Written evidence submitted by Centre for Progressive Change to The Employment Rights Public Bill Committee (ERB11).

1. Executive summary

- 1.1 Improving Statutory Sick Pay (SSP) would deliver substantial economic benefits for businesses, the Treasury, the wider economy and for employees themselves.
- 1.2 These benefits would arise due to a number of factors, including reduced presenteeism (attending work while unwell), increased retention, increased productivity and a reduction in the spread of infectious diseases. A study by Deloitte showed that the cost of presenteeism for the private sector, for mental health alone, is around £23bn a year, much more than the cost of absenteeism which is £5bn a year.
- 1.3 The improvements currently proposed in the Employment Rights Bill to reform Statutory Sick Pay are welcome and stand to make a difference to millions of people's lives through the removal of the lower earnings limit and the removal of waiting days, as well as through the actions of the Fair Work Agency which will enforce sick pay legislation.
- 1.4 However, the economic and social benefits of sick pay reform will only materialise if employees can actually afford to take time off work when they are ill. To achieve this, it is vital that the basic weekly rate of Statutory Sick Pay be increased. Without such an increase, sick pay will not be sufficiently strengthened.
- 1.5 This evidence proposes amendments that would deliver these changes and ensure that this legislation delivers on its ambitions: modernising UK labour force regulation to support workers and businesses, reducing worklessness and its impacts on the Treasury, and delivering economic growth for the UK.
- 1.6 It is important to note that there is no significant Treasury cost attached to the amendments proposed below. The net economic impacts on businesses are expected to be positive, ultimately reducing businesses' wage bill. Even disregarding these wider effects, the direct business costs are small, requiring wage bill increases of just 0.06% a year (less than one thousandth) if introduced over five years. A CIPD poll shows that six in ten (62%) employers agree that SSP is currently set at a rate that is too low and should be increased.³ These changes could therefore be implemented without a cost to the Treasury. Meanwhile, implementation of these proposals is expected to deliver direct gains for the Treasury of £1.7 billion per year.⁴

WPI Economics, 'Making Statutory Sick Pay Work', July 2023. https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf

² Deloitte 'Mental Health and Employers' January 2020 https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-and-employers.pdf

³ CIPD 'Almost two thirds of employers say the UK's Statutory Sick Pay rate is too low and should be increased, according to CIPD research' December 2021 https://www.cipd.org/uk/about/press-releases/141221statutory-sick-pay-low/

 $^{^{}f 4}$ WPI Economics, 'Making Statutory Sick Pay Work', July 2023.

2. Proposed amendments to the Employment Rights Bill

- 2.1 Our recommendations, in order of priority, are to:
 - a) Substantially increase the basic rate of Statutory Sick Pay, benchmarking it to the National Living Wage rate for normal working hours, gradually increasing to this level over the next 5 years.
 - b) Use the Employment Rights Bill to amend existing primary legislation to give the Secretary of State additional powers, via secondary legislation, to change how the Statutory Sick Pay rate is calculated.
 - c) Hold a statutory consultation, with a timeline, to establish what the new benchmark rate for SSP should be.

1. Increase the rate of Statutory Sick Pay

- 2.2 Economic inactivity due to ill-health is, quite rightly, a key concern of the new government: 2.8 million people are off work in the UK as a result of health conditions, and this number is due to reach 4.3 million people by the end of the parliamentary term.⁵ Studies indicate that presenteeism is aggravating this crisis in relation to both physical and mental health, and the evidence is clear that adequate sick pay offers a potential solution (see section 4 below).
- 2.3 To reduce presenteeism and economic inactivity, it is vital that the basic weekly rate of Statutory Sick Pay is meaningfully increased. At the moment, employees on SSP receive an amount equivalent to an annual salary of just £6,000. Action to address this extremely low sick pay rate will be essential in order to deliver the economic benefits that strengthened SSP could offer for the UK.
- 2.4 This proposal enjoys wide-ranging support, including from cross-party MPs, business groups, trade unions, charities and the general public (see section 6 below). It would also bring us in line with our international peers, where sick pay rates of 70% (Germany, Finland) to 100% (Norway, Iceland, Luxembourg) of usual pay are the norm.⁶ UK sick pay is around 17% of average earnings for most workers⁷.

