the company that is close but not necessarily an exact match), but

clearly there remain some biases in that match rates tend to be lower among the smallest businesses.

Sample frame used

The sample frame used was taken from the Experian Business Database. The database is compiled from various sources including Companies House data, Thompson Directories and Yell Data.

The Inter Departmental Business Register (IDBR) was used to establish the current profile of private sector businesses in Great Britain, and therefore was used when determining the sample to be drawn from Experian. The published profile of businesses provided by ONS from the IDBR is shown in the tables below. Following the survey, data was weighted according to more up-to-date profiling data from ONS UK Business statistics (also based on IDBR). This was done to correct the employee size bands used at QF in the survey which assumed that 1 = sole trader (ie Approximately how many people are employed by your organisation? Please include yourself, everyone on the payroll, business partners and apprentices), whereas the profiling data used originally did not include any sole traders (ie 1 = 1 employee, not a sole trader). This survey does not include sole traders. The profiles used for weighting are not yet in the public domain and therefore cannot be published in this report. However, it should be noted that there was very little difference between the original and updated profiles.

Table A1.1: Profile by size and country

	N	%
England:		
1-9 employees	871,950	73.8
10-49 employees	141,910	12.0
50-249 employees	22,545	1.9
250+ employees	5,215	0.4
Wales:		
1-9 employees	46,525	3.9
10-49 employees	6,800	0.6
50-249 employees	1,080	0.1
250+ employees	170	0
Scotland:		
1-9 employees	69,720	5.9
10-49 employees	12,290	1.0
50-249 employees	2,120	0.2
250+ employees	425	0

	N	%
Great Britain:		
1-9 employees	988,195	83.7
10-49 employees	161,000	13.6
50-249 employees	25,745	2.2
250+ employees	5,810	0.5
Total	1,180,750	100

Source: BERR Enterprise Directorate Analytical Services, figures for 2007

Table A1.2: Profile by industry sector

SIC description	N	%
Agriculture, Forestry and Fishing (A, B)	61,105	5.2
Mining & Quarrying; Manufacturing; Electricity, Gas & Water Supply (C, D, E)	104,835	8.9
Construction (F)	136,345	11.5
Wholesale, Retail & Repairs; Hotels & Restaurants (G, H)	352,150	29.8
Transport, Storage & Communication (I)	44,640	3.8
Financial Intermediation, Real Estate, Renting and Business Activities (J, K)	325,330	27.6
Education, Health & Other Services (M, N, O)	156,345	13.2
Total	1,180,750	100

Source: BERR Enterprise Directorate Analytical Services, figures for 2007

FIELDWORK

The sample frame was randomly drawn and stratified by country, size of organisation (ie number of employees) and industry sector representing the overall profile of organisations in Great Britain (with interlocking size and sector quotas for each country). However, the size and industry sector targets were adjusted to ensure that sufficient interviews were achieved to enable robust analysis by size and sector. The target quotas set during fieldwork are shown in Table A1.3 below. These had to be relaxed towards the end of fieldwork to ensure that the target number of interviews was achieved.

Fieldwork was conducted by Ipsos MORI Telephone Data Collection. Ipsos MORI Telephone Data Collection is a member of the Interviewer Quality Control Scheme (IQCS) and has Market Research Quality Standards Association (MRQSA) quality accreditation BS7911:2003. Members of the IQCS are required to follow strict quality control procedures, and are inspected each year to ensure the standards are being met and maintained.

Screening questions were used to ensure that we spoke to the person within each company who was responsible for making decisions about insurance cover for the organisation named in the sample. The job title of these respondents varied from HR Manager or Director in larger organisations to Managing Director or Owner/Proprietor in smaller organisations.

If the named business was a subsidiary, where decisions about insurance cover were made by the parent company we asked to be referred to the relevant person within the parent company. If someone at the parent company was interviewed, the interviewer made it clear that all questions related to insurance specifically for the organisation named in the sample.

Table A1.3: Target and achieved interviews

	Target number of interviews	%	Achieved interviews
Country:			
England	1,764	88.2	1,733
Wales	144	7.2	171
Scotland	90	4.5	93
Employer size:			
2-9 employees	1,546	77.3	1,434
10-49 employees	252	12.6	334
50-249 employees	100	5.0	102
250+ employees	100	5.0	109
Sector:			
Agriculture, Forestry and Fishing (A, B)	102	5.1	88
Mining & Quarrying; Manufacturing; Electricity, Gas & Water Supply (C, D, E)	176	8.8	185
Construction (F)	228	11.4	190
Wholesale, Retail & Repairs; Hotels & Restaurants (G, H)	590	29.5	635
Transport, Storage and Communication (I)	100	5.0	80
Financial Intermediation, Real Estate, Renting and Business Activities (J, K)	544	27.2	541
Education, Health & Other Services (M, N, O)	262	13.1	287
Total	2,000	100	2,006

Source: IES/Ipsos MORI ELCI survey of employers, 2010

A sample ratio of 8:1 was provided for each quota cell. The sample was released automatically to interviewers by the Computer Assisted Telephone Interviewing (CATI) software, depending on which quota cells needed to be filled. The sample was tried up to a maximum of 12 times, at different times and on different days. In addition, interviewers were able to set a time for call back, for example, if they were told that the respondent would be available at the specified time. If after 12 attempts, a positive outcome had not been reached, the sample was placed into a 'maximum queue' where it waited to be assessed by the project supervisor in consultation with the project team. The sample was re-released from this queue

if the quota cell could not be filled with the remaining sample and no new sample was forthcoming. Thus, in practice, some leads were tried in excess of 12 times.

