



Work and Pensions Committee

Oral evidence: Statutory Sick Pay, HC 148

Wednesday 17 January 2024

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[Watch the meeting](#)

Members present: Sir Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Sir Desmond Swayne.

Questions 1-64

Witnesses

I: Dr Gareth Millward, Historian of the welfare state, University of Southern Denmark; Professor Matthew Padley, Co-Director, Centre for Research in Social Policy, Loughborough University; and Professor Chris Rauh, Professor of Economics and Data Science, University of Cambridge.

II: Nicola Smith, Head of Rights, Social and Economics, Trades Union Congress; Amanda Walters, Director, Centre for Progressive Change; and Thomas Hamilton-Shaw, Policy Manager for Work and Welfare, Scope.

Written evidence from witnesses:

[University of Southern Denmark SSP0009](#)

[Centre for Research in Social Policy, Loughborough University SSP0019](#)

[Trades Union Congress SSP0018](#)

[Centre for Progressive Change SSP0015](#)

[Scope SSP0006](#)



Examination of witnesses

Witnesses: Dr Gareth Millward, Professor Matthew Padley and Professor Chris Rauh.

Q1 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee and our first evidence session in our inquiry on statutory sick pay. I am very grateful to the three witnesses joining us for our first panel. Would each of you tell us very briefly who you are?

Dr Millward: Hello. I am Dr Gareth Millward. I am a historian at the University of Southern Denmark, with the Department for Culture and Languages. We have just changed the name of our group. I am a historian of post-war Britain, particularly the social security system and the health system.

Professor Rauh: I am Christopher Rauh, Professor of Economics and Data Science at the University of Cambridge. I am a labour economist, political economy, and did some work on sick pay especially during the Covid pandemic.

Professor Padley: Hello. I am Matt Padley, Professor and Co-Director of the Centre for Research in Social Policy at Loughborough University. My research is focused on living standards, particularly public conceptions and definitions of living standards and of income adequacy more broadly. That is where I fit in here, hopefully.

Q2 **Chair:** Thank you all very much for being here. I will start with a question to Dr Millward about the history. What have been the different aims of statutory sick pay as it has evolved? How have they been balanced at different times? Have people used statutory sick pay to take time off when they are not sick, which is the classic worry about this? I think I am right in saying that the Government contribution towards the cost of it was removed 10 years ago. Are you able to tell us how that has worked out? What has been the impact of the changing nature of work over all of these years on how the benefit has been received? So, a historical perspective.

Dr Millward: Statutory sick pay was introduced in the early 1980s. It was one of the first Thatcherite reforms to the social security system on the basis that the old National Insurance system ended up duplicating a lot of the bureaucracy around sick pay. When the welfare state as we kind of know it now was set up after the Second World War, sick pay was done through the National Insurance system. You would have claimed through your local National Insurance office: you had to get a sick note from your doctor, which would go to the office. They would have copied it so that you had a copy that you could show to your employer, and then your employer would know that you were doing the legitimate things to get sick pay.



That was back in a world where a lot of especially working class workers did not have secure employment. They would not have had an employment contract where they would have been paid monthly a particular salary based on the hours that they worked. There would have been all sorts of piecework where people would have been paid a specific amount for the work they did that day. That National Insurance system was really learning the lessons from the 1930s and some of the chronic and acute problems that came from sickness.

By about 1980, it was clear that most employers provided sick pay to their workers anyway, so what the National Insurance system was doing was giving everybody a base level of basic take-home sick pay and then employers were topping that up. By the 1980s we were living in a world where wages were much higher than they were in the 1940s, so a lot of people were earning way above the minimum. It was becoming more and more like middle class employment used to be in the 1930s, where you take a day off here and there, the employer keeps paying you anyway because they know for morale and various other reasons that is just an easier way to do things.

One of the consequences of that—and the other benefit as far as the Government in the 1980s were concerned—was that if employers were completely responsible for paying sick pay, they would be very aware of how much it costs, and they would, therefore, be more inclined to police absenteeism. The idea was that the British economy overall would become more efficient because employers would have a more direct reason for enforcing attendance.

Q3 Chair: Just to interrupt you for a moment, going back to the National Insurance arrangement, what was the name of the benefit you got if you were sick?

Dr Millward: Sickness benefit. It was called sickness benefit, yes. By the 1980s it was duplicating bureaucracy because a lot of private employers had already taken on some of these tasks, but one of the advantages of having a National Insurance system is that everybody is paying in and everybody is taking out. That does not just apply to the workers; it also applies to employers.

There are sectors that see higher rates of absenteeism or higher rates of sickness—for example, an industry where there is a lot more heavy labour and there is more likely to be injuries, or you are employing people in an area where there is a lot more older people who, statistically speaking, are more likely to take sick pay, or there are more female workers who are, statistically speaking, more likely to take sick pay for a whole range of gender reasons that I won't get into here but you are probably all aware of them in this room. It was a way of spreading the costs around there.

The logic of the 1980s was that the Government would continue to provide some money for small and medium-sized businesses or



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businesses that were more affected by this but, as you have already said in your question, that has slowly been taken away.

Which part would you like me to focus on next, sorry?

Q4 **Chair:** I think the Government support was taken away completely about 10 years ago.

Dr Millward: It was, yes.

Q5 **Chair:** Has that caused difficulties that you are aware of?

Dr Millward: I have not been following the story much beyond the 1980s. That is the period that I have focused on. The 1980s and 1990s is more my wheelhouse.

Q6 **Chair:** What is the story with the fear of people using the benefit to take time off when they are not really sick?

Dr Millward: That will happen inevitably. No system is 100% foolproof and there will always be people who will try to take advantage of a particular situation when they see it. There are plenty of funny stories in the newspapers, going all the way through from the time in the 1950s that Cardiff held the Empire Games and there was a massive spike in sickness claims at that point. It is always likely to happen.

As far as I am aware, absenteeism rates have dropped partially as a result of just general better health in the population and partially as a result of employers policing absenteeism much more strongly. If you look at the core "How many people are taking time off?" the system appears to have worked relative to what happened in the 1970s.

Q7 **Chair:** When that change was made in the early 1980s, was it controversial or did it go smoothly? What happened?

Dr Millward: Yes, it was controversial, but for the most part, the base level of common sense to it of "If employers are already supplying this, why can't employers do most of the work?" was accepted. "We might as well use the machinery that is already there; there is no point in duplicating it." However, there were groups who considered that there were potential dangers from shifting the system.

One was the group that you would expect: left-wing pressure groups who quite rightly pointed out that people who are in more vulnerable employment will be affected. If employers perceive that they will have to pay if anybody gets sick, they are more likely to not hire people who they expect will be sick. That was definitely one thing that they were worried about.

Employers were also worried about that collective system. As I mentioned, there are certain industries that have higher levels of sickness. Spreading the cost of that around made economic sense for the entire business population overall, but it was particularly useful to them



that there was an independent arbitration system through National Insurance. If there was a dispute between the employer and the employee, they knew they could go to National Insurance, who would sort out the problem. Business groups were worried that, once it got brought in-house, it would affect labour relations, and labour groups such as the TUC were worried that employees would be on a weaker footing if they were having to fight against just the employer, rather than having an independent referee of the system.

Chair: Very interesting. Thanks very much.

Q8 **Sir Desmond Swayne:** Professor Rauh, why is it that workers in jobs where they are most likely to spread disease are also those for whom the incentives to take time off when they are sick are at their lowest?

Professor Rauh: That is because they often don't have access to sick pay from their employers. If you are referring to the research we have done—

Sir Desmond Swayne: Exactly, yes.

Professor Rauh: —we find that workers in face-to-face jobs, jobs that are less likely to be done from home, are less likely to have access to employer-provided sick pay. We cannot necessarily establish a causal link, but we have a correlation that these people are also more likely to go to work when they have certain cold-like, flu-like symptoms.

Q9 **Sir Desmond Swayne:** What I was really after is what is it about those workers and their employers that make them less likely to make such provision? Is it just random?

Professor Rauh: No, I don't think it is random. If you have a poorly-paid job, you have less savings, and if you stay at home, you don't have access to any money, so you will get out of bed even when you don't feel well. You don't have the insurance for yourself, but the problem is also the externality that you might spread a disease. By not having insurance or savings, I think that these people are more likely to see themselves forced to have to go to work.

Q10 **Sir Desmond Swayne:** What is it about the insurance market that makes it unlikely to make sick pay provision available at a cost that would incentivise the majority of workers?

Professor Rauh: I think the problem of all health insurance markets is the moral hazard, so anybody who has access to this might abuse it. There is also adverse selection, so those people who are most likely to need it are also the ones who will buy this insurance. It is not an attractive insurance model for the private market. Moreover, we find that people have very dispersed valuations of how much they would be willing to pay for it. Some people would be willing to sacrifice a lot of money for this insurance and some people would basically be unwilling to pay



anything for it. It is not surprising we don't see a private market solution to it.

Q11 Sir Desmond Swayne: Is there anything else from your research that stands out as shedding light on this inquiry into sick pay that you would like to draw to our attention?

Professor Rauh: From our research, the general public seems to be in favour of a provision for the general public.

Sir Desmond Swayne: Not one they are prepared to pay for?

Professor Rauh: Not for themselves. We tell them they would have to cover the cost through higher taxes if this were provided, and about 80% either agree or strongly agree that they think that people should have access to 14 days of paid sick leave. That is one important thing that comes out of our research.

From other research, I think it is worth mentioning that there are both sides of the coin or there is research from both sides. If you withdraw sick pay, you see people more likely to go to work when they are sick; you see these people more likely to become sick again and their co-workers become sick, or ill I guess one says here. In places where it is rolled out—so in the US there is no federal sick pay and in some states and some cities it has been rolled out—there have been fewer flu waves. It seems that it can help stop the spread of contagious diseases, but then again when it is rolled out people come to work less, and when it is withdrawn people come to work more, so there is a sweet spot somewhere in the middle that is hard to find.

