Making Statutory Sick Pay Work

The business, governmental and societal benefits of sick pay reform

A WPI Economics report for the Centre for Progressive Change

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ABOUT THIS REPORT

This report was commissioned by the Centre for Progressive Change (CPC), and funded by Unison and the Alex Ferry Foundation. It leads on from work on Statutory Sick Pay reform that WPI Economics has previously undertaken with Scope and Unum.

ABOUT WPI ECONOMICS

Founded in 2016, WPI Economics makes an impact through economics that people understand, policy consulting and data insight. We work with a range of organisations – from FTSE 100 companies, to SMEs, charities, central and local government – to help them influence and deliver better outcomes through improved public policy design and delivery.

Our focus is on important social, environmental and economic policy debates, such as the future of the green economy, productivity and growth, levelling up and mental health. We are driven by a desire to make a difference, both through the work we do and by taking our responsibilities as a business seriously. We are a Living Wage employer, currently working towards BCorp accreditation.

ABOUT THE CENTRE FOR PROGRESSIVE CHANGE

The CPC is a not-for-profit organisation aimed at building national organising campaigns for a more progressive society.

We do this by driving our own national campaigns, carrying out research on what works when creating progressive change at scale, and by sharing our expertise through training and consultancy to support others to be effective.

This report is funded by:

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FOREWORD

Dan arrived at the doctor's surgery with a lump on his side. After nervously awaiting a scan, he was later diagnosed with cancer. An assistant manager at a supermarket, he needed to take a period out of work for a gruelling course of radiotherapy.

While dealing with this life-changing event, Dan discovered that after about three weeks of his employer's occupational health scheme he would only receive statutory sick pay, the legal minimum. He'd then get less than £3 an hour, a tiny proportion of his normal salary. Dan ended up on sick pay for four months and needed to rely on his partner for help with rent and travel costs. He eventually left his job, taking a prolonged period off to recover properly, after suffering anxiety and depression from the stress of the situation.

Through our Safe Sick Pay campaign, the Centre for Progressive Change has heard thousands of stories like this one from workers who don't get enough occupational sick pay from their employer. We have heard of people being diagnosed with a serious illness or suffering a workplace accident and finding they are unable to pay the bills. Care workers who can lose an entire week's income due to the three unpaid 'waiting days'. Some people getting no sick pay at all and seeing their physical and mental health worsening and their careers cut short as a result.

This is why we are campaigning for reform. We listened to 500 workers in the cleaning industry who told us it would increase their quality of life and keep them in work longer. Now this important new research explains how the benefits outweigh the costs of making sick pay changes.

The Government made it a priority to get people back to work in the March 2023 budget. As this compelling new evidence from WPI Economics demonstrates, Rishi Sunak's Government needs to reform sick pay to make that a reality. By ensuring every worker gets a decent income from day one of their illness, we can leapfrog competing nations by increasing the number of productive days workers spend in work, whilst allowing them time to recover from illness. Longer term, we'll see better workforce health outcomes.

COVID taught us all the value of workers and the people they serve being safeguarded from illness. But the lessons of that era have not yet translated into policy change. Long gone are the days where we are ok with people coming to work with an infectious disease. To keep our families and communities safe we need to ensure people can stay home when ill. We encourage the Government and MPs of all parties to work with us in making these common-sense reforms, which have the potential of adding billions a year to the economy, a reality.

Amanda Walters

Director, Centre for Progressive Change

EXECUTIVE SUMMARY

Statutory Sick Pay (SSP) does not work for people, the economy or society. SSP is set at a level that means that the equivalent hourly rate for a full-time worker, needing to take three days off sick over a week-long period, can be as low as £1.10 an hour. It is no surprise that more than half of people (52%) who receive SSP are living in poverty. SSP also does little to ensure that employees and employers have the support they need, so that the onset or recurrence of a health condition or disability is not a one-way track to claiming long-term benefits.