Ipsos MORI put in place a number of measures to maximise response rates, as outlined below:

- Left a reasonable gap between first and last calls, to ensure that they were not excluding those who were away for holidays etc.
- Monitored the sample daily (including response rates, sample outcome and number of leads remaining) in order to identify any emerging difficulties early on.
- Contacted each number up to 12 attempts to achieve an outcome – this is in excess of the industry standard of 10 calls (see above).
- Spread the calls across different times of the day and on different days of the week.
- Let a number ring a set, reasonable amount of time (eg seven or eight rings) before stopping the call.
- Provided a letter by fax/email to respondents if requested to reassure them that the survey was genuine. Interviewers were also instructed to provide respondents with the Market Research Society (MRS) freephone number for them to verify the survey.

WEIGHTING

Corrective weights were applied to the final data to rebase under-represented and over-represented employers resulting from the sample design, non-response and coverage issues. The weights corrected for these issues by employer size, industry sector and country; weights were calculated using the information provided by ONS on the overall number of private sector businesses in GB that have employees. Please note that this population is not a perfect match for this survey. Not all of the businesses from the ONS estimates are required to take out EL insurance (eg family businesses which are disproportionate amongst micro and small businesses). In addition, construction companies that took part in the survey were asked to include labour-only subcontractors, which are not captured in the ONS data (although these companies are still likely to fall in the 2-9 size band). No database is available against which to make a more accurate comparison for weighting, but this should be recognised as a potential weakness.

Due to sample size issues, the non-response and coverage weights were applied to correct for any disparity by size and country combined, and separately by sector. It should be noted that this approach to rim weighting will not have corrected for any issues with differential response rates by sector *within* size. However, having compared the population distribution and the weighted sample distribution by size and sector, differences between the two are very small and therefore one can conclude that weighting to correct for this slight bias will have little or no impact on the overall proportion of employers saying that they do not have EL insurance.

There were seven employers (six in England and one in Scotland) in the dataset who said that they did not know how many employees their organisation had. These employers were given a weight of '1' and the size-band weights were revised accordingly – so that the percentage added up to 99.65 per cent (excluding the 0.35 per cent who said 'don't know' (DK)), rather than 100 per cent.

Table A1.4: Effective sample sizes

	Unweighted base	Weighted base	Effective base size
Country:			
England	1,733	1,770	1,357
Wales	102	93	130
Scotland	171	144	87
Employer size:			
2-4 employees	860	1,342	844
5-9 employees	574	363	569
10-49 employees	334	248	326
50-249 employees	102	37	99
250+ employees	129	9	126
Sector:			
Agriculture, Forestry and Fishing (A, B)	88	104	77
Mining & Quarrying; Manufacturing; Electricity, Gas & Water Supply (C, D, E)	185	178	132
Construction (F)	190	232	151
Wholesale, Retail & Repairs; Hotels & Restaurants (G, H)	635	598	510
Transport, Storage and Communication (I)	80	76	59
Financial Intermediation, Real Estate, Renting and Business Activities (J, K)	541	553	421
Education, Health & Other Services (M, N, O)	287	266	223
Total	2,006	2,006	1,579

Source: IES/Ipsos MORI ELCI survey of employers, 2010

RESPONSE RATES

Since this was a quota survey, response rates could not be calculated in the same way as a random probability survey. Instead, a detailed breakdown of the sample supplied is presented in Table A1.5 below.

Table A1.5: Final sample status

Final sample status	Total sample used (N)	Total sample used (%)	Valid sample with outcome (%)
Total sample	16,128	100.0	100.0
Achieved interviews	2,006	12.4	30.0
Sample still live	4,720	-	-
Refusal	3,642	22.6	54.5
Stopped interview	114	0.7	1.7
Not available during fieldwork	909	5.6	13.6
Wrong language	18	0.1	0.3
Out of quota	2	0.0	0.0
Tried max number of times	461	2.9	-
Unobtainable	560	3.5	-
Total valid sample	12,432	77.1	-
Invalid sample			
Company out of business	426	2.6	-
Duplicates	14	0.1	-
Bad numbers	1,182	7.3	-
Not eligible	2,074	12.9	-
Total invalid sample	3,696	22.9%	-

Source: IES/Ipsos MORI ELCI survey of employers, 2010

Overall, 12.4 per cent of the sample resulted in an interview being conducted. However, when this was adjusted to the amount of sample where contact with an eligible organisation was actually received, this figure increases to 30.0 per cent. This figure is lower than Ipsos MORI would normally expect to see on a quota survey (which is in the region of 50 per cent). Some possible explanations for this response rate are as follows:

- The Experian database is a commercial database and does not have restricted access. Businesses sampled for this survey may have been sampled recently for other purposes.
- Low response rates are becoming more common as employers are increasingly being contacted to take part in surveys.
- Higher response rates (in the region of 50 per cent) are more common for surveys with a very long fieldwork period (for example four to five months).

Reasons for refusing to participate in this survey were in line with what one would expect in a business survey and included:

- Company policy not to take part in research.
- Individual not interested or too busy.
- Target respondent not available during the fieldwork period.

Reasons stated for refusal did not indicate that those who refused to take part were more likely to be non-compliant, however this cannot be ruled out as a tacit reason for refusal.

Table A1.6 below shows survey co-operation rates (ie completed interviews as a proportion of valid sample with an outcome, excluding those not available during the fieldwork period) by employer size and sector.¹ This indicates that co-operation was lowest among businesses with 50+ employees, which is likely to be due to the relatively high research burden on large employers as discussed earlier under ‘Sample design’. Co-operation rates were also lower than average among employers in the Transport, Storage and Communication sectors.