Q12 Debbie Abrahams: Apologies for being a little bit late. Good morning, everyone. From the research that you have conducted into access to employer-provided sick pay, are you aware of any sort of fiscal incentives where that has been particularly beneficial in providing additional cover to the people who don't currently have it? Can you tell us a little bit more about the type of research that you have undertaken?

Professor Rauh: The research I have done on this was done during the pandemic. We did multiple survey waves of a total of 12,000 workers. We don't collect data from firms, so we don't know the firms' perspective on covering the cost of employer-provided sick pay. Our research is more focused on how the individuals who have access and don't have access behave, especially in the context of a pandemic, and how people think about what other people should have access to.

From other people's research I can say that labour costs can be affected drastically by levels of sick pay. For instance, in Germany it was extremely generous, 100%, and then in 1996 it was reduced to 80% and one saw that that helped bring labour costs down. You asked what it looks like for the employer, the incentives for them to provide it. There is an incentive for it not to be too high, because absenteeism increases and labour costs go up a lot.



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Q13 **Debbie Abrahams:** It is a particular issue for small businesses, particularly the point that I made about coverage. Has anybody else undertaken research into where there are fiscal incentives?

Professor Rauh: I can say one thing about fiscal incentives that has not come up at all yet and that is about policing. There is some very good research in Italy where in the public sector it is extremely generous. The average days of sick leave are about 40, the median is 24 or something like that, so people use it a lot, especially Mondays and Fridays, 22 December. What they did there was send out GPs to check people and they found most people are legitimately taking sick leave. They are at home, they have a reason to, but they do spot people who are not home or do not have the symptoms they claim. They find this is very cost efficient and reduces further absenteeism among those who are checked and those who are not checked.

Debbie Abrahams: I don't think we could put GPs to police their patients. I think that would be contrary to our ethical codes and so on.

Professor Rauh: A carrot and stick approach, yes.

Q14 **Debbie Abrahams:** Getting back to Covid—and I know you have done a lot of work on this, Professor Rauh—you may know that there was the Covid statutory sickness pay rebate scheme, which tried to stop the gaps of so many workers who were infectious, knowingly or not, to self-isolate and so on. What did your research show about how effective that was?

Professor Rauh: I have to admit that we did not collect any data on when the rebate came, so our research was—

Q15 **Debbie Abrahams:** What did you do around Covid and the schemes that were beneficial?

Professor Rauh: We collected data on whether people had access to employer-provided sick pay, and we can show that you are more likely to have access if you are working in a job where you are better protected and earning more, so those who need the insurance most did not have access. Then we looked at whether people are aware of the externality in the sense that if people know that if Gareth does not have access to sick pay and goes to work when he is sick because he needs the money, that might affect all of us because he might spread a virus.

As an experiment, we provided this information for some people and not for others and we found that this affects people's preference for the provision of sick pay for everyone. People seem to not factor this in when they are voting, when they are making decisions. They are not considering that there is a big externality as well. Sorry for using you, Gareth.

Dr Millward: That's okay.

Q16 **Debbie Abrahams:** Does anybody want to add to that? I know that



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Professor Sir Michael Marmot has published some work in the *British Medical Journal* this week—I presume you are aware of him, the epidemiologist. He was looking at excess deaths during Covid. Would you like to comment specifically on the contribution or not of appropriate self-isolation and the role of SSP? In the first year of the Covid pandemic, there were 28,000 excess deaths, deaths that could have been avoided. Have you been able to identify from your research the contribution or otherwise of SSP in the early days before it was amended to the rebate?

Professor Rauh: No. I do have some work on excess deaths but not in connection to SSP. I know that there is some good research showing that self-isolation did help reduce excess deaths. There was the mistake in the Excel where at some point nobody was contacted because they were using an old Excel version that only allows for a limited number of lines. People were not contacted, they couldn't self-isolate, and then one sees more excess deaths, but I don't know how SSP plays into that.

Q17 **Nigel Mills:** Professor Padley, we have not heard from you yet. I think your Centre for Research in Social Policy calculates the minimum income standard. Could you talk us through what your approach is and how you come up with that number each year?

Professor Padley: Yes. The minimum income standard is a programme of research that we have been doing since 2006, funded by the Joseph Rowntree Foundation. Essentially, it establishes what the public agrees everyone needs in order to have a minimum socially acceptable standard of living. That means one that covers what we would all see as the essentials—food, clothes, shelter—but also enables people to participate in society. That means doing lots of the things that many of us take for granted. When Peter Townsend was defining poverty in the late 1970s he talked about poverty as being excluded from the normal patterns of life, things that we take for granted. That does not mean being able to do everything, but it means being able to feel part of the world around you rather than feeling excluded.

The work that we do with lots of groups of members of the public asks them to consider what different sorts of households need to reach that standard. They are very detailed and lengthy conversations, which ultimately produce some numbers, an income requirement for different sorts of households to reach that standard every year and also a weekly budget for that basket of goods and services. That is updated regularly because the world changes. We know that particularly with things like technology there has been an enormous amount of change since 2006. When we first started I think video recorders were very nearly in that basket of goods and services and in our latest research Netflix was seen as essential for participating in society—not the most expensive subscription to Netflix, the very cheapest one.

That points to the importance of thinking about living standards in that sort of holistic way, rather than reducing it as we often do to the



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essentials that are needed for survival rather than those that are needed to enable people to feel part of the world and to live with dignity.

Q18 **Nigel Mills:** How do you think trying to live on statutory sick pay compares to your standard?

Professor Padley: It is interesting from the conversation so far. I think it is important to consider what statutory sick pay should be doing, what it is for and what it is intended to do. If you look at the adequacy of it relative to the numbers that we produce on the minimum income standard, taking the simplest example of a single working-age adult, in 2023 a single working-age adult needs £440 a week to reach the minimum standard, and statutory sick pay is £109.40 a week. I am not an economist, but it does not take an economist to know that that is very far short of enabling people to live with dignity and meet that minimum standard of living; it is a significant shortfall.

The longer that people are on statutory sick pay, the bigger that shortfall becomes; it mounts up over time. Even being off work for a couple of weeks would result in a significant shortfall in the income that is needed. There are consequences of that in cutting back on certain things, making some difficult decisions about what to prioritise but also potentially building up debts or running into financial difficulties and being more likely to face significant and serious financial hardship. We have seen a growth in destitution in the UK in recent years. I think there is a growing risk of that because statutory sick pay falls well short of providing a minimum living standard.

Q19 **Nigel Mills:** There is no way a main earner could live on that for any length of time. It would not pay your rent or even half your rent. What is the solution you are recommending? Are you suggesting that SSP should get you the minimum income standard or is it somewhere in between? What is the right answer here?

Professor Padley: The short answer is somewhere in between. There is a practical answer to that question and there is an answer that is more at the level of ideology or ideals, which I think feeds into a broader set of questions about what we want our social security system to do and what welfare looks like and enables people to do—having a guiding principle throughout when thinking about all of these things. Sometimes we think about these things in a rather piecemeal way, so we think about statutory sick pay and then we think about the adequacy of disability benefits, rather than having a guiding principle that would help shape our thinking about all of those things. For instance, the idea that everyone in the UK should be able to live with dignity is an overarching principle that strikes me as being a reasonable one.

What does that mean in practice for the level at which we set various sorts of state provision? Does that mean that we should be providing the minimum income standard to everyone? No, I don't think so and I would not argue that, but I think that there are some relatively straightforward



things that we could do that would make the situation better for people. For instance, paying statutory sick pay from day one would make a difference, and setting it at a level that was linked in some way to an assessment of need.

I think that is difficult because there are various different assessments of need, but it is about having an evidence base for a number that you can point to and explain where that number comes from for building public acceptance of the number and of state support more broadly. We have seen support growing for that over recent years post-Covid. Having an evidence base that can be explained, something that is rooted in people's experiences and a shared understanding of what we all need to take part in the world, would be a good way forward.

I am aware that that is not a very practical and precise answer to the question as a proportion of the minimum income standard. There is some work being done by the Scottish Government on a minimum income guarantee, and we have been talking to them about minimum income standards. They are not arguing that that should be set at 100% of MIS, but where would you set it to enable people to do more of the things that we all take for granted? That is a kind of political decision informed by research. I am copping out of the question basically by not agreeing to give you a number.

Q20 Nigel Mills: How much do employees value this? If I offered somebody a job at 50 pence an hour less but you got three months sick pay or you could have 50 pence an hour more but no sick pay, what would people choose? Is this something that people value getting?

Professor Rauh: We do this in our survey where we give them 2%, 5%, 10% more or less a week and 50% of people are willing to give up 2% of their wage to keep their benefit, the ones who have it. Slightly less than 50% of those who don't have the benefit are willing to earn 2% less.

Nigel Mills: On £12 an hour that is 24 pence I am willing to give up.

Professor Rauh: Yes, but half of the people are not willing to give that up, and these are also the people who are less likely to have it, so there is some revealed preference also in who has access to it and who does not. But—and I think this is very Covid driven—we also find that about 25% are willing to give up very high shares of their wage, 10% of their wage or more, but those numbers are a bit exaggerated due to the severity and the special situation of the pandemic.

Q21 Nigel Mills: We all think, "It will never happen to me," and then when it happens to us all we become a bit more risk averse, I suppose. When we hit the pandemic the Government did decide effectively that SSP was not working, it wasn't quite what we wanted, and we suddenly had to have it from day one and employers got it refunded and we had to up benefit levels. When we thought that millions of people might be relying on this we perhaps did not think it was quite a good thing for them to be relying



on. Were there some lessons there?

Professor Padley: There is a broad point on a quick change in the system. We are often told that systems cannot change quickly to adjust to support people, but what we saw—particularly with the universal credit uplift—was the system changing very quickly. It did not solve all the problems that people were facing but it certainly protected many households from the worst consequences of those reductions in income. That immediate policy response to an immediate policy challenge does tell us something: we can do things quickly that really make a difference.