Beyond this, the eligibility criteria mean that seven in ten sick days are not covered by the scheme and up to 2m people would not qualify for its support at all, because they earn too little.[1] Evidence we heard as part of this research suggested that this leads to people having to come into work sick, when they should be having time off to get better, leading to a deterioration in health and impacting productivity. The costs to us all are significant. The most recent evidence suggests that:

- 185m working days were lost to sickness absence in 2022.[2]
- The average days lost per worker to presenteeism (when someone comes into work despite being sick and unable to fulfil their job role effectively) amounts to 35 days per year.[3]
- 45% of new claims to disability-related benefits come from employees that had taken a period of sick leave before claiming.[4]

Of course, the causes of this are deep and widespread. Workplace health and wellbeing is not good enough in the UK and, collectively, employers, Government and employees do too little to support it. Tackling this would reduce sickness absence, stem the flow of employees from work to long-term benefits and bring significant benefits to individuals, businesses and society. As we look towards the next Parliament, there is a real opportunity to grasp the opportunity for a widespread debate about how to improve workplace health and wellbeing, whose responsibility it is, and how (as a society) we are prepared to pay for it.

The starting point of this should be SSP. Evidence from other countries, and from during the pandemic, shows that aside from the benefits to employees, more generous sick pay systems increase productivity, reduce both time off sick and presenteeism and lead to better public health outcomes, because people are not spreading illness by coming into work sick.

Real life view on the impact of being on SSP:

"It's [SSP] devastating. I'm below the poverty line as it is. I don't smoke, I don't drink, I don't take drugs, I don't socialise, but my income doesn't meet my outgoings as it is. Even losing £10 is going to affect me."

"It does discourage you from taking time off if you're ill because you simply can't afford to. You get a lot of people going into work ill, which is no good for them and not good for everyone else either because everyone ends up getting it."

Source: Qualitative research published by DWP

These are not new arguments. In fact, reform of SSP has been on the policy agenda for many years, with the Department for Work and Pensions consulting on various options as recently as 2022. However, despite positive feedback from those who responded to the consultation (including business groups), these proposals were subsequently dropped. In part, this is likely to be due to concerns over the potential cost of SSP, and any future reform, to business. But these concerns fail to consider the potentially significant business benefits of reform and, due to a lack of robust evidence, are likely to overestimate any potential costs.

Six in ten (62%) employers agree that SSP is currently set at a rate that is too low and should be increased.

Source: CIPD

This report tackles those issues head on. It attempts to provide a solid evidence base on which policy thinking can be taken forward as we approach the next General Election. Using original analysis of the Labour Force Survey, it provides updated figures for the number of sickness absence days where SSP is actually paid each year, and the estimated business costs of this. From this baseline, it then provides estimates of the direct business costs of three potential reforms to SSP:

- ***Day one sick pay.*** This would remove the waiting days requirement, so that people can claim SSP from the first day of sickness absence;
- ***Removing the lower earnings threshold***, so that people can claim SSP regardless of the level of their earnings; and
- ***Increasing the rate of SSP.*** The report provides a range of scenarios including paying the real Living Wage, the National Living Wage (NLW) and 75% of the NLW.

For each of these, the potential benefits to businesses, the Exchequer and society are estimated, using conservative assumptions about the potential impact of these policies.

The direct costs of the current system

The starting point is to understand who currently receives SSP and the direct costs to businesses of paying it. This report finds that relatively few people actually receive SSP. This is because around 70% of sickness absences are taken during spells of sickness that last for between one and three days; making the employee ineligible for SSP. Others are excluded because of their low level of earnings or employment status. Of the remainder, a significant proportion (the evidence suggests between 50% and 85%) are already covered by more generous occupations schemes, making SSP irrelevant to them.