If the Government is not prepared to change the rate of SSP within the Employment Rights Bill then it should look to give the Secretary of State additional powers and hold a statutory consultation on the rate of SSP:

2. Give the Secretary of State additional powers

2.5 The Secretary of State already has the power to increase the flat rate of SSP via secondary legislation. However, legal advice by the Department of Work and Pensions confirmed that there would need to be an amendment to the Social Security Contributions and Benefits Act 1992 in order to empower the Secretary of

⁵ IPPR, 17th September 2024, 'Cross-party Commission concludes three-year enquiry with bold plan for 21st century health'. https://www.ippr.org/media-office/cross-party-commission-concludes-three-year-enquiry-with-bold-plan-for-21st-century-health#:~:text=New%20findings%20include%3A,workers%20are%20missing%20from%20work.

⁶ Publications Office of the European Union 'Sick pay and sickness benefit schemes in the European Union' October 2016 https://op.europa.eu/en/publication-detail/-/publication/fc7a58b4-2599-11e7-ab65-01aa75ed71a1

⁷ European Commission, Background Report for the Social Protection Committee, 'Sick Pay and Sickness Benefit Schemes in the European Union', October 2016. https://op.europa.eu/en/publication-detail/-/publication/fc7a58b4-2599-11e7-ab65-01aa75ed71a1

State to make more substantial changes to the sick pay rate, such as linking the rate to the National Living Wage or paying a percentage of usual earnings.

2.6 To allow the Government to meaningfully change how SSP is set over the next five years, the Employment Rights Bill should include clauses to amend section 157, subsection 2 of the Social Security Contributions and Benefits Act 1992 in order to give the Secretary of State the necessary flexibility. We request that the Office of the Parliamentary Council be commissioned to draft a government amendment to this effect.

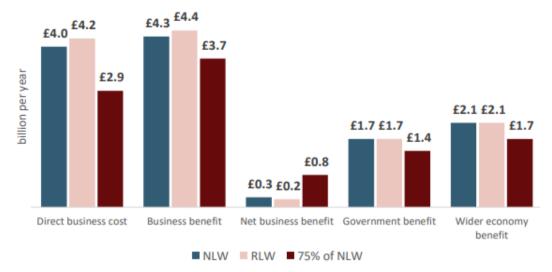
3. Statutory consultation

2.7 A range of new SSP rates have been proposed by trade unions, political parties and think tanks. A consultation should be launched, involving a wide range of stakeholders, to identify what the new benchmark for SSP should be, taking into account the cost of living. The Employment Rights Bill should include a statutory consultation, including a timeline, for what the rate should be. The Government should then look to adopt its recommendations as soon as possible.

3. The economic benefits of strengthening Statutory Sick Pay

- 3.1 The UK's current sick pay system contributes to economic stagnation. As described in section 4, it exacerbates the spread of infectious disease, makes long-term sickness absence more likely, and drives people out of the taxpaying workforce. This increased ill health adds a significant extra cost burden for the NHS, adds many more patients to waiting lists, and increases the UK benefits bill. Workers themselves face financial hardship, especially when diagnosed with serious conditions such as cancer, and both the risk and the experience of having to take sick leave can take a significant toll on working families' mental health.
- 3.2 A meaningful increase to Statutory Sick Pay would immediately turn this situation around. SSP reform would enable people to more proactively manage their health conditions, remain linked to their employers and stay off benefits when they fall ill. However, these gains will only be realised if we reach a key tipping point: sick pay needs to be increased substantially enough so that employees can take time off whilst still covering essential costs.
- 3.3 Modelling by WPI Economics⁸ shows that implementation of an increased SSP rate, alongside the other changes put forward in the Employment Rights Bill (removal of waiting days and of the lower earnings limit) would deliver substantial economic benefits for the UK, including net gains of up to £800 million for businesses, £1.7 billion for the Treasury and £2.1 billion for the wider economy. Three potential rates of Statutory Sick Pay were modelled: payment for usual working hours at the 'real living wage'; at the National Living Wage; and at 75% of the National Living Wage.