Dr Millward: I completely agree with you. One of the fundamental principles of statutory sick pay, once it was introduced, was that it would be set at a minimum level, but there was already this acknowledgement that people make trade-offs in wages and working conditions. The idea is that good employers would then top that up anyway, which would also create an incentive for people to find “better” work.

One of the things that has happened over the course of time is employment has become less secure and various things like those in-work benefits have been reduced. The other real benefit of statutory sick pay is it is paid through employers. It is a good example of the private sector also involved in the welfare state. If you have something where everybody now has to stay at home, but you have the vast majority of the population who already have a way of getting money because they have a job, you can pay the employers to keep employing people, and that furlough idea was quite important.

One of the things about statutory sick pay, which I think is worth paying attention to, is it is not just the state’s responsibility towards its citizens; it is also the employer’s responsibility towards their employees, and those two things are inevitably meshed together with something like sick pay. Your entitlement to it is relative to your employment status and your medical status, and it is a very complicated interwoven thing.

Professor Rauh: We are assuming someone has a job and they are deciding whether to work or not; what one has to think about a lot more—which is a particular problem here in the UK since the pandemic—is a lot of people are not going to work at all anymore, so labour force participation has picked up almost everywhere except for here. You have to imagine, if you are vulnerable and you have the safety of disability benefits; even if that is not a comfortable life, it is a safe one if you are vulnerable. Whereas if you are vulnerable and you work, you are always at risk of having to fall back on to statutory sick pay. That is a very important decision margin; people who could potentially be working but they prefer the safety of disability benefits rather than the insecurity of statutory sick pay.

Q22 Nigel Mills: What do you think the right model is? I always think about the nightmare scenario where somebody who is fit and well and has quite reasonably got a mortgage, a car loan, a phone contract, a load of



committed outgoings, suddenly becomes quite seriously ill. SSP is a nightmare in that situation because you will be haemorrhaging money very fast. Equally, they could not expect to pay all their bills for life on benefits at that level of living that they now cannot sustain. How do we draw a line between what might be a safety net and what might be a far too expensive, very perverse behaviour incentivising thing by being too generous? Where do we pitch this to get the optimum outcome?

Professor Padley: That has been a challenge with regards to the social security system for a long time: how you balance those two often competing ideas and principles. If we are looking at what the purpose of statutory sick pay is, if you are supporting people at such a level that they are not able to recover quickly, get back to work quickly and become economically productive again, the whole system becomes counterproductive because you are forcing people to go back to work early and, therefore, possibly spreading sickness or compounding what it was in the first place that meant they went off on sick pay.

Establishing the clear principles of what statutory sick pay should be doing and for how long would involve consideration of the kind of expectations about the extent that it would support your existing lifestyle versus what it is that we think everyone should be able to do all of the time regardless of their circumstances. Again, I am copping out of answering, or at least not giving a definitive answer, but I think having those principles leads you to an answer more than starting at a question about what level it should be straight away.

Q23 **Nigel Mills:** The challenge is people could take out insurance for income protection if they wanted to, but they don't. As we have just heard, they value it at 2% of their wages. We could require all employers to pay three months' full sick pay if we wanted to, but it would presumably cost jobs and reduce wages, which people do not want. People are happy with the system we currently have, I suppose, and you could argue if they do not choose insurance or would not choose to sacrifice pay for it, why should we make them have it?

Professor Rauh: I don't think one can buy insurance for a week or a month of bridging for milder sickness. Income protection is typically for long-term things: if I cannot work anymore—if I get a brain tumour or something and can never work again. Those are two different cases. One needs an intermediate gap where people who behave healthily, who don't make crazy decisions and get hit with something for a month, don't fall under the bus because they immediately cannot pay their mortgage and so on.

There I think one should peg something to the wage: 50% of someone's wage—I am making this number up. France has a number like that. Then for very long run things, one has to treat citizens like capable decision-makers, and if they want to buy insurance they can get income protection.



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Dr Millward: The system we had before 1948 was that you would have insurance of a kind, either through your trade union or through a friendly society, which would then be backed up by the state because of all the financial trouble that a lot of these organisations had got to before the First World War. The premise behind Beveridge and National Insurance after the Second World War was kind of along those lines, but one of the reasons why it was got rid of for sick pay was this duplication of administration.

It was assumed that employers would probably step in because it was in their best interests, and in the end it did not quite end up working out that way, although it probably did for the majority of workers, which is the other issue. We are asking a lot of questions here about what kind of system we need for the most vulnerable, which obviously needs to be the priority, but there is also this system that broadly works for enough people that not enough people will cause enough of a stink to get anything to change.

The disadvantages of having that kind of insurance-based system are that if you can never get to the point where you can get insurance because you can never get into secure employment—and there are a whole bunch of people who cannot get into that situation—it does not quite work, and you end up creating a bigger gap between the haves and the have-nots. There has always been this argument for thrift and for personal savings, but it is getting on to that ladder in the first place.

Like you were saying, we have been having these debates since at least 1601 and probably for a lot longer. The Elizabethan Poor Law is usually the point that historians start talking about this kind of thing. It is one of those problems that you will never find the right answer to, but at various points in history you will find one hopefully that is more acceptable to most of the people, most of the time.

Q24 **Nigel Mills:** How does this interact with universal credit? If I am in a household that is claiming UC and my income drops down to SSP I get some level of top-up, and presumably I might get some help with my housing and various things. If I am not already on a UC claim I suppose I have to go and make one. That is the difference to try to get some extra help. Is that something people do a lot or is that seen as too hard or too slow?

Professor Padley: I don't know if people do it a lot, but I know the five week wait when there is an initial claim for universal credit, and the fact that if you were receiving sick pay within the assessment period your universal credit would only adjust from the next assessment period onwards, which would mean that shortfall is there for a few weeks until universal credit adjusted. Therefore, even if you were in receipt of universal credit that top up isn't instant. That would mean you would have a shortfall.



At the point that universal credit would kick in you might well get some support with housing and begin to cover some of the loss of earnings, but in both those instances that gap between need and the pace that universal credit adjusts would mean that, inevitably, people will be making those difficult decisions and are more likely to face financial difficulties and hardship because of that delay in adjustment.

Q25 Dr Ben Spencer: Thank you for a very interesting panel discussion. I have one question that is trying to understand the sickness that is getting people into statutory sick pay. The sickness seems to be doing quite a lot of the heavy lifting here, particularly when it is coming to normative decisions about people choosing how we are adjusting based on human behaviours.

It strikes me there will be people who literally cannot work who are unwell, there are people who should not work either because it risks the health of other people or because work impedes their recovery, and there will be people who could work but prefer not to work because they are not feeling great. One can think of different examples and different illnesses that put people in each of those three categories. Clearly, one category is perhaps more at risk in terms of where the incentives become more of an issue where people can work but choose not to because they are not feeling great.

In terms of the research that you have done do you have any scope in terms of the UK workforce? When looking at SSP claims or sickness in general and people in employment, what are the size of those groups? When we talk about SPP, I am trying to make sense of what exactly we are looking at in terms of sickness that is getting people and the impact on their employment going forwards?

Dr Millward: There have been lots of examples of people trying to count that and every time they go in they go, "Oh, this is complicated." One of the first ones I remember reading was around—and this may be a bit too far back, but it does help to illustrate the issues of trying to count those kind of groups. It is common sense that those groups do exist, and it is the way that a lot of employers, the state and even fellow workers see the people around them, but when you then go in to try to count it becomes quite difficult.

When National Insurance sick pay was first introduced in 1948, there was a massive spike in absenteeism in the Royal Ordnance Factories. Immediately the Government brought in sociologists. They were newfangled things in the 1940s. They were very, very clever people. They came in and started trying to measure these things and found very quickly that, for the most part, the number of people who it was thought would be in that group of 'they probably could work but they are not' was a lot smaller than they initially thought, but every single time they tried to quantify it in any kind of way they were like, "Oh, we can't really do this." The Government got quite angry with these sociologists for not being able to give them an actual answer.



That is ultimately the problem with any form of medical-based benefit. You can diagnose somebody with something but to be able to say in that person's particular employment, at this point in their life with the work they are doing, whether they fall into one of those three categories or not, is very difficult to be able to quantify and it always has to be a feel thing. That is not a satisfying answer when you are trying to run a major benefit programme such as this, but unfortunately that is the answer.

Professor Padley: This is my suspicion rather than based on any research I have done, but I suspect if you know as a worker that if you have a day off sick and statutory sick pay would not kick in for three days the likelihood that you just do not fancy going to work I would have thought would have been quite small versus the, "I can't work" or "I shouldn't work," because you are making a decision that ultimately would cost you financially. Whether that is supported by any data I don't know. Have you looked at that? I wasn't passing the buck then.

Dr Millward: Yes. Back to that 1940s thing—obviously, you probably want some more up to date research than the 1940s, but I think it is quite interesting that there are some things that have continued across human history—there was one group in the Royal Ordnance Factories that did not take a massive amount of sick pay compared with what they had done before. It was the drivers, who were paid a bonus on delivery; they reasoned that if they were to get their National Insurance pay it would be based on their base wage so they would not get the bonuses. They found that more people were more likely to come to work even if they were feeling a bit off because they could stand to make a lot more money battling through that day doing the deliveries than they could staying at home, which was not true necessarily of some of the other workers who were in a position where they were paid a daily rate for whatever they did.

The structure of employment conditions, how much you enjoy your job, how much you feel valued by the company, over time these have all been brought up by organisations, like the coal mines, the Post Office, the Royal Ordnance Factories, all these kind of groups. That is why it becomes so difficult to then draw the lines because there are all sorts of psychological and emotional things tied up in this.

Q26 **Debbie Abrahams:** I failed to ask in my previous questions who is excluded from SSP at the moment?

Professor Padley: There is a lower earnings threshold and, in terms of quick reforms that would make a difference, that seems like an easy one to do something about. If you are on very temporary forms of employment or zero hours, that kind of thing, and don't hit that earnings threshold, you would not get it. That would compound the financial difficulties that those people are likely to be facing already because they are more likely to be lower income earners, so those things compound each other.



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Q27 **Debbie Abrahams:** Is there something about women also being particularly excluded?