Table A1.6: Co-operation rates by employer size and sector

	Completed interviews (N)	Refused or stopped interview (N)	Co-operation rate (%)
Employer size according to sample flag			
2-9 employees	1,587	2,932	35.1
10-49 employees	229	371	38.2
50-249 employees	90	217	29.9
250+ employees	100	234	29.9
Sector according to sector flag			
Agriculture, Forestry and Fishing (A, B)	88	170	34.1
Mining & Quarrying; Manufacturing; Electricity, Gas & Water Supply (C, D, E)	212	428	33.1
Construction (F)	182	375	32.7
Wholesale, Retail & Repairs; Hotels & Restaurants (G, H)	584	1,127	34.1
Transport, Storage and Communication (I)	86	231	27.1
Financial Intermediation, Real Estate, Renting and Business Activities (J, K)	593	1,078	35.5
Education, Health and Other Services	261	345	43.1
Total	2,006	3,745	34.8

Source: IES/Ipsos MORI ELCI survey of employers, 2010

¹ Please note, figures shown are based on the sector and size bands indicated in the Experian database which may be different from the sector and size bands confirmed by the respondent during the interview.

NON-RESPONSE BIAS

A logistic regression analysis was conducted with respondents and non-respondents to identify whether there were any organisational factors (using Experian records) that determined whether or not an organisation took part in the survey. The factors used included size (2-4 employees, 5-9 employees, 10-49 employees, 50+ employees), sector and country. In line with the results of the table above, the regression identified that Transport, Storage and Communications firms were less likely to respond to the survey, whilst Education, Health and Other Services were more likely to respond than firms in other industries. Looking at size, it identified that amongst the smallest firms, the larger end (firms with 5-9 employees or 10-49 employees) were more likely to respond to the survey than the very smallest with just 2-4 employees. However, when other factors were taken into consideration there was no significant difference in the likelihood of response to the survey between those with 50+ employees and those with 2-4 employees. Another significant factor in likelihood to respond to the survey was country of firm, with employers in Scotland and Wales being more likely to take part than employers in England.

These findings show that size, industry and country were related to whether or not an employer took part in the survey. However, a selection test, carried out by estimating a binary selection equation for survey response which fed into a second EL Insurance equation (which included a slightly reduced number of factors in order to make it stable), identified that there was no systematic relationship between the likelihood of response to the survey and whether or not the employer had EL insurance (LR test of independent equations ($\rho=0$) had chi-square of 2.86 which was not significant at $p<0.05$ level). This suggests that the non-response factors in the survey (or at least those that we know about) have not biased the findings related to compliance, so no additional weighting was required to account for this difference in response rates.

STATISTICAL RELIABILITY

The sample for this survey was drawn using a random probability approach and an attempt was made to contact all sampled businesses *at least once* during the fieldwork period, with quotas set on business size, sector and country. Strictly speaking, confidence intervals can only be applied to pure random probability surveys. However, it is common practice to apply confidence intervals to data from quota surveys to provide a good indication of statistical reliability, and as a method for determining statistical significance of differences between subgroups.¹ In this case we recommend using the 99 per cent confidence level, where there is less than one chance in a hundred that a result could have occurred by chance, rather than the 95 per cent level more commonly used for random probability surveys.

It should be noted that a sample which is weighted is less accurate (ie has a larger standard error) than an adjusted sample of the same size. The effectiveness of this weighting, therefore, needs to be taken into account when considering statistical reliability.

Statistical reliability at the 99 per cent confidence level over several sample sizes is outlined below in Table A1.7.

¹ *Most of the evidence comparing random probability and quota surveys has shown that suitably weighted quota surveys tend to behave in the same way as random probability surveys.*

Table A1.7: Indicative Statistical Reliability

Approximate sampling tolerances applicable to percentages at or near these levels

Sample size	10% or 90% (□)	30% or 70% (□)	50% (□)
50	11	17	18
100	8	12	13
150	6	10	11
200	6	8	9
250	5	8	8
300	5	7	8
400	4	6	7
500	4	5	6
600	3	5	5
700	3	5	5
1,000	2	4	4
1,500	2	3	3
1,700	2	3	3

APPENDIX 2: LOGISTIC REGRESSION TABLES

The following tables present the output for the logistic regression analysis looking at which organisational characteristics and purchasing behaviours predict whether or not an employer reports holding an EL policy. Please note that these have been conducted on unweighted data. Analyses using weighted data found similar pattern of results.

Each regression included the following factors to predict whether or not employers reported having EL insurance:

- size (base= 2-4 employees)
- previous history of claim made against them (base= yes)
- age of organisation (base= less than 2 years)
- how long they have had employees (base= less than 2 years)
- industry (base= Agriculture)
- membership of a trade association (base= yes)
- how insurance is purchased (base= as a package)
- whether insurance is bought from a broker (base= no)
- whether insurance is bought direct from an insurer (base= no)
- country (base= England).

‘Don’t know’ responses were included in the regression to increase the number of observations. Whilst results for these cases have been presented in the tables that follow, any significance for these groups is considered meaningless.

Any factors not included in the final regression table were kicked out either due to collinearity or because they predicted compliance perfectly.

MODEL 1: FOR ALL EMPLOYERS

Table A2.1

Probit regression, reporting marginal effects		Number of obs = 1,837
LR $\chi^2(26) = 150.79$		Prob > $\chi^2 = 0.0000$
Log likelihood = -185.50998		Pseudo $R^2 = 0.2890$