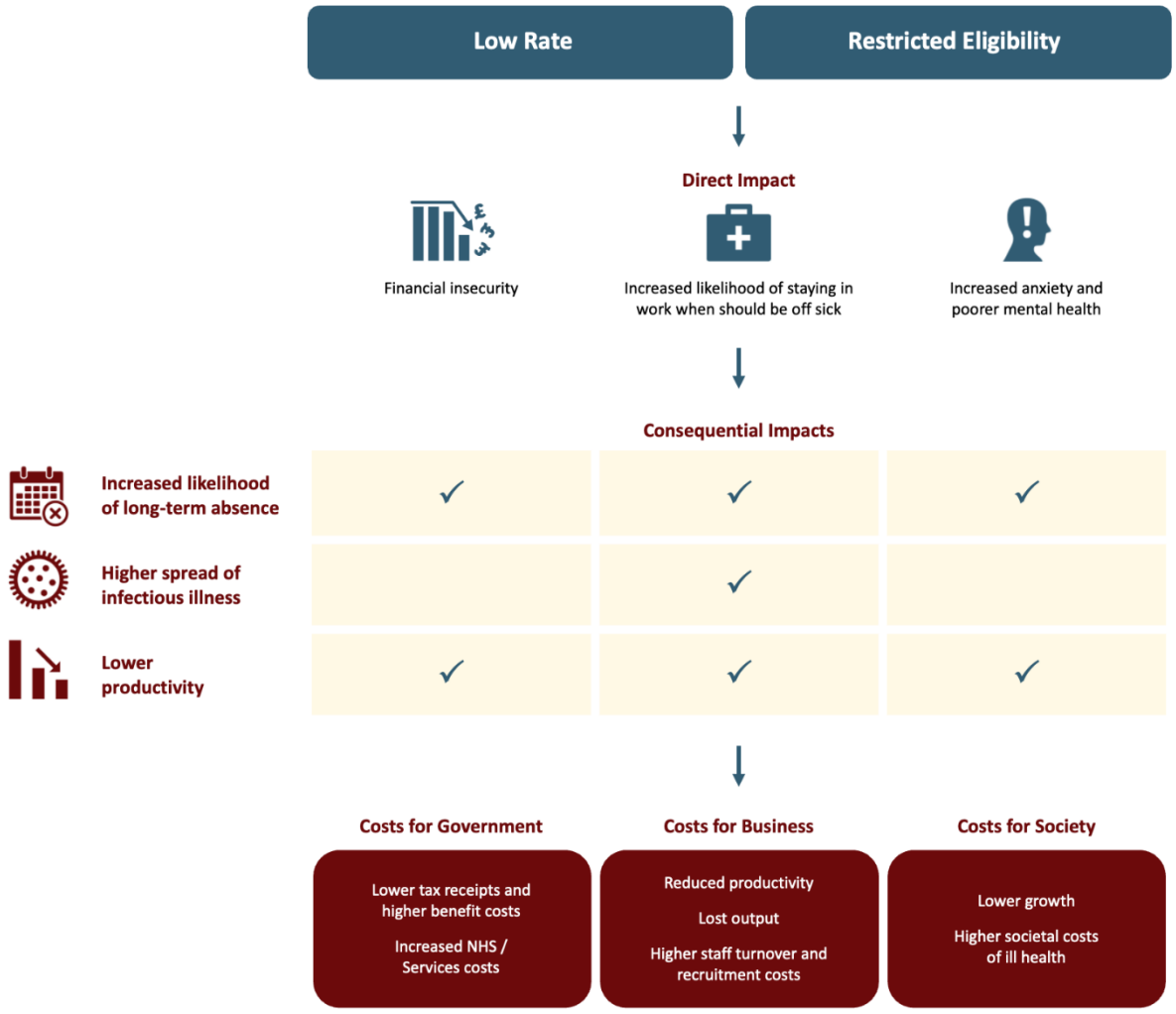
Taken together, this underpins our estimate that, of the total of 185m days lost to sickness absence, around 14.5m are likely to have been paid SSP in 2022, with an associated total direct business cost of the SSP system of around £300m.