Professor Padley: I imagine so. I do not know the answer to that question.

Professor Rauh: They are less likely to have access to employer provided sick pay. I am not sure about SSP.

Q28 **Debbie Abrahams:** What percentage of women workers would that cover, do we know?

Professor Rauh: Roughly 25% of women do not have access to employer provided sick pay and 15% of men, somewhere in that region.

Debbie Abrahams: It is quite discriminatory then, isn't it? All right. Thank you very much.

Q29 **Chair:** Going back to the National Insurance system, those exclusions—the lower earnings threshold, self-employment—did those apply to that system as well?

Dr Millward: They kind of did in the fact that if you were earning under a certain amount you probably would not have a full National Insurance status. Therefore, you would not be entitled to the National Insurance system. You would probably have relied on a supplementary benefit if, as a result of sickness, your income fell below a certain level. That also excluded a lot of people who were not able to get secure employment and keep that secure employment, which did tend to affect women as we have already been discussing, but also disabled people, people with very low education, those sorts of issues.

Q30 **Chair:** Dr Millward, can I ask: why is the Historian of the British Social Security based in a university in Denmark?

Dr Millward: I was working at the University of Warwick and then at the University of Birmingham, and they advertised for somebody who did international research on welfare states, and they wanted somebody to come along and do some stuff on that. They invited me for an interview and for some reason they gave me the job, so I am now based in Denmark.

Q31 **Chair:** When did you go there?

Dr Millward: Two years ago.

Chair: Very interesting. Thank you all very much for a very interesting panel session. We are grateful to you all.

Examination of witnesses

Witnesses: Nicola Smith, Amanda Walters and Thomas Hamilton-Shaw.



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Q32 **Chair:** Welcome to you all. Thank you for joining us. I will ask each of you very briefly to tell us who you are.

Amanda Walters: I am Amanda Walters, the Director of the Centre for Progressive Change. We are an organisation that runs campaigns for national policy change for low and middle income communities and we are running the Safe Sick Pay campaign.

Thomas Hamilton-Shaw: Good morning. I am Thomas Hamilton-Shaw. I am the Policy Manager at Scope, the Disability Equality Charity.

Nicola Smith: I am Nicola Smith. I head up the TUC's economics, employment rights and social affairs work.

Q33 **Chair:** Thank you all very much. Can I ask each of you to sum up briefly how you see the adequacy of our statutory sick pay arrangements at the moment, including concerns about people who cannot claim it who you think ought to be able to?

Amanda Walters: We think the current sick pay regime is inadequate for three key reasons. The first is that 1.5 million employees are not eligible for statutory sick pay, because they earn below the lower earnings limit. A lot of these workers either have caring responsibilities or have multiple jobs, such as cleaners and carers, so they can be working full time but not be eligible for sick pay because they do not earn enough with their employers.

The second reason why sick pay is inadequate is because it is paid from the fourth day that somebody is off sick. A low income worker has to go three days without any sick pay at all. For most of us in this room, going three days without pay is probably not much of a problem, but for a low income worker it can make the difference between whether or not they can pay the bills.

Thirdly, the rate of statutory sick pay is £109 a week, which is about 18% of average earnings, and obviously not enough to get by on. The impact of this is that either people go into work sick, and they make their health conditions worse and potentially infect their colleagues, which as we saw in the pandemic causes public health risks; or they might stay at home but then very quickly find that they fall into debt and cannot make ends meet.

We have been hearing horror stories from cancer patients getting the worst diagnosis they will ever get in their life, finding that they are on statutory sick pay, unable to make ends meet, and falling out of the workforce on to benefits. You can imagine what that does for someone's mental wellbeing but also the rate at which they can recover.

This system impacts low income workers disproportionately, so the majority of those that only receive statutory sick pay are earning around or below £25,000 a year, and within this category there are high proportions of women, people of colour and migrants. It also impacts



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women more so than men, so women are less likely to receive full pay if they fall sick, and 70% of those that do not receive and are not eligible for statutory sick pay are women.

Thomas Hamilton-Shaw: Our view is that the statutory sick pay system is broken for disabled people. We find that sick pay rates are far too low and that they should be made available for all employees, including those on a lower income, including people on a part-time contract, including people who have various different earnings patterns and hours. We know that 37% of disabled people have told us that after they left a job, if they had had unrestricted access to sick pay, they would have stayed in work. With the disability employment gap at 28.9%, we believe it is crucial that Government reform statutory sick pay at this time.

We think a new system that has those features could provide greater flexibility for disabled people. It would remove some of the incentives that we talk about, including the fact that 75% of disabled people have felt it necessary to continue working during a period of ill health. It also means that disabled people will be less likely to make negative lifestyle choices, like leaving a job altogether, and we know that retention is a huge issue for disabled people. Disabled people are also disproportionately affected by the regime, as three out of five disabled people have taken sick days in the last year, and 70% of sickness absences last between one and three days, so the waiting days rule needs to be reformed.

The current restriction is also unfair to disabled workers who are on a low income, and we believe that the Government's proposal to extend statutory sick pay to those employees who earn below the LEL is welcome. This is of particular importance to disabled people, who work more part-time hours than non-disabled people: 32% of disabled people work part time compared to 21% of the general population.

Nicola Smith: Our position is consistent with others who have already given evidence. We have three fundamental concerns about statutory sick pay as it stands. We do not think it provides an adequate income for low paid workers while they are sick. The three days that people have to wait before they receive anything, the exclusion of anybody earning under £123 a week from receiving any benefit at all, and the extremely low benefit level—only £109.40 per week for anyone who receives it—causes significant financial hardship.

We think that the impact is that very many low paid workers cannot afford to take time off work. People go into work when they are unwell, they become sicker, they are less likely to recover quickly and they are left in significant financial hardship because of immediate drops in income, which they are not prepared for. Often, as everyone on this Committee knows, people on the lowest incomes are budgeting week to week, and small events can be catastrophic in terms of the overall impact on household finances.



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In terms of who is affected most—I know we might come on to talk about that—we are particularly concerned about the 1.3 million workers who do not qualify for statutory sick pay at all because their earnings are below £123. We know that 70% of those people are women, and black and ethnic minority women are the most likely to find themselves in that position.

What we would like to see is removal of the lower earnings limit. We see no reason at all justifying excluding those who are already on the lowest incomes from receiving any protection from sickness. We would like to see removal of the waiting period, which causes all sorts of unnecessary financial difficulties, and we think that the overall level should be significantly higher. We have called for it to be equivalent to the real living wage on the basis that we think the minimum wage should also be raised significantly above where it currently is.

Q34 Nigel Mills: Amanda, what do you think the right number is then or what other changes would you want?

Amanda Walters: We have modelled with WPI Economics three potential flat rates for statutory sick pay. We have modelled 75% of national living wage, the national living wage, and the real living wage. As a campaign, we would like to see statutory sick pay to be in line with an employee's wages up to the real living wage. We believe that employees earning below the real living wage would struggle with a drop in their income when they fall ill, and they still need to be able to pay the bills, rent and so on.

We realise that you cannot do this overnight, and this is why we have modelled these other rates as well. Even with the other rates you would still see benefits for workers, public health and, importantly, for businesses, the Treasury and the economy as well. If we increase the rate of statutory sick pay to the national living wage, business, the economy and the Treasury will get around £3 billion of benefits.

Q35 Nigel Mills: How long do you want this to be paid for?

Amanda Walters: All our modelling is consistent with the current 28 weeks that the statutory sick pay is paid for. I know other organisations have called for that to be increased. We have a relatively low number of weeks allowance according to other international comparisons, but for the moment we have been modelling it at 28 weeks. We are at the moment not calling for an increase in the weeks.

Q36 Nigel Mills: How much excitement have you had from employers for this? They could all choose to do this now. I guess this £3 billion Bill has not had overwhelming support.

Amanda Walters: We have quite a lot of support from businesses and business groups. Legal & General has uplifted 500 of its outsourced workers to better sick pay following our campaign. Already it has seen



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benefits in productivity and retention of those staff, and some of those reforms have been more than cost-neutral.

We speak to businesses and encouraging them to pay higher sick pay. Most employers already pay occupational sick pay to their staff. Employees who do not receive it are people within, say, facilities management companies like cleaners, carers, security staff and so on. We have quite a lot of support within those companies for this. We will come on to the impact of this on small businesses and potential support around that, but businesses and business groups broadly support these reforms.

Q37 Nigel Mills: In your assessment, have you modelled what happens? If people get sick day from day one, do they tend to take a Friday off, which they would not do now because they would not get paid, but “I am feeling a bit sniffly. Perhaps I will have the day off”? Does it increase absence rates?

Amanda Walters: The studies showed that there might be a slight increase in sickness absence to begin with, but it eventually leads to a reduction in sickness absence. Each person who comes into work with a flu-like symptom can lead to 12% of that workforce falling sick due to primary and secondary transmissions. People not coming into work when they are sick eventually leads to fewer people falling sick overall. Studies show that people being given sick pay from day one, paid at a higher rate as well, can reduce sickness absence by around 25%.

Although absenteeism might be a risk and some people might decide they will not come in on a Monday, the cost of people coming into work sick costs the economy and businesses much more than the odd person not coming into work when they should.

Q38 Nigel Mills: Nicola, where does this rank on the priorities? I have never seen people in my constituency go on strike for better sick pay. They generally go on strike for higher pay. Do we think people should have this priority or do they actually want it?

Nicola Smith: We know that for low-wage workers in the most insecure work and for the lowest-paid jobs, it is an enormous issue. Survey work that we have done of all workers shows that 43% say that they would go into debt or not pay bills if they were left with statutory sick pay for two weeks. That gives you a sense of how low the level is and of many people’s experiences if their earnings fell that low. Again, during the pandemic, we found that two-fifths of workers said they would have to go into debt or in arrears if their income dropped to the SSP level. Across the country, a lot of people would find themselves in significant financial hardship if they were surviving on SSP.