Table A2.2

GotELCI	dF/dx	Std. Err.	z	P> z	x-bar	[95% C.I.]	
Size=5-9	.0026535	.0011334	3.01	0.003	.290691	.000432	.004875
Size = 10-49	.0031493	.001194	2.67	0.008	.162765	.000809	.005489
Size =50+	.0021329	.0010291	1.30	0.194	.108329	.000116	.00415
Size=Don't know	-.0044531	.0212378	-0.34	0.734	.001633	-.046078	.037172
Prev claim=no	-.0120678	.0036485	-7.70	0.000	.887861	-.019219	-.004917
Prev claim=DK	-.9980609	.0006305	.	.	.004355	-.999297	-.996825
Age=3-5yr	.0000212	.0020097	0.01	0.992	.130648	-.003918	.00396
Age=6-10yr	.0019327	.0011232	1.39	0.163	.139902	-.000269	.004134
Age=10yr+	.0105571	.0087488	2.27	0.023	.621666	-.00659	.027704
Emps=3-5yr	.0020812	.0010939	1.60	0.110	.143713	-.000063	.004225
Emps=6-10yr	.0000503	.0022309	0.02	0.982	.133914	-.004322	.004423
Emps=10yr+	-.0013744	.00252	-0.55	0.580	.575939	-.006314	.003565
Emps=DK	-.1060118	.0803051	-3.90	0.000	.015787	-.263407	.051383
Mining/manuf	-.001861	.0043463	-0.56	0.578	.09472	-.01038	.006658
Construction	-.0019361	.0042108	-0.60	0.547	.101796	-.010189	.006317
Retail/hotels & rest.	.0012042	.001923	0.59	0.557	.322809	-.002565	.004973
Fin interm. real estate	-.0018289	.0031489	-0.70	0.484	.286336	-.008001	.004343
Ed health other serv.	.001313	.0015331	0.68	0.499	.146979	-.001692	.004318
Mem trade ass=no	-.0022913	.0012328	-2.37	0.018	.459445	-.004708	.000125
Purchase=combined	-.0000976	.0014056	-0.07	0.944	.191617	-.002853	.002657
Purchase=separate	-.0055812	.0028225	-3.44	0.001	.217202	-.011113	-.000049
Purchase=DK	-.0030942	.0078016	-0.58	0.561	.01742	-.018385	.012197
Buy broker=yes	.0007055	.0014471	0.53	0.597	.698421	-.002131	.003542
Buy insurer = yes	.0001212	.0012475	0.10	0.924	.255852	-.002324	.002566
Scotland	.0012836	.0011046	0.88	0.379	.082199	-.000881	.003449
Wales	-.0001182	.0020599	-0.06	0.953	.050626	-.004155	.003919
Obs. P	.9678824						
pred. P	.9980883	(at x-bar)					

Source: IES/Ipsos MORI ELCI survey of employers, 2010

MODEL 2: FOR EMPLOYERS SIZE 2-4

Table A2.3

Probit regression, reporting marginal effects		Number of obs = 802
LR $\chi^2(22) = 83.11$		Prob > $\chi^2 = 0.0000$
Log likelihood = -142.88806		Pseudo R ² = 0.2253

Table A2.4

GotELCI 	dF/dx	Std. Err.	z	P> z 	x-bar	[95% C.I.]	
Prev claim=no	-.0348702	.0078223	.	.	.968828	-.050202	-.019539
Prev claim=DK	-.977688	.005402	-6.83	0.000	.002494	-.988276	-.9671
Age=3-5yr	.0016557	.0209751	0.08	0.938	.148379	-.039455	.042766
Age=6-10yr	.0212406	.0113248	1.38	0.169	.158354	-.000956	.043437
Age=10yr+	.0986244	.0529811	2.60	0.009	.542394	-.005217	.202465
Emps=3-5yr	.025257	.011051	1.56	0.119	.173317	.003598	.046916
Emps=6-10yr	-.0039426	.0257161	-0.16	0.872	.138404	-.054345	.04646
Emps=10yr+	-.0395978	.0341679	-1.32	0.188	.477556	-.106566	.02737
Emps=DK	-.4007697	.1917549	-3.64	0.000	.021197	-.776602	-.024937
Mining/manuf	-.0285073	.0432353	-0.86	0.388	.071072	-.113247	.056232
Construction	-.0193612	.0356573	-0.67	0.505	.098504	-.089248	.050526
Retail/hotels & rest.	.0156173	.017843	0.80	0.424	.317955	-.019354	.050589
Fin interm. real estate	-.014844	.025403	-0.65	0.519	.302993	-.064633	.034945
Ed health other serv.	.0204023	.0126041	1.10	0.271	.137157	-.004301	.045106
Mem trade ass=no	-.0219608	.0098613	-2.29	0.022	.514963	-.041289	-.002633
Purchase=combined	.0015782	.0141309	0.11	0.913	.145885	-.026118	.029274
Purchase=separate	-.0278851	.0156169	-2.20	0.028	.255611	-.058494	.002723
Purchase=DK	-.0380684	.0743232	-0.72	0.469	.011222	-.183739	.107602
Buy broker=yes	.0119165	.0148485	0.86	0.392	.63591	-.017186	.041019
Buy insurer = yes	.0026843	.0130107	0.20	0.839	.306733	-.022816	.028185
Scotland	.0048053	.0165968	0.27	0.790	.072319	-.027724	.037334
Wales	.0024131	.0197447	0.12	0.907	.058603	-.036286	.041112
obs. P	.9389027						
pred. P	.976712	(at x-bar)					

Source: IES/Ipsos MORI ELCI survey of employers, 2010

APPENDIX 3: QUESTIONNAIRE

INTRODUCTION

Good morning, my name is I'm calling from Ipsos MORI, the independent research organisation. We are conducting a survey about how you manage operational risks to your business and I would like to ask you some questions. The interview will take no longer than 15 minutes.

The research is being conducted for research purposes only so please be assured that we are not calling on behalf of any insurance firms and are not trying to sell any insurance products.

I would like to assure you that all of your responses will be treated confidentially. It will not be possible to identify you or your organisation from this research. The questionnaire is being conducted for research purposes only.

NOTE TO INTERVIEWER: If participant asks who the survey is on behalf of, the interviewer should say 'a government department'. If they are pressed further they should say 'HSE'. If they are asked who HSE is, they should say 'HSE is the government agency charged with preventing death, injury and ill-health to those at work and those affected by work activities'.