⁸ WPI Economics, 'Making Statutory Sick Pay Work', July 2023, p34. https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf



3.4 As the graph above shows, the direct business costs of strengthening Statutory Sick Pay are moderate: £2.9 - £4.2 billion across the entire economy. Compared to the UK's total wage bill of £1.3 trillion,⁹ this represents just a 0.3% uplift in costs for businesses. If introduced over five years, this reduces to a 0.06% annual uplift, so adds less than one thousandth to employers' total wage bill each year. Employers regularly absorb cost changes vastly greater than this, including variable energy costs and increases to the National Living Wage. As the UK Government's own economic analysis reports, businesses tend to absorb these kinds of cost uplifts without difficulty: "There have been consistent findings that employment rights can be strengthened through legislation without negative impacts on workers and the wider economy." ¹⁰

3.5 Furthermore, the direct benefits to businesses of reduced presenteeism (which are explored in greater depth in section 4) are substantial, and they more than offset these small business costs. Reduced transmission of infectious diseases to colleagues and reduced incidences of long-term sick leave or employees dropping out due to ill health (with associated recruitment and retraining costs arising from replacing them) are the main drivers of these benefits. As a result, businesses would see net economic gains as a result of increasing the sick pay rate.

3.6 The Treasury and wider economy would also gain significantly from a strengthening of Statutory Sick Pay, as the social costs of presenteeism would be reduced.

3.7 Adequate sick pay would reduce the UK benefits bill. As described below, decent sick pay reduces the number of people developing chronic conditions, and it enables those who have conditions already to manage them more successfully. These effects will reduce the numbers of people dropping out of work and becoming reliant on Employment and Support Allowance, and will also reduce requirements for Personal Independence Payment. Meanwhile, for the 38% of Universal Credit claimants that are in work, substantially reducing their pay while off sick leads to the Treasury bearing 55% of their foregone wage costs, as their Universal Credit payments are increased by 55p for every £1 of pay lost. This is a significant subsidy that the DWP is currently providing to employers to cover sick pay costs, which would almost entirely disappear if sick pay were strengthened.

 $^{^{9}}$ UK Government (2024) Employment Rights Bill: economic analysis, p13

https://assets.publishing.service.gov.uk/media/67162540d100972c0f4c9abd/Employment rights bill economic analysis.pdf

¹⁰ UK Government (2024) Employment Rights Bill: economic analysis, p13-14

https://assets.publishing.service.gov.uk/media/67162540d100972c0f4c9abd/Employment rights bill economic analysis.pdf

¹¹ Universal Credit Statistics, 29th April 2013 to 11th January 2024, Department for Work and Pensions.

https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-11-january-2024/universal-credit-statistics-29-april-2013-to-11-january-2014-to

 $^{^{12}}$ Universal Credit: How your wages affect your payments

3.8 By ultimately causing more illness, presenteeism also significantly reduces the productivity of the UK economy. Business output is reduced by higher cross-infection within the workplace, more frequent development of long-term sickness and higher rates of employee drop-out, which has direct costs of businesses and increases the overall proportion of the UK population that are economically inactive. This reduced output and increased economic inactivity limit UK economic growth and reduce tax receipts. ¹³

3.9 Finally, by reducing illness levels within and beyond the UK workforce (see below), an adequate sick pay system would significantly reduce NHS costs and waiting times. ¹⁴ This would reduce pressure on the Treasury, and ensure that unwell employees can receive prompt medical care, which would then further reduce sickness absence and worklessness.

4. The economic costs of presenteeism

Reducing workplace transmission of infectious diseases

4.1 As we learned during the Covid pandemic, employees coming in to work when unwell can have a detrimental impact on public health and the economy. A UK study by academics at Oxford and Cambridge¹⁵ confirms, "Workers without access to sick pay are more likely to express willingness to engage in presenteeism." Importantly, the study also found that, "Those with a high social value to sick pay, i.e. those who come into physical contact with many people at work and who are least able to afford to self-isolate without pay, are least likely to have access to employer-provided sick pay." The authors also note the inadequacy of the UK's current Statutory Sick Pay rate.