Of course, we know that many people in a job do not have to rely on just SSP. Some 54% of people in our poll say they get paid in full if they are off sick. Many employers provide occupational sick pay that is already far



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above statutory sick pay. Our concern is that smaller proportion of employees working for employers who provide only statutory sick pay and who find themselves—because of the low level of income and because of the limited days it is available—facing significant financial hardship when it hits them.

It is quite easy to overstate the costs to employers of addressing this problem. Employers already spend a large amount of money on supporting employees who are unwell to recover and then to return to work productively, and they do that of their own volition because it is right and makes sense to invest in their workforce.

There is a problem with a small number of employers who do not do that, who should provide better protection to their workforce and who leave their workforce at risk of significant financial hardship as a result of not supporting them during short-term periods of illness. If there was a problem with rates of sick pay disincentivising work, we would not see as many employers providing far more generous occupational sick pay schemes. Employers can have a big gain from the small investment it would take to support the small number of employees who are sick at any one time to not go into significant financial hardship, to stay connected to work and to return productively when they are well.

Q39 Nigel Mills: I accept all that. I suppose I am asking you: if we wanted to impose a multibillion pound a year cost on employers, requiring them all to pay the full real living wage for 28 weeks from day one, would it be a large burden? I don't know how much it would be. I guess it would be large. Would your members effectively say, "We want that spend to be an increase in general pay, please. I would just like a pay rise," or would they want an increased pension contribution, or would they want better sick rights? Are we trying to create a big bill that people would rather be spent differently?

Nicola Smith: That premise does not hold true because, in many unionised workplaces, people already have much better occupational sick pay as things stand.

I don't have modelling of the costs with me today, but when others have done modelling—for example, the Fabian Society's modelling of the costs of removing waiting days, increasing the rate by at least above where it is now and removing the lower earnings limit—the costs are £60 million to £70 million when you take into account what employers already pay in occupational sick pay. That is insignificant relative to a whole lot of other costs, as you will know, that employers bear all the time.

Also, we need to take some learning from recent performance of the minimum wage. That evidence has shown us that over the last decade that in the time that there has been a bite target for the minimum wage and employers have been pushed far more in low-wage sectors to increase the pay rate and to distribute their pay bill so as to prioritise pay rises for those on the lowest wages, it has been possible to increase that



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rate of pay far more rapidly than many economists would have told you was possible without causing impacts on unemployment or on jobs.

The costs of increasing sick pay would be far less than the costs of increasing the minimum wage overall have been and I don't think there is any evidence it would have detrimental impacts. The evidence is that it is affordable and that it would be to the benefit of workforce health overall.

Amanda Walters: Can I say one point on that?

Chair: Briefly if you would, yes.

Amanda Walters: Yes. The polling usually shows that sick pay is the benefit that employees value most and would most like to see changed. I can share with you polling around that as well. I have seen sick pay strikes as well. It usually comes within a package of other reforms that people want to see, but especially after the pandemic employees are concerned about it and want to see change.

Q40 **Chair:** Thank you. Nicola, you gave us a proportion from your survey of the number of people who have better than statutory sick pay. Can you tell us that figure again?

Nicola Smith: More than 50% of people have better than statutory sick pay at the moment. I can check the wider figures and email them over to you afterwards.

Q41 **Chair:** Is that across the whole workforce or a particular group that you surveyed?

Nicola Smith: Across the economy. We know that for people earning above £50,000, for example, it is far higher. I have the data here. Some 57% of those earning less than £15,000 get only sick pay or nothing, whereas 13% of those earning £50,000 or more get only statutory sick pay. We know that among those who are middle and higher earners, the proportion who receive only statutory sick pay is far less and, among lower earners, the proportion who get only statutory sick pay is far higher.

Chair: If you could send those through, it would be helpful.

Nicola Smith: Yes, absolutely.

Q42 **Sir Desmond Swayne:** Ministers have defended and justified the level at which the lower earnings limit is set by saying that those who earn below it are in the benefit system already anyway, and that that social safety net targets support much more efficiently. Is that a fair point?

Thomas Hamilton-Shaw: We acknowledge that. You can claim universal credit as well as statutory sick pay. When disabled people come to see us, we invite them to look at whether they are eligible to claim universal credit because the taper rate and other features of universal credit means that they will always be better off returning to work. If they



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are on universal credit, they will always be better off in a job and claiming.

However, there are some difficulties when it comes to ESA, for example. If they claim ESA and go over the administrative earning threshold, AET, they will not be able to keep up their ESA claim and will lose all their benefits at that point. Perhaps, because of the features of statutory sick pay, they might be ineligible at the same time. That is a real issue for the ESA category.

One good feature of universal credit is that if you return to work, you can claim quickly. If your situation changes, you can claim once again. However, the lower earning threshold on statutory sick pay is an issue for many of our clients.

We often find that the modelling says that this will not be an expensive reform. Our modelling shows that the cost if you remove the LEL is around £30 million to business. It is not that much. We have slightly different figures around employers who provide above the statutory minimum. Our figures are somewhat lower. We found that around only 28% of businesses provide above the statutory minimum. Again, it is an argument for us to reform the system.

Q43 Sir Desmond Swayne: You pointed to an advantage of universal credit in that it can quickly kick in when circumstances change again. To what extent should sick pay be reformed so that it can support a phased return to work and what are the advantages of such a system? Does what you have pinpointed with universal credit already address that?

Thomas Hamilton-Shaw: The important point to remember about the sick pay-universal credit trade-off is that it is simply a replacement pound for pound. Any pound that you earn in sick pay will come off your universal credit claim. That is important in that sense.

We do not believe the current system is working to allow people to have a phased return to work. There are real problems. In our system, if you do a single minute's working day, you will not be able to claim sick pay. Also, when people work on a phased return, potential changing working patterns mean that they cannot claim an hourly rate of a statutory sick pay, either. We believe that we need to see a system where sick pay can be paid hourly and can help people alongside earnings when they work perhaps only a fraction of the normal working hours that they take on. That would go some way to facilitating that phased return to work.

Some people who have conditions that fluctuate have another issue on sick pay. If they have a flare-up, for example, it might be at short notice, and they may have to take hours in the day that they had not planned. Again, it would be ideal if the sick pay system could be there alongside their earnings to allow them to manage their condition at the same time.



Q44 **Sir Desmond Swayne:** We are in a tight labour market. I do not know of an enterprise in my constituency that is not having difficulty recruiting or indeed retaining its existing staff. My prejudice is that that would lead to much more flexible arrangements on the part of employers to hold on to valued staff. We have already heard that significant numbers of workers have better than the statutory arrangements. Do you see these informal, more flexible arrangements between employers and their staff as a way forward rather than presenting them with significant bills by reforming the whole statutory sick pay system?

Thomas Hamilton-Shaw: At the moment, 1 million disabled people are out of work and want to work but are denied the opportunity to do so. The disability employment gap has stayed at around 30% for 10 years. It has increased since the end of the pandemic to 28.9%. As well, as the Committee will know, the latest figures, concerningly, show that around a little over 4 million disabled people are classified as inactive in the labour market.

Our research suggests that the sick pay regime is a real factor in retaining disabled people. Some 37% of disabled people left a job for a reason related to their disability and said they would have stayed if the sick pay regime had broader eligibility. I have also quoted the figures before on how poor retention is for disabled staff.

Overall, we see a sick pay system in serious need of reform. It does not work for disabled people at the moment.

Nicola Smith: Can I come in on that first point about benefits where you started? It is worth noting that in the Government's own Health is Everyone's Business consultation on this issue, which you will know about, the vast majority of respondents, 75%, supported removing the lower earnings limit. It was supported by small and by large businesses alike in that consultation response.

You also have to take account of the fact that the £123 limit denies people who have multiple jobs access to sick pay. If you have two or three jobs on less than £123, which we know many people do, you do not then receive any sick pay despite your earnings overall being slightly more substantial than the lower earnings limit might be. Also, universal credit has wider eligibility criteria that mean that not everybody in that position will automatically be a universal credit claimant.

As others in the previous panel flagged, if you make a new claim for universal credit at the point you find yourself unwell enough to not be able to go to work, you will be faced with getting through the bureaucracy of that and also of course the five-week waiting period before you get any money at all. It does not get around the problem of the immediate fall in income that people will have. Even if you are already in the system, you have to wait a period of time before there is any sort of adjustment and it still leaves you with a shortfall. The benefit system is not the answer.



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The other question is: why should it be up to the universal credit system to provide that recompense? Why should an employer employing lots of people on less than £123 not have to pay sick pay when everybody else does? I am not sure why we should provide employers of the lowest-paid workers in society with a special extra form of Government subsidy via universal credit rather than asking them to pay when their workers are sick. That is perhaps a separate question.

I will not argue against improved in-work benefits for people on low wages, but I do not see any justification at all for denying those who are already paid the least, often in the most precarious situations, access to sick pay and neither do the vast majority of people who responded to the Government's own proposals on this, which they unfortunately then withdrew.

Q45 Sir Desmond Swayne: If people's labour is considered to be of insufficient value to justify increasing those levels of pay, the costs would be such that, if you applied that burden of sick pay, those jobs might well disappear entirely, and either be replaced by automation, or the product simply not produced. The welfare system ensures that that employment remains available.

Have people on those lower levels of income not made claims to universal credit that they are entitled to? If they have not, is it their own hazard for not having done so?

Nicola Smith: They may all not be entitled. It is a family benefit. It takes account of household income. Not every low-income worker is entitled to it. It depends on your wider family circumstances.

People can find themselves, if they are in precarious work, on reduced hours at a moment's notice, not through their own volition. I would like to see wider reforms to the regulation of insecure contracts but, in the world we are in now, it is quite possible for someone to earn hundreds of pounds one week and then to be told the next week they are not earning a penny. Their income could fall below a threshold at no notice because of nothing to do with their own personal choices. Our labour market allows employers to provide people with extremely low levels of work at short hours at short notice. There is no justification for penalising people who find themselves in that position.