The potential benefits of SSP reform

The estimates of benefits are based on the framework outlined below, this shows how, by leading to increased financial insecurity and increased likelihood of presenteeism, the low rate and restrictive eligibility criteria lead to:

- An increased likelihood of long-term absence, as employees do not take the time off they need, potentially exacerbating physical or mental health problems. Financial insecurity also increases stress and anxiety.
- A higher spread of infectious diseases because people come into work when they are sick and infect people on the way into and at work. Poor health (physical or mental) has also been shown to increase risks of accidents and harm in the workplace.
- Lower productivity as people who are sick or have a physical condition are less productive at work. More broadly, there are strong links between how businesses treat their staff and overall wellbeing and productivity. Support during sickness is a key part of that.

Figure 1: How problems with SSP feed through to costs for government, business and society



Source: WPI Economics

The costs and benefits of reform

Overall, this is an area of policy that has a significant lack of accurate and up-to-date data on which to base analysis and research. In this report, we use what we believe to be the most accurate data possible and combine this with a range of assumptions. We have based these assumptions on the existing evidence from the UK and abroad and chosen what we believe to be conservative estimates. Key assumptions include:

- **Business costs:** As outlined above, the impact of reforms to the direct business costs of SSP will hinge on the number of people who are currently covered by more generous occupational schemes. Existing evidence suggests that between 50% and 85% of the working population are in this situation. We have chosen to assume that two in three businesses (66%) provide more generous occupational sick pay schemes (either formally or informally) to their employees.
- **Benefits:** Whilst there is little direct evidence of reforms to systems like the UK's SSP, there is a wealth of evidence from other countries on the impacts of paid sick leave, absenteeism, presenteeism and the wider economic and productivity impacts. As such, we have used the evidence that is available to populate a range of key assumptions. Where there is significant uncertainty surrounding an assumption, we have chosen what we believe to be a conservative estimate. These assumptions are also only applied to those affected by the policy, meaning that no wider spillover effects are assumed. The assumptions behind our headline findings are that SSP reform leads to:
    - A reduction of sickness absence of 12.5% amongst those who have to take time off sick and are newly eligible for SSP (based on evidence from the United States that the introduction of mandatory paid sick leave reduced the overall number of scale of sickness absence by 25%).[5]
    - A reduction of sickness absence of 5% for the workplaces covered by SSP – again based on the US evidence (which suggested that aggregate sick leave was reduced, even for those not in the same workplace as those newly eligible).[6]
    - A reduction of the flow on to long-term benefits of 5%, for those affected (combining a range of evidence into a conservative and plausible assumption).[7]
    - An overall increase in productivity equivalent to half a day of extra output, per employee affected (combining a range of evidence into a conservative and plausible assumption).[8]

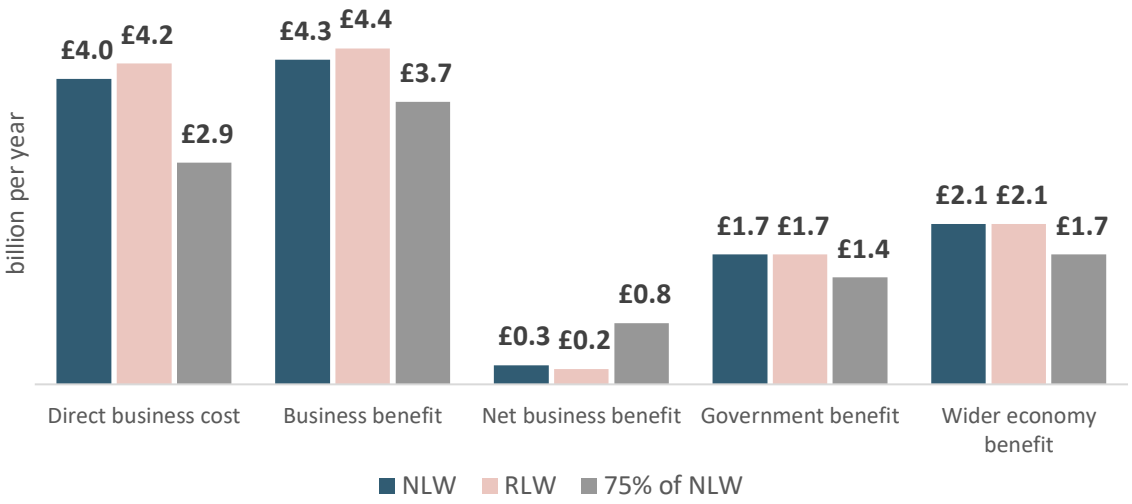
Headline results based on these assumptions are shown below. In each case, the direct costs to business are more than covered by the business benefits. This means that each of these policies is estimated to lead to a net benefit to businesses. Significant benefits are also found for Government and for the broader economy.