4.2 Studies relating to other infectious diseases find similar results. A US study found that employees coming into work with flu led to 12% of the entire staff falling ill through primary and secondary transmissions. ¹⁶ The authors report that, "Providing 1 or 2 "flu days"—allowing employees with influenza to stay home—reduced workplace infections by 25.33% and 39.22%, respectively." Another study looked beyond individual workplaces to explore the transmission of flu-like illnesses in whole state populations. ¹⁷ They found that, "More generous paid sick leave policies reduced influenza-like-illness rates by 23.5%."

4.3 These issues are particularly acute in the food industry. One US study found that, "Twenty percent of workers said that they had worked while ill with vomiting or diarrhoea for at least one shift in the previous year." Another found that 70% of norovirus outbreaks with an identified source originated from infectious food workers and, "Paid sick leave laws that were more supportive of employees taking sick leave were

 $\underline{https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf}$

https://wpieconomics.com/wp-content/uploads/2023/07/01.-WPI-Economics-Making-SSP-Work-FINAL.pdf

¹³ WPI Economics, 'Making Statutory Sick Pay Work', July 2023, p24-25.

WPI Economics, 'Making Statutory Sick Pay Work', July 2023, p24-25.

¹⁵ Adams-Prassl, A., Boneva, T., Golin, M. and Rauh, C. (2023). 'The value of sick pay'. European Economic Review, p.104314. doi: https://doi.org/10.1016/j.euroecorev.2022.104314.

¹⁶ Supriya Kumar, PhD, MPH, John J. Grefenstette, PhD, David Galloway, MS, Steven M. Albert, PhD, and Donald S. Burke, MD 'Policies to Reduce Influenza in the Workplace: Impact Assessments Using an Agent-Based Model' https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3893051/

Wething, H. (2022) 'Paid sick leave policy impacts on health and care utilization in United States: why policy design matters', Journal of Public Health Policy, 43, pp530-541. https://link.springer.com/article/10.1057/s41271-022-00371-9

Rand Carpenter, L. et al. (2013) 'Food worker experiences with and beliefs about working while ill', Journal of Food Protection, 76, pp2146-54. https://pubmed.ncbi.nlm.nih.gov/24290694/

associated with an adjusted 22% decrease in foodborne illness rates [across the entire local population]."19

4.4 Overall, the impacts of decent paid sick leave on the spread of infectious diseases are clear. A study by Californian academics concludes "After [paid sick leave] policies are implemented, there are significant decreases in the aggregate rate of illness-related leave taking, relative to control groups, for both those directly affected and those not directly affected by the policy. Our results suggest that mandated sick leave policies can provide large positive public health externalities by allowing sick workers to stay home rather than coming to work and spreading their illness to customers and coworkers."²⁰

Productivity, errors and accidents at work

4.5 Studies show that someone working whilst ill is 15-36% less productive than a healthy person.²¹ Staff are also more likely to make errors and suffer accidents when they come to work unwell. Workers with access to paid sick leave were found to be 28% less likely to get injured and then have to take time off work as a result.²² This reduction in workplace accidents is likely to reduce injury lawsuit costs for employers.

Reducing the need for repeated or long-term absences

4.6 There is a substantial body of evidence demonstrating the harmful effects of presenteeism on employees' long-term health. A parallel body of evidence shows the significant role that decent sick pay plays in reducing presenteeism, thereby preserving employees' well-being and ability to work.

Two studies by Swedish public health experts covering more than 15,000 employees found that, "Sickness presenteeism was consistently found to heighten the risk of fair/poor health at both the 18-month and 3-year follow ups even after adjusting for the detected confounders," and, "SP [sickness presenteeism] on more than five occasions was a statistically significant risk factor for future sick leave of more than 30 days even after adjusting for previous sick leave, health status, demographics, lifestyle, and other variables." ²⁴

4.7 The Whitehall 2 study of UK civil servants explored the impacts of presenteeism on coronary health and found that, "Seventeen percent of unhealthy employees took no absence during the 3-year follow-up. Their incidence of serious coronary events was twice as high as that of the unhealthy employees with moderate levels of sickness absenteeism." ²⁵

4.8 A US study of cancer patients showed that employees who were covered by decent paid sick leave were three times more likely to return to work, "after adjusting for sociodemographic, clinical, geographic, and