Also, there is no evidence at all that the cost to employers of paying still at current rates an extremely low level of sick pay for the one, two or three days that someone is unwell enough to be unable to come to work, given that we have no evidence at all of a runaway problem of sick leave in the UK and rates are pretty consistent at around 4% or 5% every year and actually even fell during the pandemic, are anywhere near significant enough to lead to impacts on employment.

As you have heard from the evidence I have provided to your colleague, when you look at rates of minimum wage growth over previous years,



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which the Low Pay Commission concluded had no negative employment effects, it is hard to see how the small increases we are talking about here for small numbers of workers would lead to jobs being removed. They would just lead to employers redistributing their profits and making sure that their low-wage workers receive a decent standard of living when they are sick.

Chair: Amanda, quickly, if you would.

Amanda Walters: Yes, one more point. We have spoken to thousands of workers about sick pay and universal credit. If you fall ill and you have, for instance, a cancer diagnosis and you need to take some time off and you choose to leave your employer, it is difficult for you to claim universal credit because you have made the choice to leave your employer. You have seen that you might not be able to survive on statutory sick pay and you make that decision to try to go on benefits and it is still difficult for you to be entitled to that.

Also, the majority of workers who are eligible only for statutory sick pay are key workers. Those jobs are important and, as we saw in the pandemic, were key to keeping our society running. Those will not be automated any time soon.

Q46 **Debbie Abrahams:** Nicola, not just on the exchange you had with Sir Desmond but on what you said about which type of employer provides occupational sick pay rather than statutory sick pay, are we talking about employers that may have small businesses struggling to get through or are we talking about employers who are not that good?

Nicola Smith: I do not have data on the distribution of occupational sick pay schemes by business size. It would not surprise me if larger employers were much more likely to have decent occupational sick pay schemes, not least because they are more likely to have a trade union agreement. The proportion of people earning less than the lower earnings limit who are not entitled is, unsurprisingly, 1.1% of people in professional occupations relative to about 8% in caring and 11.9% of people in customer services and sales. That gives you some indication of sectors where people work.

For small businesses, we agree, I am sure, with the small business lobby on this that there may be a case for a rebate. In previous periods in the operation of sick pay, employer rebates were available for the smallest businesses with the tightest margins. We have absolutely no problem with an approach that continues that. The overall cost to the Government of doing that would be pretty small because it is a small number of businesses with a small number of people off sick at any one time.

Amanda Walters: The majority of small businesses already pay occupational sick pay.

Q47 **Debbie Abrahams:** Sorry for interrupting. Small businesses rather than



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SMEs? It is important to distinguish. Small businesses are up to 200 and SMEs are up to 500. They are quite big organisations, not small businesses. You are saying most SMEs or small businesses are?

Amanda Walters: Yes. I don't know the differentiation between those and the figures around occupational sick pay, but I know that most SMEs already pay occupational sick pay as well.

Q48 **Debbie Abrahams:** Thank you so much. You have said a lot already about sick and disabled people. You said 75% of sick and disabled people in work feel that they have to keep going even when they are not well or if they have fluctuating conditions. That will impact their condition. Do you want to add any more about that or more generally on this?

Thomas Hamilton-Shaw: Thank you. We have spoken to people who have had amputations and had to go into work 10 days later because they found that they could not afford to go on to the SSP regime and they needed to do that. The person we interviewed said that their boss looked at them like they were crazy, which is an understandable reaction. They were not prepared to go on SSP. They chose to go into work.

The evidence says that 25% of disabled people do not feel that they could not survive on the SSP rate at the moment for a week and 36% do not believe that they could survive on the SSP regime for a month.

Q49 **Debbie Abrahams:** Does that relate to the extra costs that they face as a sick or disabled person?

Thomas Hamilton-Shaw: Yes. We have considerable evidence to suggest that the extra price tag of disability—the rate that people need to be paid—is around £975 to have an equal quality of life as a non-disabled person. We will be happy to share with the Committee some forthcoming evidence when it is out about the extra costs of disability.

Q50 **Debbie Abrahams:** That is an extreme case. I hope that that is an extreme case and you do not hear cases like it. That is absolutely horrific.

Thomas Hamilton-Shaw: Yes. The polling that we have done around how people feel that they could survive on the SSP minimum speaks for itself. That is a large percentage of disabled people. We need to bear in mind that that is nearly 10 million people in the workforce who were classified as disabled, which is a huge proportion of the working age population that will be affected by some of these broader trends on sick pay. Yes, it is a huge issue. Like we say, we believe that the sick pay system does not work for disabled people.

Nicola Smith: To follow up on a couple of those points, people at work have raised examples of people who feel they have to come back too quickly to work after surgery because they cannot afford to survive on statutory sick pay, people who do not rest enough after having a heart attack because they then feel like they have to come back to work.



I do not have evidence on this, but I suggest that the trend is likely to be that older workers who cannot afford to stay off work for any period of time on statutory sick pay feel like they have to take early retirement on grounds of ill health instead. We saw that big rise post-pandemic in the proportion of people in that situation. It was initially suggested by the Chancellor that this might be middle-class professionals spending more time on the golf course. The data now shows that primarily low-wage workers have taken early retirement on ill-health grounds.

A link is likely with the lack of availability of statutory sick pay because, if someone is left with a few months' recovery for an illness and they know they cannot work and they know they cannot survive on statutory sick pay, they are left with no other choice. It would be economically better if that person was supported to stay in the labour market for longer and then have a better chance of returning to their job and continuing to make a productive contribution when they are well.

Q51 Debbie Abrahams: Those were important points there. Thank you very much. Have we learned from the pandemic about the approach to sick pay then? What might we replicate there?

Nicola Smith: I have lots to say. You go first.

Thomas Hamilton-Shaw: Thank you. The first thing that most people learned from the pandemic about sick pay was how low it was. People who had never claimed before in their lives suddenly realised that this is the current state of play. That was a real shock to a lot of people who claimed sick pay for the first time.

Also, people found out at short notice and people in the gig economy were struggling to mention their sickness. Some of the difficulties around eligibility, accountability to business to pay sick pay and the regime itself were all found wanting.

A key message that I wanted to bring today is that innovation is possible. The Government innovated during the pandemic with isolation notes. They removed the waiting days rule and people who were shielding were entitled to SSP. That shows that even in the most constrained economic times, innovation is possible. The Government were willing to use the sick pay system to make it function well for people during the pandemic. That is a real key learning.

Amanda Walters: The Government made two key reforms at the time. They ensured that statutory sick pay is paid for the first day that somebody is off ill for a Covid-related absence and made an additional £500 one-off payment so that people could self-isolate. Similarly, as part of the Safe Sick Pay campaign for day one sick pay, we are calling for an increase in the rate to ensure that we protect people coming into work sick with infectious diseases.



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Unfortunately, these reforms have been removed since the pandemic, but it is important that we learn the lessons from the pandemic around sick pay and how it can create public health risks. Matthew Hancock in the Covid-19 inquiry recently talked about sick pay being too low. Yes, it is time that we changed the sick pay system so that we are not in this situation again.

Debbie Abrahams: Yes. We had a mini Covid wave before Christmas. We still need to look at measures to protect people. Nicola?

Nicola Smith: The evidence base that the pandemic provided about the impact of inadequate sick pay on people's ability to take time off and to recuperate when they are sick is pretty irrefutable now. We started the pandemic with 2 million people not qualifying for sick pay, and over the course of the pandemic, pretty much the entire Government accepted the impact this had on people's ability to self-isolate. Pre-pandemic, evidence in an article written by Professor Van-Tam noted that during pandemics those working in social care in particular were likely to be less able to self-isolate because of an inability to take unpaid sick leave. The reality of precarious work meant that they could not afford to take unpaid time off.

We and many others argued from the start that it should be self-evident that someone risking losing a week's wages and receiving only statutory sick pay or perhaps nothing at all during the week would be a powerful disincentive to self-isolation. Action was not taken anywhere near quickly enough. We continue to argue that some of what was put in place was not sufficient.

That aside, when you look at the evidence that has now been given to the Covid inquiry on this, it comes from all sources. Sadiq Khan described the evidence from London and said that those in the gig economy or on zero-hours contracts had no choice but to keep going to work.

Michael Gove set out that ensuring isolation payments is essential for self-isolation. Chris Whitty, David Halpern, Dominic Cummings, Matthew Hancock all put evidence on the record in the Covid inquiry about self-isolation payments and paying people to be able to take time off because they would otherwise find themselves so financially disadvantaged; that was extremely strong and powerful. It should be a basis today for considering how those impacts continue to pay out when people are sick, albeit not always now, although still sometimes, with Covid-19.

Q52 **Dr Ben Spencer:** I want to delve a bit more into productivity benefits and costs and benefits of reforms to SSP. Would reforming sick pay increase productivity?

Amanda Walters: Yes, it would. Research shows that ill people are less productive than healthy people, as we know. The studies show that someone working while ill can be 15% to 36% less effective than a healthy person. We also know that somebody coming into work sick will eventually lead to a number of other people falling sick if they have a



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contagious disease, which impacts productivity as well. Also on productivity, someone frequently coming into work sick has a much higher chance of eventually having to take a longer period of time off because they make their health condition worse and, therefore, eventually have a larger number of sickness absence days. Some of the studies show you are 74% more likely to have to take off two months or more if you constantly come into work sick. This has a massive impact on productivity and people taking longer periods of time off.

Q53 Dr Ben Spencer: Do you have any measurements or estimates on the impact, particularly with the backdrop that we know that long-term sickness is a particular barrier to productivity in the UK, of the different reforms you have suggested?

Amanda Walters: Yes. WPI Economics did a report for us modelling different benefits for statutory sick pay. I can share this with the Committee afterwards to look in detail at it.

Looking at the net benefits around productivity, retention and the decrease in absence days that we would see with the three reforms that we are looking for, removing the lower earnings limit would lead to about £1 billion in net business benefits. Day one sick pay would lead to about £2.4 billion and increasing the rate in line with an employee's wages up to the real living wage would lead to a net business benefit of about £500 million.