		Benefits per year		
Scenario	Direct business cost per year	Business	Government (by year 5)	Broader economy (by year 5)
Day one sick pay	Total: £525m Per employee: £60	£2.9bn	£800m	£600m
Remove lower earnings threshold	Total: £125m Per employee: £20	£1.1bn	£400m	£350m
Increase rate to NLW	Total: £850m Per employee: £90	£1.3bn	£700m	£1bn
Increase rate to RLW	Total: £900m Per employee: £100	£1.4bn	£800m	£1.2bn
Increase rate to 75% of NLW	Total: £550m Per employee: £60	£825m	£500m	£700m

Source: WPI Economics

The figure shows the costs and benefits of various combinations of these policy options.

Figure 2: The costs and benefits of introducing day one sick pay, removing the lower earnings threshold and increasing the rate of SSP



The results show that across each of the three headline scenarios, there are small positive net benefits to businesses. As already highlighted, these are based on what we believe to be conservative assumptions. This means that we might reasonably expect the actual benefits to businesses to be higher. Reasons include:

- The increase in productivity could be higher than assumed here.
- There are wider potential benefits (in terms of reduced overall sickness absence of those not affected by SSP reform) for employees in firms not affected by the SSP reforms that are not considered here. This includes the potential reduction in the spread of infectious illnesses outside of the impacted workforces.
- There are wider spillover effects that would flow from reduced presenteeism and increased labour supply across the economy, which are not considered here.

A further consideration is the potential for government to support those businesses that are most impacted by the proposals. We have identified a potential Exchequer benefit (increased taxes, reduced social security payments) of around £1.7bn. Allocating half of this to a fund that supports those businesses most affected would ensure that the overall direct business costs of the policies would reduce – providing further benefits to business.

Alongside these business and Exchequer benefits, there are also potentially sizable benefits to broader society. Together this means that reforms to SPP are good for people, business, the Exchequer and society. Our hope is that this report provides the basis for an evidence-based exploration of how these reforms could finally be implemented.

INTRODUCTION

There is a major problem with health and wellbeing amongst the UK's workforce. Some 185m days of work were lost to ill health in 2022[9] and the combined costs of worklessness and sickness absence are estimated to amount to well over £100bn a year.[10] When the costs of lost productivity from people turning up to work sick are added in, the costs are even higher. And this is not just about the economy.

Overall, the personal, economic and social impacts of poor health and wellbeing are felt right across the UK. For many people, a significant part of this problem is the Statutory Sick Pay (SSP) system in the UK. This forms the backstop for employees whose businesses do not have more generous occupational schemes as part of their benefits package. It is estimated that between 25% and 50% of all employees fall into this group of people who would need to rely on SSP. For these people, the SSP system should be the first port of call if they have to take time of work because of ill health or at the onset or recurrence of a health condition or disability. It should provide a financial safety net that protects them financially, whilst at the same time being backed up by support for them to take steps to remain close to and return to work when the time is right.

But this is not happening. Many reports have shown the impacts of this, both in quantitative terms and from the lived experience of individuals needing to rely on SSP. The same reports have called for significant reform to make the system work better, but the system has remained the same. In part, this is likely to be due to concerns over the potential cost of SSP, and any future reform, to business. But these concerns fail to consider the potentially significant business benefits of reform and, due to a lack of robust evidence, are likely to overestimate any potential costs.