Hsuan, C. et al. (2017) 'Association of Paid Sick Leave Laws With Foodborne Illness Rates', American Journal of Preventive Medicine, 53, pp609-615. https://pubmed.ncbi.nlm.nih.gov/28870665/

²⁰ Labour Economics 'Can paid sick leave mandates reduce leave-taking?'

https://www.sciencedirect.com/science/article/abs/pii/S0927537118300034?via%3Dihub

²¹ Concordia Uni, Montreal 'Presenteeism in the workplace'

https://onlinelibrary.wiley.com/doi/epdf/10.1002/job.630

Asfaw, A. et al. (2012) 'Paid Sick Leave and Nonfatal Occupational Injuries', American Journal of Public Health, 102, pp59-64 https://aiph.aphapublications.org/doi/full/10.2105/AJPH.2011.300482

²³ Bergström, G. et al. 'Does sickness presenteeism have an impact on future general health?', International Archives of Occupational and Environmental Health 2009, 82, pp1179-1190. https://link.springer.com/article/10.1007/s00420-009-0433-6

²⁴ Bergström, G. et al. 'Sickness presenteeism today, sickness absenteeism tomorrow? A prospective study on sickness presenteeism and future sickness absenteeism', Journal of Occupational and Environmental Medicine 2009, 51, pp629-38. https://pubmed.ncbi.nlm.nih.gov/19448572/

²⁵ Kivimäki, M. et al. 'Working while ill as a risk factor for serious coronary events: the Whitehall II study', American Journal of Public Health 2005, 95, pp98-102. https://pubmed.ncbi.nlm.nih.gov/15623867/

job characteristics."²⁶ At CPC, in our conversations with cancer support workers, we have been told that some patients have felt forced to make the traumatic decision to decline curative cancer treatments in favour of non-curative ones, as they could not afford to take the necessary time off work. As well as the

extreme human cost of this, this will ultimately drive these employees out of the workforce, and it is likely to increase total healthcare costs as patients become more and more unwell.

- 4.9 The impacts on employees' mental health a major and fast-growing source of long-term absence and worklessness in the UK are just as substantial. Research by Mind identified direct effects of the UK's low SSP rate on the perpetuation of people's mental health problems, with 60% of respondents reporting that the reduction in income caused by SSP had a negative effect on their mental health.²⁷
- 4.10 Japan's National Centre for Global Health also explored mental illness and found associations between presenteeism and subsequent depression and mental health-related absences: "Participants with relative presenteeism were significantly more likely to be absent due to mental disease. Higher rates of relative presenteeism were significantly associated with higher rates of depression one year later." 28
- 4.11 It is clear that adequate sick pay has a key role to play in maintaining our long-term health and ability to work. A meta-analysis by a team of UK and Danish researchers concluded, "The majority of studies found that sickness presenteeism at baseline is a risk factor for future sickness absence." Furthermore, a study by US and French universities found that access to decent paid sick leave is literally a lifesaver: it was associated with a reduced all-cause mortality risk of between 10% and 22%. 30

5. Support for increasing the rate of Statutory Sick Pay

Public and business support

5.1 RSA polling in 2021 showed that 81% of Labour voters and 74% of Conservative voters backed an increase in Statutory Sick Pay.³¹ A 2023 poll for the TUC showed that 69% of people supported setting, "a minimum level of Statutory Sick Pay for all workers, at the same rate as the real living wage," while only 6% of respondents opposed an SSP hike.³² Paid sick leave tops the list of benefits and incentives that matter most to British employees: for over two-thirds (67%) of the people polled, sick pay is the employee benefit

Veenstra, C. et al. 'Employment benefits and job retention: evidence among patients with colorectal cancer' Cancer Medicine 2018, 7, pp736-745 https://onlinelibrary.wiley.com/doi/10.1002/cam4.1371

⁴⁷ Mind (2022) 'Briefing from Mind: Statutory Sick Pay (SSP)'. https://www.mind.org.uk/media/2p1cuvpw/mind-ssp-briefing-oct-2022.pdf