SCREENER QUESTIONS:

Q1. We would like to speak to the person who makes decisions about insurance cover for [INSERT NAME OF ORGANISATION]. Who in your organisation would that be?

PROMPT: If you are a subsidiary, this may be someone in the parent company.

NOTES TO INTERVIEWER: If respondent says that the name we have for their organisation is incorrect, please make a note of the correct name.

If large organisation use prompt 'This may be someone in your finance or HR department'.

By 'deciding' we mean deciding what type of insurance cover to buy and what level of cover is needed.

If necessary reassure respondent that you are working for an independent research organisation and will not be trying to sell any insurance products.

Respondent	1	CONTINUE TO QB
Other (RECORD NAME BELOW)	2	

RECORD NAME:

IF RESPONDENT RESPONSIBLE FOR ORGANISATION'S INSURANCE (CODE 1 AT QA) GO TO QB; IF OTHER CONTACT CITED (CODE 2 AT QA) STANDARD ROUTING TO RE-ASK FOR PERSON RESPONSIBLE FOR ORGANISATION'S INSURANCE; IF UNKNOWN THANK AND CLOSE.

STANDARD ROUTING THROUGH TO RESPONDENT (INCL. MAKING INTERVIEW APPOINTMENT IF NECESSARY)

ASK ALL

Q **What is your job title? DO NOT PROMPT. SINGLE CODE**
2. **ONLY.**

Chief Executive Officer	1		
Owner/partner	2		
Managing Director/MD	3		
Financial Director	4		
Other director responsible for financial performance	5		
Other equivalent senior job title	6	GO	TO
Personnel/HR Manager	7	QC	
Health and Safety Officer/Risk Manager	8		
Facilities Manager	9		
Manager (unspecified)	10		
Office Manager	11		
Other (SPECIFY)	12		

Q3. **Which of the following best classifies this organisation?**

READ OUT. SINGLE CODE ONLY.

Public sector	1	THANK AND CLOSE
Private sector	2	GO TO QD
Charity/voluntary/third sector	3	
Other (specify)	4	
Don't know	5	THANK AND CLOSE

QD. **According to the information we ALREADY have, the industry your business falls into is...** (READ OUT INDUSTRY ON DATABASE)

Is this correct?

Yes	1	GO TO QF
No	2	GO TO QE

ASK IF NO OR DON'T KNOW AT QD.

QE. **What is the main product or service of this workplace?**

PROBE AS NECESSARY. THE FOLLOWING CAN BE USED FOR PROBING.

What is the main activity of this establishment?

What exactly is made or done at this establishment?

What material or machinery does that involve using?

WRITE IN FULL DESCRIPTION, AND THEN CODE MAIN ACTIVITY USING THE SHOWCARD. IF MORE THAN ONE ACTIVITY, CODE MAIN ACTIVITY. IF UNABLE TO CODE MAIN ACTIVITY, SELECT "DK".

PLEASE WRITE IN FULLY TO ENABLE LOWER LEVEL CODING LATER ON.

.....

A	Manufacturing	1	CHECK QUOTAS
B	Construction	2	
C	Wholesale & retail trade/repair of motor vehicles & household goods <i>(includes all shops and retail activities)</i>	3	
D	Hotels & restaurants	4	

E	Transport, storage & communication	5
F	Other community, social and personal service activities (incl. sewage/refuse disposal, trade unions, professional and membership organisations)	6
G	Agriculture, fishing & forestry	7
H	Mining & quarrying	8
I	Electricity, gas & water supply	9
J	Financial intermediation (banks, building societies, insurance <i>etc.</i>)	0
K	Real estate, renting (includes renting of machinery & equipment) & business services (legal, accounting, market research, architectural, advertising <i>etc.</i>)	X
L	Public administration and defence (incl. fire service, law & order, social security)	Y
M	Education	1
N	Health & social work	2
O	DK	3

Source: HSE Survey of compliance with ELCI Act

QF.

ASK ALL EXCEPT THOSE WORKING IN THE CONSTRUCTION SECTOR:

Approximately how many people are employed by your organisation? Please include yourself, everyone on the payroll, business partners and apprentices.

ASK ALL THOSE WORKING IN THE CONSTRUCTION SECTOR: Approximately how many people are employed by your organisation? Please include yourself, everyone on the payroll, business partners and apprentices. Please also include any labour-only subcontractors you may use.

NOTE: We are talking about the company as a whole, not individual workplaces or establishments so please include everyone even if they work in a different location or plant to you.

DO NOT PROMPT. SINGLE CODE ONLY.

1 (ie sole trader)	1	THANK AND CLOSE
2 – 4	2	GO TO QG
5 – 9	3	
10 – 49	4	
50 – 99	5	
100 – 249	6	
250+	7	
Don't know	8	
		GO TO QH

ASK IF HAVE LESS THAN 10 EMPLOYEES (CODE 2 OR 3 ON QD)

QG. **Would you describe this organisation as a family business? By family business, we mean a business that employs family members only.** IF YES, PROBE: Are all employees close family members? That is, husband or wife, civil partner, brother or sister, son or daughter, parent, grandparent or grandchild?

READ OUT. SINGLE CODE ONLY.

Yes – all employees are close family members	1	GO TO QH
Yes – but not all employees are related	2	
No	3	
Don't know	4	THANK AND CLOSE

QH.

ASK ALL WITH 10+ EMPLOYEES OR EMPLOYEES THAT ARE NOT ALL FAMILY MEMBERS (CODE 4 TO 8 AT QF OR CODE 2 OR 3 AT QG): Is your organisation currently using casual labour, temporary or agency staff?

ASK IF FAMILY BUSINESS (CODE 1 AT QG): Is your organisation currently using casual labour, temporary or agency staff who are not your close family members?

SINGLE CODE ONLY.