This report tackles those issues head on. It attempts to provide a solid evidence base on which policy thinking can be taken forward as we approach the next General Election. It provides new estimates of the overall cost of the current system of SSP to businesses in the UK, before outlining the case for change and providing estimates of the potential costs, impacts and benefits of three key potential reforms to SSP. Given the obvious potential for benefits to individuals relying on the system, our focus is on the case for business and government.

SECTION 1: WHAT'S WRONG WITH SSP?

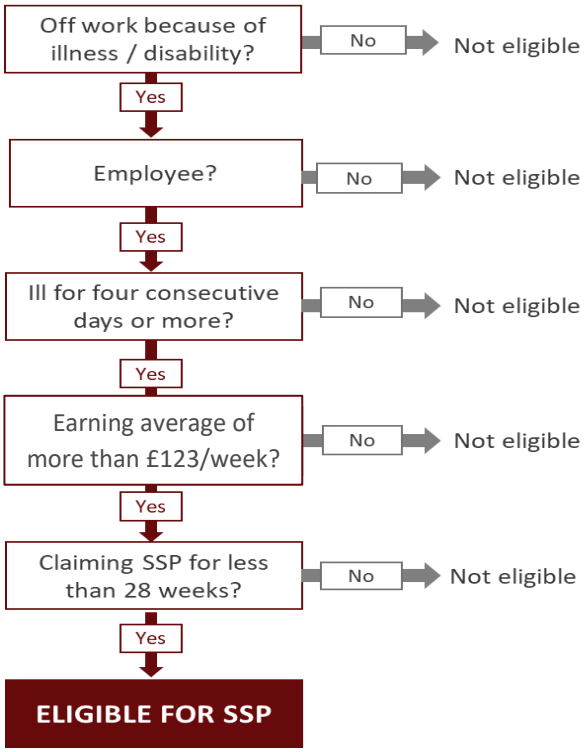
The current system of SSP

When they need time off because of illness or disability, many people in work can rely on support from an occupational sick pay (OSP) scheme that has been introduced by their employer. Many of these are insurance-based and provide both financial and practical support to both employees and employers during a period of sickness absence.

For those not covered by these sorts of schemes, SSP provides a backstop minimum level of support that employers are required to provide for their employees.

The current system of SSP was introduced in the 1980s. As of April 2023, it is paid at a pro-rata rate of £109.40 a week, with eligibility based around a set of criteria that are described in figure 3. In summary, these are that:

Figure 3: Eligibility flow chart for SSP



Source: Adapted from WPI Economics & Scope

1. ***Sickness absence:*** The individual has to be off work, on a day that they would normally be working, because of an illness (or disability).
2. ***Employees:*** It is available to staff who are classed as employees.
3. ***Waiting period:*** Employees need to be ill for at least four consecutive days before becoming eligible for SSP. These may be working or non-working days. They can be paid SSP on days where they are off work sick, from the fourth day.
4. ***Earnings threshold:*** Employees have to earn an average of more than £123 a week to be eligible.
5. ***Time-limit:*** It is paid at a rate of £109.40 for up to 28 weeks. When calculating this, periods of sickness absence that last for four more days each and are eight weeks or less apart are classed as one (linked) period.

The costs to business of the current system

Quantifying the direct costs of the SSP system to businesses, requires an understanding of two key things:

1) Based on the eligibility criteria of the SSP system, how many people would be eligible to be paid SSP and for how many days. This gives us the total number of days that might be eligible for SSP to be paid.
2) How many of these are already covered by more generous occupational schemes. Of the SSP-eligible days, this gives us a figure for how many are actually paid SSP. Those days covered by more generous occupational schemes are not a cost of SSP.