The savings that businesses would make in productivity, retention and a decrease in sickness absence are significant. This is after the direct costs that businesses would pay because of the increase in statutory sick pay. It would still be more than cost-neutral for businesses to make these changes.

Most businesses already pay occupational sick pay, but a concern of the businesses we spoke to that currently do not pay occupational sick pay is that they will be at a competitive disadvantage to others in their sector that are not doing it. For example, in facilities management companies, statutory sick pay is the only benefit that employees get. They do not get occupational sick pay. People in the facilities management industry would like to see everybody having to do it at the same time so that they are not at a competitive disadvantage to others in their industry.

Nicola Smith: Briefly, the broad argument is that if you support people to remain in work and to stay in work, it is a net productivity gain relative to people leaving the labour market altogether. There is also an argument, as was set out, that this change would stop bad employers undercutting better ones. If you can enable employers to gain higher market share, you increase productivity overall across the economy. You will not have a race to the bottom. You will have a high-road race to the top. That is another broad benefit of this approach.



I have found the data I was looking for earlier that the Fabian Society modelled for us on what employers already do. Its analysis in the Family Resources Survey showed that 66% of those who are off sick with a statutory sick pay entitlement already get full pay and 18% already get an amount in between. Most people with an SSP entitlement as it stands get far above that and I imagine employers do that because it is to their benefit.

- Q54 **Dr Ben Spencer:** I am trying to work through and understand this issue around the market signal that goes on here. We have seen evidence from the first panel this morning that if you ask people if they are willing to pay for it themselves, the answer is “no,” but they want somebody else to pay the money that goes into statutory sick pay. If businesses that pay statutory sick pay get a competitive disadvantage, presumably the competitive disadvantage is that that money is otherwise used to give people higher wages. It goes back to a point Nigel was making. The demands from employees since I have been an MP have been around wages as opposed to SSP. What is going on here? Is SSP really the problem that needs to be fixed here for those tricky bits of employment or is it wages? Employees want wages as opposed to SSP. Do I misunderstand what is going on here?

Nicola Smith: it is about setting a floor. We have learned from the experience of the minimum wage, as I was saying before, that when you set the floor, everyone has to change their employment practice to meet it. I understand the survey evidence that suggests that in this area people do not want to be the first mover but, when you regulate to require it, it does not follow that there would be necessarily an impact on wages or on jobs.

There can equally be a small impact on the pay of the highest paid and on the bonuses given much further up the business, or on where the company chooses to distribute its profit. If you have a productivity gain because you have a better motivated workforce, you grow your business overall. It is not a zero-sum situation—

- Q55 **Dr Ben Spencer:** Hang on. Take two steps back. In terms of what the employees are offered, irrespective of where the money comes from and how the business spends money internally, if an employee is offered a pay rise versus an occupational health scheme or SSP, what will the employee go for? It strikes me that in these marginal employment situations, pay rises are the main driver. That is the problem here.

Thomas Hamilton-Shaw: If I may, the trade-off in a sense is hypothetical. If people do not have any experience of going off sick, when that happens, they will be able to tell the marginal difference. They would not necessarily know at the point they decide that that is the better choice but when it actually happens, surely they would.

In a sense, also, to zoom out for another degree, for disabled people, this is part of an overall set of reforms that would help them retain work. It is



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simple. We believe that if you halve the disability employment gap, you will make Treasury benefits of £16 billion overall. It is part of a puzzle and an overall picture. I do not know if those trade-offs would necessarily be in the real world at that point. It would help people stay in work. We hear that again and again, especially in some of the survey evidence that I have pointed to.

Nicola Smith: There are two parts to this. There is a principled question. As a society, what level of pay is the minimum that anybody should earn for doing an hour or a day's work, and what basic standard of treatment is the minimum that someone should expect at work? I argue that a basic entitlement and a basic principle of decent treatment is that somebody who is sick should be paid an amount of money that allows them to continue to live until they recover and return to work. I do not accept the premise that there has to be a trade-off. In a decent society, paying someone when they are at work and ensuring that their income does not suffer a catastrophic fall when they are too sick to go to work do not have to be mutually exclusive ambitions.

If you were to pose the choice to people and if you were to survey, you have to take into account that people working on the lowest incomes often budget week to week, particularly with the scale of the real wage falls that we have seen over recent years, the well-documented cost-of-living crisis that many people have been through, and the higher inflation impacts for people on the lowest wages. There is lots of evidence that people's wages are suddenly not allowing them to cover the basics: the rent, the food, the necessities of day-to-day life. In that context, it is not fair to pose that choice. People need both higher pay when they are in work and also to know that they will not become even worse off if they find themselves subject to illness.

You could probably draw some lessons from pensions policy in this space. Look at what happens with auto-enrolment, for example. The cross-party consensus when the Pensions Commission was set up was that that would be the right place to automatically opt people into the scheme and not to opt them out. That was based on a lot of behavioural science and analysis of human behaviour, which showed how bad we are as humans at planning for the long term and for what is not immediately in front of us but how important it is as a society that we have systems that protect us.

The rates of pension saving that have been led to by opting people into pensions, rather than asking them individually to opt in, are quite salient and give you an indication of the need for a system that provides protection for people automatically without requiring them to individually have decided that it is in their best interests to do so.

Amanda Walters: We did a research project and we listened to low-income cleaners on the biggest work issues they were impacted by after the pandemic, and sick pay scored higher than low pay and pay



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increases. This was because people realised through the pandemic that either they are not eligible for sick pay or sick pay is so low that they are unable to get by. They have seen the discrepancy between what these employees get and what the majority of us get. Employees want to see this changed.

Also, we have an issue at the moment with retention and people being out of the workforce due to ill health. Some 2.6 million people are currently off work due to health conditions, many of whom want to stay linked to their employer in some way.

Evidence shows that if you increase statutory sick pay, employees are much more likely to remain in work or come back to work. One study of cancer patients showed that employees covered by sick leave are three times more likely to return to work than those who are not. We believe that sick pay is part of the solution for the economic problem we face at the moment of people falling out of the workforce due to long-term health conditions.

Q56 Dr Ben Spencer: My final question is then going forward. The point you made about the survey of the cleaners and their perspective based on their previous experience, absent information around it, was interesting.

Who should pay, then, when you look at SMEs? Should this be completely absorbed by small businesses, or do you support rebates from central Government and so on?

Amanda Walters: With WPI Economics, we have calculated that the Treasury savings of reforming statutory sick pay, removing the lower earnings limit, making sick pay payable from the first day somebody is off sick and increasing the rate of statutory sick pay would lead to savings of about £1.7 billion. This comes from reduced benefit claims, reduced medical treatment and increased productivity. We believe that some of these savings could be used to support SMEs. As I said, most SMEs already pay occupational sick pay but for those that would struggle and do not pay it yet, we could provide some support.

This could potentially be done in two ways. First, reintroduce a rebate for SMEs especially focused on longer-term absences, which is where SMEs would struggle most. Secondly—and we discussed this in our meeting with the Chancellor—provide tax incentives for SMEs that take out group income protection, which is insurance that protects employers if an employee needs to take a longer amount of time off. It also provides businesses with professional support to help employees return to work. This way, we could ensure that we retain our staff.

Thomas Hamilton-Shaw: We are in favour of a rebate. It could be a proportion of earnings, but especially focused on the people who at the moment earn below the LEL. A certain proportion of earnings would be welcome from our perspective.



Nicola Smith: We have also indicated that we are happy to support a rebate for the smallest businesses, albeit that there needs to be an incentive for those businesses to also make sure that they have decent return-to-work plans in place and proper support for their employees. You could possibly tie some sort of rebate to a requirement that people had a proper return-to-work scheme in place or could demonstrate good employment practice. We note that during the pandemic small businesses could claim costs for up to two weeks of statutory sick pay per employee but, again, that measure has unfortunately been removed.

Chair: Thank you very much indeed. We are a little bit up against the clock now as time is ticking on. Shaun Bailey.

Q57 **Shaun Bailey:** I want to touch on enforcement because there have been a lot of promises made around enforcement by a single body. That has not come to fruition.

First, given the structure of the regime that we have, can we accurately say who is and who is not getting the statutory sick pay that they are owed? Clearly, having looked at the process you have to go through to try to enforce a claim for statutory sick pay, if you are in that circumstance where you need to do that, surely you will not be able to navigate that. Do we know how many people are enforcing that? More importantly, do we have any idea who is dropping off the radar? That will inform Government policy as we move forward.

Nicola Smith: I can start on that. We know that a good proportion of people—around 10% but I can check the figure—say that they do not receive anything at all when they are off sick. Some of that will be people who are below the lower earnings limit and so they are not entitled at the moment. Some of it will be people who do not know that they can get it and so are not getting it. Some of it will be people who are illegally not being paid it. We do not necessarily know exactly how those proportions split at the moment.

As you say, we have real concerns around the lack of an effective enforcement regime for this employment right. We know that employment rights are only as strong as people's ability to enforce them. If you look at what happens with the minimum wage, for example, yes, in a different space, I would like to see improvements to that enforcement regime as well, but it has two routes for enforcing your minimum wage rights. You can take either a tribunal or the HMRC approach to proactively enforcing the minimum wage and looking for non-compliance.

However, on sick pay, the current system is the dispute process run by HMRC. An individual has to raise the complaint and then, in 99% of those cases, the complaint is upheld quite quickly. That suggests to us that there is likely to be a higher level of non-compliance because we know from separate data that large numbers of people—particularly in low-paid jobs—do not know about their entitlements in the first place and are not likely to be enforcing them.



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A risk-based, proactive approach to enforcement would probably identify a larger number of employers that are not following the right employment practice and should be. Again, we are disappointed that there has been no further Government action on a fair enforcement regime for this or for employment rights more widely, indeed.

We would like to see existing enforcement bodies able to enforce sick pay as well. The current statutory payment dispute team is not well known about at all. Labour market inspectorates and other agencies are going into employers and could be asked to look at sick pay enforcement at the same time. Integration could possibly help with that. It does not make a whole lot of sense for a worker to have to go to five different agencies when one person could check up on all their employment rights.