Yes	1	GO TO Q1
No	2	IF SOLE TRADER/FAMILY BUSINESS AND NO OTHER LABOUR THANK AND CLOSE, OTHERWISE CONTINUE TO Q1
Don't know	3	GO TO Q1

GENERAL QUESTIONS:

ASK ALL

Q1 **When considering your insurance cover, how much of a financial risk, if at all, do you view each of the following to your organisation...? If a risk is not relevant to your organisation, please say 'not relevant'.**
 Q6

READ OUT AND RANDOMISE ORDER. SINGLE CODE ONLY.

		A great deal	A lot	A fair amount	A little	Not at all	Don't know	Not relevant
Q1.	Loss or damage to premises (eg by theft or fire)	1	2	3	4	5	6	7
Q2.	Loss or damage to assets (eg by fire or theft)	1	2	3	4	5	6	7
Q3.	Any interruption to business activity as a result of loss or damage to premises/ assets	1	2	3	4	5	6	7
Q4.	Accidents involving company motor vehicles	1	2	3	4	5	6	7

Q5.	Your employees or workers making a claim for an injury at work, or an illness or disease caused at work	1	2	3	4	5	6	7
Q6.	A visitor/member of public making a claim because of an injury on your work premises	1	2	3	4	5	6	7

Source: Adapted from Axa first survey

PURCHASING INSURANCE

ASK ALL

We are now going to ask a few questions about how you purchase insurance for your organisation. I would just like to stress again that this is a confidential survey, so please give your honest response, and remember that we are not trying to sell anything to you.

Q7. For all your business insurances excluding motor vehicles, which of the following statements best describes how these are purchased?

READ OUT. SINGLE CODE ONLY.

I buy one package of policies that covers everything I need	1	GO TO Q8
I buy some policies as a combined package but purchase others separately	2	
I purchase all insurance policies separately	3	
None/Don't have any insurance	4	GO TO Q10
Don't know	5	GO TO Q8

ASK IF PURCHASE INSURANCE (NOT CODE 4 AT Q8)

Q8. From whom does your organisation purchase its insurance?

READ OUT. MULTI-CODE OK.

From a broker	1	GO TO Q9
Directly from an insurer	2	
From a trade association	3	
Other (if so what?)	4	GO TO Q10
Don't know	5	

ASK IF USE A BROKER (CODE 1 OR 2 AT Q8).

Q9. To what extent do you rely on your insurer or broker to tell you what sort of insurances your organisation needs?

READ OUT. SINGLE CODE ONLY.

A great deal	1	GO TO Q10
A lot	2	
A fair amount	3	
A little	4	
Not at all	5	

ASK ALL

Q10 I asked before how concerned you are about some risks. I'd now like to ask to which of these types of insurance you have...If a type of insurance is not applicable to your organisation, please say 'not applicable'.

READ OUT. SINGLE CODE ONLY.

		Yes	No	Don't know	Not applicable
Q10.	Buildings and content insurance /'tool cover'- covering loss or damage to premises or assets, eg by theft or fire	1	2	3	4
Q11.	Business interruption insurance – covering any interruption to business activity as a result of loss or damage to premises/assets	1	2	3	4
Q12.	Motor insurance for company vehicles	1	2	3	4

Q13.	Employers Liability Insurance – in case your employees or workers make a claim because of an injury at work, or an illness or disease caused at work	1	2	3	4
Q14.	Public Liability Insurance – in case a visitor/member of public makes a claim because of an injury on your work premises	1	2	3	4

Source: Adapted from Axa first survey

Q15 Which, if any, of these insurance policies do you think are required by law?

DO NOT READ OUT. PROMPT IF NECESSARY. MULTICODE OK.

Buildings and content insurance /'tool cover' (Loss or damage to premises or assets, eg by theft or fire)	1	CONTINUE TO Q16
Business interruption insurance - any interruption to business activity as a result of loss or damage to premises/assets	2	
Motor insurance for company vehicles	3	
Employers' Liability Insurance – in case your employees or workers make a claim because of an injury at work, or an illness or disease caused by work	4	
Public Liability Insurance – in case a visitor/member of public makes a claim because of an injury on your work premises	5	

EMPLOYERS' LIABILITY COMPULSORY INSURANCE (ELCI) – THOSE WHO HAVE

ASK IF HAVE EL (CODE 1 AT Q13)

Q16 Do you provide any information on your Employers' Liability Insurance policy to your employees/workers? If yes, how?

DO NOT READ OUT. MULTICODE OK.

Display certificate of insurance in place of work	1	CONTINUE TO Q17
Certificate of insurance is available online for employees to view	2	
Provide copy of certificate of insurance on request	3	
Through meetings with employees	4	
Through trade union representative	5	
We don't provide information to employees	6	
Other (please specify)	7	
Don't know	8	

Q17 I'd now like to ask you a bit more about your Employers' Liability policy. It may help if you have your certificate to hand, but this is not essential. Will this be possible? DO NOT READ OUT. MULTICODE OK.

Yes, I'll go and get it	1	CONTINUE TO Q18
No I don't have it to hand/don't know where it is	2	
No I don't have a certificate	3	

Q18 Which insurance provider do you have Employers' Liability Insurance with?

DO NOT READ OUT. SINGLE CODE ONLY.

Zurich Insurance plc		
AIG UK		
Royal Sun Alliance		
Aviva		
AXA Insurance		
QBE Insurance Group	1	CONTINUE TO Q19
Allianz Insurance	2	
Travellers Insurance Company	3	
Ace Insurance	4	
Chubb Insurance of Europe	5	
Other (specify)	6	
Would need to check certificate	7	
Don't know	8	

Q19 What is the minimum level of cover provided by your Employers' Liability Insurance policy?

DO NOT READ OUT. SINGLE CODE ONLY.

ACCEPT APPROXIMATE FIGURE.