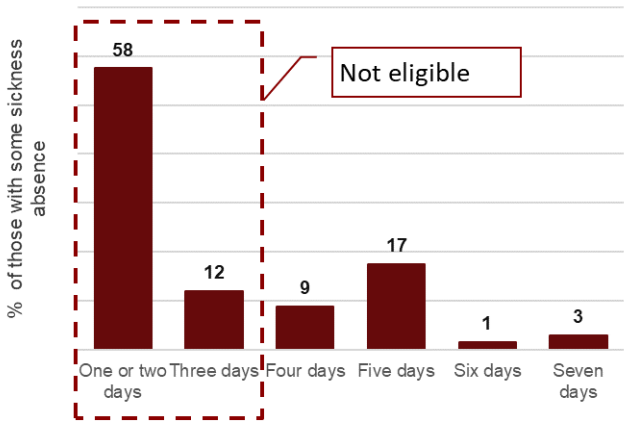
There are no statistics or data directly capturing either of these. As such, based on previous work with Scope, this report provides an up-to-date estimate of the number of days where SSP is likely to have been paid in 2022.

How many days of sickness absence are notionally eligible to be paid SSP?

The starting point here is that around 185m working days were lost to sickness absence in 2022. Of these, around 70% were taken during spells of sickness that lasted for between one and three days; making them ineligible for SSP. Within the group with periods of sickness long enough to qualify, others will not be classed as employees, or be paid under the minimum threshold, meaning that eligibility falls further.

Overall, we estimate that around 45m days of sickness absence could have been eligible for SSP in 2022.

Figure 4: Length of sickness



Source: WPI Economics analysis of Labour Force Survey

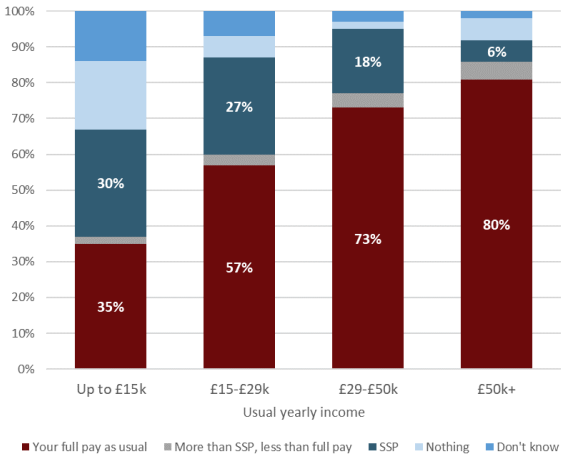
How many SSP-eligible days are already covered by more generous occupational schemes?

As already highlighted, of these 45m days, a large proportion are covered by employers' occupational schemes that are already more generous than SSP. This means that the statutory backstop is not used and SSP is not paid.

Again, there is very little robust evidence that analyses the extent to employees who are currently off sick are covered by SSP or OSP. Equally, there is a lack of evidence on the extent to which employees would be covered by OSP / SSP, if they were to become sick. Demonstrating this lack of robust and definitive findings, what evidence there is provides a wide range of potential estimates of the coverage of OSP.

Based on a representative survey of workers, evidence from the TUC suggests that nearly six in 10 workers (57%) receive their usual pay in full if they are off sick. They go on to suggest that only one in four workers would be paid the rate of SSP if there were off sick and another one in 10 (9%) would be paid nothing. The TUC evidence also shows the increasing importance of SSP for those lower down the income distribution.[11]

Figure 5: Experience of payments when off sick from work



Source: TUC, Britain

A recent DWP study found that of the 30 people engaged in a qualitative study of sickness absence:

- 15 (50%) had received OSP;
- 10 (33%) had received SSP only;
- 3 (10%) had received both SSP and OSP; and
- 2 (7%) had received neither SSP nor OSP.[12]

The most recent work from the Fabians finds uses the Family Resources Survey to capture the potential coverage of SSP. They found that only 84% of those eligible for SSP were receiving payments worth more than SSP, presumably through (formal or informal) OSP schemes.[13]

Overall, the evidence suggests that somewhere between 50% and 85% of employees could be covered by more generous occupational schemes. This would leave between 15% and 50% of the 45m SSP-eligible days of sickness absence actually being paid SSP. This would mean that:

- At the top of this range, 22.5m days of SSP would have been paid, at a cost of around £450m;
- At the bottom of this range, 6.75m days of SSP would have paid, at a cost of around £135m.