²⁸ Suzuki, T. et al. 'Relationship between sickness presenteeism (WHO-IPQ) with depression and sickness absence due to mental disease in a cohort of Japanese workers', Journal of Affective Disorders 2015, 180, pp.14-20. https://www.sciencedirect.com/science/article/abs/pii/S0165032715001731

²⁹ Skagen, K. & Collins, A. M. 'The consequences of sickness presenteeism on health and wellbeing over time: A systematic review', Social Science and Medicine, 2016, 161, pp169-77. https://pubmed.ncbi.nlm.nih.gov/27310723/

³⁰ Kim, D. (2017) ,Paid Sick Leave and Risks of All-Cause and Cause-Specific Mortality among Adult Workers in the USA', International Journal of Environmental Research and Public Health, 14, pp1247-156. https://www.mdpi.com/1660-4601/14/10/1247

³¹ RSA 'Three-in-four Conservative voters back big increase in sick pay' February 2021 https://www.thersa.org/press/releases/2021/conservative-voters-increase-sick-pay

³² Mirror 'Hike sick pay in line with wages so workers can take time off when ill, voters demand' March 2023 https://www.mirror.co.uk/news/politics/hike-sick-pay-line-wages-29592088

that they value most.³³ A CIPD poll shows that six in ten (62%) employers agree that SSP is currently set at a rate that is too low and should be increased.³⁴

Political support

5.2 The Labour Party has shown significant leadership on this issue. The Chancellor of the Exchequer, Rachel Reeves MP, expressed strong support for a substantial and permanent extension of Statutory Sick Pay, speaking in parliament in 2020.³⁵ The Labour Party included a three-part commitment in their 2024 manifesto to, "strengthen Statutory Sick Pay, remove the lower earnings limit to make it available to all workers and remove the waiting period."³⁶ The Liberal Democrats, Scottish National Party, Plaid Cymru and the Green Party made similar manifesto commitments. Over 155 MPs have given full public support to the Safe Sick Pay campaign, including Sir Stephen Timms MP, Dame Priti Patel MP and Debbie Abrahams MP,³⁷ while many more have expressed support privately. Peers including Baroness O'Grady, Lord Bethell and the Lord Bishop of London are also key advocates.

5.3 The Safe Sick Pay campaign is supported by charities, health and disability organisations and trade unions including Mind, TUC, Young Lives vs Cancer, and many others. A range of businesses and business groups support the campaign including CIPD, Association of British Insurers and RICS, to name a few.

6. Conclusion

6.1 Increasing Statutory Sick Pay to a new benchmark would bring substantial benefits to the UK economy and generate significant in-flows of funds for the Treasury. The upfront costs for employers would be modest, and employers, the Treasury and the wider economy would all see substantial net gains as a result of a new, higher level of Statutory Sick Pay.

6.2 We urge the Committee to give serious consideration to strengthening Statutory Sick Pay by meaningfully increasing the rate, and to bring forward a government amendment to the Employment Rights Bill in line with the changes proposed above.

7. About CPC and the Safe Sick Pay campaign

7.1 This evidence is provided by the Centre for Progressive Change (CPC), which is the coordinating organisation behind the Safe Sick Pay campaign. The Centre for Progressive Change is a not-for-profit

 $\underline{https://hansard.parliament.uk/Commons/2020-03-18/debates/EF8B37CB-926B-4BAB-AA60-0FA4233EA12A/StatutorySickPayAndProtectionForWorkers}$

 $^{^{33}}$ CIPHR 'New poll reveals the benefits and perks that employees value most' May 2022

³⁴ CIPD 'Almost two thirds of employers say the UK's Statutory Sick Pay rate is too low and should be increased, according to CIPD research' December 2021 https://www.cipd.org/uk/about/press-releases/141221statutory-sick-pay-low/

 $^{^{35}}$ Hansard, 'Statutory Sick Pay and Protection for Workers', 18th March 2020.

 $^{^{36}}$ Labour (2024) 'Labour's plan to make work pay', p10

organisation aimed at building national campaigns for a more progressive society.

7.2 Please contact Laura Bannister, Senior Campaign Researcher at the Centre for Progressive Change, on laura.bannister@centreforprogressivechange.org for further information.

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