Less than £1 million	1	CONTINUE TO Q20
£1-2 million	2	
£3-4 million	3	
£5 million	4	
£6-9 million	5	
£10 +million	6	
Would need to check certificate	7	
Don't know	8	

INTERVIEWER CODE: Was cover level given approximate or accurate?

ASK IF USE OTHER WORKERS AND HAVE EL (CODE 1 AT QH AND CODE 1 AT Q13)

Q20 Do you know whether your Employers' Liability Insurance covers any casual, agency or temporary workers you may use, for example, during peak periods?

SINGLE CODE ONLY.

Yes – it does include	1	CONTINUE TO Q23
No – it doesn't include	2	
Don't know	3	

ASK ALL WHO HAVE EL (CODE 1 AT Q13)

Q21 Have you experienced any difficulties in purchasing Employers' Liability Insurance?

SINGLE CODE ONLY.

Yes	1	GO TO Q22
No	2	GO TO Q25
Don't know	3	

ASK ALL WHO EXPERIENCED DIFFICULTIES (CODE 1 AT Q21)

Q22 What sort of difficulties?

PROBE FULLY AND RECORD FULL VERBATIM RESPONSE.

1

None/no answer 2

Don't know 3

EMPLOYERS' LIABILITY COMPULSORY INSURANCE (ELCI) – THOSE WHO DO NOT HAVE OR WHO DON'T KNOW IF THEY HAVE ELCI

INTRODUCTION FOR ALL WHO SAID THEY DID NOT HAVE EL (CODE 2 OR 4 AT Q13)

You have said that, to your knowledge, your organisation does not currently have Employers' Liability Insurance (this is insurance if an employee or worker makes a claim against you because of an injury at work or illness/disease due to work).

INTRODUCTION FOR ALL WHO SAID THEY DO NOT KNOW IF THEY HAVE EL (CODE 3 AT Q13)

You have said that you do not know whether or not your organisation has Employers' Liability Insurance (this is insurance if an employee or worker makes a claim against you because of an injury at work or illness/disease due to work).

Q23 PROBE ALL WHO SAY THEY DO NOT HAVE ELCI: Why do you not have this?

PROBE ALL WHO SAY THEY DON'T KNOW IF THEY HAVE ELCI: Why do you not know whether you have Employers' Liability Insurance?

PROBE FULLY AND RECORD FULL VERBATIM RESPONSE.
IF PARTICIPANT SAYS THEY ARE EXEMPT OR DID NOT THINK THEY NEEDED ELCI PROBE FURTHER TO FIND OUT WHY THEY THOUGHT THIS.

1

None/no answer	2
Don't know	3

ATTITUDE QUESTIONS

ASK ALL

Q24 I am going to read out a number of statements about Employers' Liability to Insurance. Please tell me to what extent you agree or disagree with each statement.

READ OUT AND RANDOMISE ORDER.

SINGLE CODE ONLY.

		Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	No opinion
Q24.	I understand which types of workers should be covered by Employers' Liability Insurance	1	2	3	4	5	6
Q25.	I understand my legal obligations in relation to Employers' Liability Insurance	1	2	3	4	5	6
Q26.	I understand the sort of incidents that would be covered by Employers' Liability Insurance	1	2	3	4	5	6

Q27. Would you like to receive more information on Employers' Liability Insurance?

SINGLE CODE ONLY.

Yes	1	GO TO Q28
No	2	GO TO Q29
Don't know	3	

Q28. In which format(s) would you most prefer to receive information about Employers' Liability Insurance?

SINGLE CODE ONLY.

Trade press	1	GO TO Q29
Online (please specify website)	2	
Dedicated leaflets or booklets	3	
Direct correspondence from an insurance broker or provider	4	
Other (PLEASE WRITE IN AND CODE '7')	5	

Q29. Have you seen the HSE's guide to Employers' Liability Insurance?

SINGLE CODE ONLY.

Yes	1	GO TO BELOW
No	2	
Don't know	3	

This is available on the HSE website (www.hse.gov.uk) or through the HSE's infoline on 0845 3450055.

Q30. To the best of your knowledge, has a claim ever been made against your company due to an employee or worker having an accident at work or an illness caused by work?

SINGLE CODE ONLY.

Yes	1	GO TO QI
No	2	
Don't know	3	

BACKGROUND QUESTIONS:

ASK ALL

QI. Is your organisation a member of a trade association or professional body?

Yes	1	GO TO QJ
No	2	
Don't know	3	

Source: HSE Survey of compliance with ELCI Act

QJ. How long has your organisation been in operation?

READ OUT. SINGLE CODE ONLY.

Less than 6 months	1	GO TO QK
6months to 1 year	2	
1 to 2 years	3	
3 to 5 years	4	
6 to 10 years	5	
More than 10 years	6	
Not sure/ Don't know	7	

ASK IF HAVE EMPLOYEES (CODE 2-8 ON QD)

QK. For how many years has your organisation had employees?

READ OUT. SINGLE CODE ONLY.

Less than 1 year	1	GO TO QL
2 years	2	
3 to 5 years	3	
6 to 10 years	4	
More than 10 years	5	
Not sure/ Don't know	6	

Source: HSE Survey of compliance with ELCI Act

QL. Thank you for taking part in this research. In addition to this survey we are looking for people to take part in face-to-face interviews to get a more in-depth understanding of how employers' view Employers' Liability Insurance. These may be conducted by the Institute for Employment Studies on our behalf. Would you be happy for IES to contact you about these in the future?

IF YES COLLECT NAME AND NUMBER.

Yes	1
No	2
Don't know	3

This research was conducted on behalf of the Health and Safety Executive.

NOTE TO INTERVIEWER: If asked, be prepared to point participants to the HSE Infoline for questions about health and safety (www.hse.gov.uk/contact/ask.htm) and the HSE/DWP guide on the Employers' Liability (Compulsory Insurance) Act 1969 at www.hse.gov.uk/pubn/hse40.pdf.