Of course, we would like to see greater resourcing to bring in line our labour market enforcement numbers to the ILO-specified standards. We should have one labour market inspector per 10,000 workers and we are about 1,400 short of that.

Thomas Hamilton-Shaw: We support a single enforcement body. As other people have shared, we have real and serious concerns around enforcement at the moment. The current regime has a number of problems. In focus groups we run, we hear again and again that people did not get their entitlement.

I would stress to the Committee an aspect that is not perhaps touched on that often. People have a real problem knowing their rights around sick pay. Some people can identify easily that ACAS has some kind of role, but when you ask them further questions about whether they went to ACAS or whether they could contact ACAS, they have little knowledge. Uprating the signal there will be important.

Amanda Walters: The research project we did with low-income cleaners showed that only 21% were allowed to take sick leave by their employer. Employers were refusing to pay statutory sick pay even to those who were eligible. Most of those cleaners did not raise this with their employer because they were afraid of losing their jobs. We believe that better enforcement is very much necessary.

Part of the problem is that reporting on statutory sick pay is no longer needed, so employers do not have to report whether they make SSP payments. That makes it difficult to know who is paying it and who isn't. Also, it is difficult to understand fully what is happening with statutory sick pay nationally. We believe that reporting should be reintroduced.

Q58 **Shaun Bailey:** That is useful. One point I want to draw out from the three of you is around this knowledge of people's right. We know now people should get the day one written statement. What is your assessment of the impact? That was brought in in 2020 by the Government. Has that had an impact on awareness of people's rights or is it a step forward but a lot more needs to be done? This awareness



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piece and people understanding their rights around SSP definitely seems to have been a theme of today. I am curious to get your perspectives on that.

Amanda Walters: For the cleaners that we were speaking to, it was not a problem of them not knowing their rights. It was a problem about enforcement and being able to speak out without losing their jobs. That was the main issue they faced. We support either a single enforcement body or another body with enhanced powers to make sure that businesses comply with statutory sick pay so that cleaners and other low-income workers feel that they can speak out about their rights.

Thomas Hamilton-Shaw: I will contextualise it with a quote. To put the disabled people in the picture, someone in a focus group recently said, "When you manage your stress, when you manage your referrals, it takes a lot of willpower to be able to look at the legal position you are in." Anything that can be done to facilitate that is welcome.

Nicola Smith: I agree with what colleagues have said. Insecure workers are not getting that statement. Across the evidence base, if you look at ACAS research, if you look at surveys that we have done, the problem is both people not knowing about their rights and, when they do know about them, as others have said, the power imbalance at work meaning that they are fearful of enforcing them.

That is why we need dual enforcement routes, properly resourced enforcement agencies and an employment rights regimes that makes it clear to employers that they are not able to evade employment protections, as well as making sure workers know in the first place what those are.

Q59 **Shaun Bailey:** On the employer level of that as well, a balance has to be struck between bad actors operating in this space and particularly those businesses that are perhaps SMEs or do not necessarily have the bandwidth or the knowledge to understand how to navigate these systems.

From your analysis, what is the balance—I appreciate that this might sound like an existential question—between on the one hand dealing with these bad actors who do not want to follow the obligations they have and on the other hand acting as an education piece for people who want to do right but, frankly, do not know how? I am curious to understand a single enforcement body's role in that. It seems that there is a role there. I am curious to understand whether the emphasis needs to be on point A or point B—if that makes sense.

Amanda Walters: You could have an escalating strategy with businesses. The first is ensuring that they are informed of their responsibilities and making sure that they have the processes and procedures in place to do right and ensuring they protect the rights of their employees. Then, depending on how they carry on responding to



the rights of their employees and whether they comply, actions could escalate. It is important that the single enforcement body has enough powers to make businesses comply and that businesses that do not face repercussions.

Nicola Smith: To some extent, it does not matter that much if the issue is that good employers that want to do right but do not quite understand what is happening are breaking the law by accident. When you look at minimum wage non-compliance, few employers ever say it is wilful. Even when they are taken by HMRC, few people are prepared to say, "I meant to do this." Most employers say, "Sorry, it was an accident." We can debate whether that is the case but, if that is the problem, the answer is still having enough employment rights inspectors who can provide advice and help and achieve quick remedies for workers. If the problem is bad actors who wilfully evade the law—and we know there are some—again, a decently resourced regime will solve that problem.

There is a limit to what making online resources available will do for awareness. Consistent ACAS publications over a long period now show that when people fail to meet one employment law, they probably fail to meet a whole lot of them. On balance, a proportion of this is wilful. A large proportion is not. The answer is still providing people with more support to help them do it right and to get a quick remedy when they do not. It leads to the same solution, if that makes sense.

Thomas Hamilton-Shaw: Briefly, we would probably say more towards the information side of things. If you speak to ACAS, when it fines a bad actor, it has little capacity to work with the employer at the end because it simply does not have the capacity to work with those people. The Government need to reasonably put resource into that area.

Q60 **Nigel Mills:** I will start with you, Amanda. How does what we do compare with what other countries do? Are we incredibly tight compared to those or are we in much the same position?

Amanda Walters: We score among the lowest in OECD countries and in Europe for sick pay entitlement. To give you a couple of examples, in Norway workers receive 100% of their pay when they are off sick. In Germany and Finland, they receive 70% of their pay. In Japan, they receive 60% of their pay for 18 months. This enables workers to remain linked to their employer while they recover. It ensures that they can make ends meet and pay their fixed outgoings and can focus on getting better and get back to work much quicker.

It is important that we look at these international comparisons. We have one of the slowest growing economies since the pandemic of OECD countries, which is concerning. We also have large numbers of people falling out of the workforce and on to benefits due to ill health, much more so than in other places. Looking at the regimes other countries have and how we can reform our statutory sick pay is important.



Q61 **Nigel Mills:** Are we are tied to the rates only or the length of time too? Are most countries paying more than six months or less?

Amanda Walters: Yes. Among OECD countries and European countries, the number of weeks tends to be more than what we pay here. Also, the rates are so much higher as well. Even those countries that do not pay much more than we do in terms of weeks have rates that are so much higher that they support an employee much more than we are here. Our replacement rate is between 18% and 30% of somebody's earnings, whereas other countries have replacement rates between 60% and 100%. Also, most other OECD countries and European countries do not have waiting days or, if they do, they are much fewer than what we have as well.

Q62 **Nigel Mills:** Generally, it is quite difficult to do. I suppose you are comparing statutory sick pay with those countries' arrangements but, as has been said, a lot of people here get more generous terms from their employer than that. I guess that is hard to compare.

Are those examples of sick pay that is paid by the employer, or picked up by the Government after some point?

Amanda Walters: Compared to other countries, again, we are much less generous with any rebate or support for businesses for statutory sick pay. An employer will pay to a level and then there will be some Government support for businesses or the individual depending on the sick pay regime. Yes, again, we have one of the lowest scores for support for businesses as well.

Nicola Smith: I suppose it is pretty much consistent with wider employment law that UK businesses generally face lower costs than many other businesses across Europe in terms of their expectations of the minimum employment standards that they need to provide.

If you are asking if countries pay higher rates to start with and it does not last for long, they may well do, but I understand that those countries have much more generous contributory social security schemes in place and so the overall income a sick person gets is far higher than it is here.

I am all for arguing for a system that provides people with far higher contributory social security benefits and a far higher rate of universal credit should they find themselves out of work for longer. However, if you want to make international comparisons, it is fairer to look at the amount of income somebody has when they are out of work for a long period of sickness because of the combined role of statutory sick pay plus the wider benefit system. When you look at that, you find that we are pretty consistently below nearly every other country with which you might want to make a sensible comparison.

Thomas Hamilton-Shaw: The critical issue internationally is claim time. As I have said to the Committee, we favour an extension from 28 weeks to 52 weeks. In Germany, for example, you get 100% of your wages for



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the first six weeks and then 70% of your wages for 78 weeks. That can deal with long-term sickness, serious injury, cancer and so forth.

Q63 Chair: Thank you very much. Mr Hamilton-Shaw, you pointed out at the start that quite a large number of disabled people have given up jobs because of the low level of statutory sick pay. Tell us what is happening. Have they worked out that they will be better off on benefits than staying in work? Is that the point?

Thomas Hamilton-Shaw: You often find that people manage their illness at work in diverse ways. Because of some of the enforcement issues, because of some of the weaknesses within the current system, people will perhaps use, for example, annual leave to manage their sickness week in and week out. They will not take a holiday. Rather than tell their manager they are sick, for example, they will say, "I am fine. I am just taking some leave," and use that to manage their illness. At some point, you might find the stress of that or some of the wider pressures in the workplace, not getting reasonable adjustments or otherwise, leads to a breakdown of trust between the employee and the employer.

At the moment, because the system is not robust enough to actually deal with sickness, there is a breakdown. Essentially, sick pay is one of a whole group of factors. We have good evidence to show that around 80% of disabled employees have left work because of an issue that we have identified in that research, including sick pay.

Chair: I suppose that is not entirely about sick pay.

Thomas Hamilton-Shaw: Not in that wider figure, but I can pull out some numbers for the Committee and write to you about that.

Q64 Chair: That would be interesting, yes. When it is about sick pay, it is because their income would be higher on a benefit if they did not work anymore. Is that the point?

Thomas Hamilton-Shaw: It depends on their situation. In the example that we were talking about before, somebody may not be eligible for universal credit because of a partner's earnings or because of their savings rates. They would be better off taking sick pay. But then sick pay can last for only a certain amount of time.

The ESA angle is more complex because they cannot claim statutory sick pay as well as ESA at that point. There may be a calculation there. As we know sometimes, through benefit assessments and so forth, there is a lack of trust and consistency that the right benefit outcome will happen. In a sense, I doubt it is because they make a calculation that they would be better off on benefits and not taking sick pay.

Chair: Thank you very much. That concludes our questions to you. Thank you for giving us interesting answers and lots for us to think about in the course of this inquiry. That concludes our meeting.



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