Thanks very much for taking part in this survey.

APPENDIX 4: INTERVIEWS WITH STAKEHOLDERS

Interviews were carried out with representatives from the insurance and brokerage industries and the HSE. The main purpose of the interviews was to inform the survey design, and stakeholders were asked to check through initial drafts. Whilst the views expressed were those of the individuals and based primarily on anecdote, they nonetheless provided some insight into the issues surrounding compliance.

Face-to-face interviews were conducted with the Association for British Insurers (ABI), the British Insurance Brokers Association (BIBA), three insurance firms (Ecclesiastical, Aviva, Royal Sun Alliance) and two brokerage firms (Aon, Marsh). In addition, a telephone interview was carried out with an employer body, to get their viewpoint on employers' experiences of purchasing EL.

Face-to-face interviews were also conducted with two HSE inspectors and a focus group was carried out with three HSE Health and Safety Advisory Officers (HSAOs), all of whom worked in the South East of England. The standard HSAO role involves carrying out visits with employers during which a request to see the company's EL certificate is made as a matter of routine. All HSAOs have the power to issue a 'notice to produce' to any employer who fails to provide a valid EL insurance certificate during a visit.

The issues identified from the interviews with stakeholders were as follows:

- On the whole, stakeholders believed that most employers purchase EL insurance and therefore that compliance levels would be high, usually estimating 95 per cent or above. The three HSAOs interviewed for this research had a combined work experience spanning 16 years, yet recalled only a handful of cases of non-compliance. Please note that it is unclear how representative these experiences are of other HSAOs or visits to Local Authority-enforced organisations. Insurance and broker firms also suspected that levels of compliance would be very high, although this was based on opinion rather than any evidence.
- Whilst the stakeholders felt that the vast majority of employers held a valid policy, they were concerned that employers did not always declare their casual or temporary workers who worked for them on an ad hoc basis. Some were particularly concerned about sole traders or family-run businesses who employ extra (non-related) staff during busy periods without taking out an EL policy. They suspected that in these cases employers fail to comply because they believe they can get away with not covering these workers or do not understand the need to cover them.
- A minority of stakeholders suggested that some employers may hold a certificate but still not have a valid policy. One HSAO gave the example of an employer who agreed to pay in monthly instalments when he purchased his annual EL insurance policy, then defaulted on the payments but managed to keep hold of the paperwork so that it appeared he was still compliant.
- Stakeholders believed that brokers were generally efficient at flagging up the statutory requirement for EL insurance with employer clients. However, it was suggested that they may not inform employers sufficiently of the details of their policies, particularly if they have bought their business insurance as part of a package. This means that some employers may be unaware of the details of their insurance package and what they are covered for; simply trusting that the broker will have made sure that they meet the legal requirements. Stakeholders felt that it would be useful for other organisations to help

raise awareness of the ELCI Act, including banks, Companies House, Business Link and the Chambers of Commerce.

- There were mixed views amongst stakeholders about the effectiveness of penalties applied for failure to provide a valid EL certificate (of up to £2,500 per day), with some viewing this as an incentive whilst others thought too few employers knew about it for it to be effective.
- It was believed by stakeholders that compliance is lower amongst:
 - Smaller employers, because they lack knowledge of the need to have EL insurance.
 - Businesses with no fixed premises, which may deliberately avoid purchasing insurance because they know they are out of view of enforcers. It was also felt that due to not requiring property insurance, these employers lack contact with brokers who would be able to advise them of their requirement to take out EL insurance.
 - Businesses that use informal/casual workers, because they believe they can get away without covering these workers or do not understand the need to cover them.
- The main sector of concern was construction, given that a) the potential for serious injury is high; b) it fits many of the criteria above; and c) because EL premiums are relatively high in this industry. However, the findings from this survey did not substantiate these views and sector was not found to be predictive of self-reported compliance.
- It was felt that, businesses that employ migrant workers or are new businesses run by migrant workers may be a significant subset of those who lack knowledge or understanding of the need to have EL insurance. This could not be substantiated by the survey.
- The stakeholders felt that some areas of the law were unclear to employers, particularly concerning the use of self-employed contractors. They felt that employers may be confused by those cases where workers are viewed as self-employed for the purposes of tax but as employees in relation to EL.
- There was a feeling amongst stakeholders that those employers that fail to comply may be fairly elusive and operate ‘on the fringes of legality’ which would suggest that they are also difficult to reach in a survey of employers.
- Whilst some believed that cost is still a barrier to purchasing EL insurance for some employers, it was felt that this had improved since 2002, when there was a steep increase in EL premiums.

An assessment of the level of compliance with the statutory duty to obtain insurance under the Employers' Liability (Compulsory Insurance) Act 1969

Final Report

HSE is the national independent watchdog for work-related health, safety and illness. It is an independent regulator and acts in the public interest to reduce work-related death and serious injury across Great Britain's workplaces. In doing so, it:

- protects people from serious harm at work and helps businesses to manage risk sensibly;
- prosecutes those who put others at risk;
- provides authoritative and specialist advice, research and statistics; and
- provides a vital public interest role and helps avoid over-regulation.

If employees become ill or injured at work, they might be able to claim compensation from their employer. The ELCI Act (1969) requires that employers take out insurance against such claims. There are some exemptions to this, including public bodies, and those employing specified relatives only. Previous research in this area has found inconsistent levels of compliance, and some of it is quite out-of-date. This research was undertaken to provide a robust measure of levels of compliance in order to support policy development in this area.

This report and the work it describes were funded by the Health and Safety Executive (HSE). Its contents, including any opinions and/or conclusions expressed, are those of the authors alone and do not necessarily reflect HSE policy.