For the rest of the report, we use the average of these figures – assuming that one in three employees would have to rely on SSP if they were to take time off sick.

Summary:

- Of the 185m days of sickness absence taken in 2022, around 14.5m are likely to have been paid SSP.
- The implies that the total direct business cost of the SSP system in 2021 was around £300m.

The failings of the current system for individuals

While the direct business costs of SSP are relatively small, the wider costs to businesses, individuals themselves and wider society are significant. This is because SSP does not play the part it should in providing an adequate financial safety net for those needing to take time off work sick, supporting workplace health and wellbeing and ensuring a speedy return to work where possible.

A significant body of evidence demonstrates the impacts of a wide range of these challenges with the current system. Most of these stem from two key concerns with the current system: the low rate of SSP and its eligibility criteria.

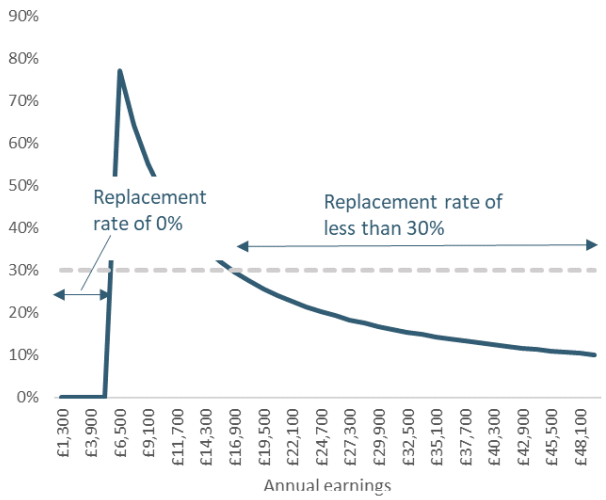
The low rate of SSP

Paid at £109.40 a week (pro rata to the number of days eligible), SSP is set at an incredibly low rate. For a full-time employee, being paid SSP would be the equivalent of being paid at as little as £1.10 an hour.[14]

Looking at this another way, we can compare SSP to the pay that employees would have otherwise had while they were in work. This is typically shown through a "replacement rate" or the proportion of normal pay, that SSP represents. Recent research shows that:

- For those earning less than £123 a week (the equivalent of just under £6,500 year) the replacement rate is 0%. They get nothing. Estimates suggest that two million employees (of which 70% are women) are in this situation.
- For anyone earning more than £18,000, the replacement rate is less than 30%. In simple terms, this mean that if they have to take a week off sick, they will take home less than a third of the money that they would usually earn.

Figure 6: The replacement rate of SSP, by annual earnings



Source: Adapted from WPI Economics for Unum

In all likelihood, for all of these groups, relying on the current system of SSP when they are ill would make it incredibly hard for them and their families to make ends meet.

The extremely low rate of SSP is recognised by businesses, with six in 10 (62%) of employers agreeing the SSP is currently set at a rate that is too low and should be increased.[15]

Eligibility criteria

As already highlighted, some 2m employees are out of scope of the SSP system because their weekly earnings fall below the lower earnings threshold. There is no statutory support for them at all.

Another group that falls outside of eligibility are those employees who are sick, but unlikely to be so for more than three days. For this group, there is no statutory financial protection for the days of sickness absence that they need to take. This is the case for 70% of all days of sickness absence.

Alongside these groups, there are also those are not employees or who are self-employed; neither of which are eligible for SSP. There are good cases for the protection of SSP to be extended to both of these groups, but this is not the focus of this report. On the latter, other recent reports, including from *Community,* have made the case for extending SSP to the self-employed.[16]

The impacts on individuals

Taken together, the low rate of SSP and eligibility criteria are likely to lead to financial insecurity for employees needing to rely on the system, increased likelihood of employees coming into work when they are ill and to contribute to poor mental health and lower wellbeing.

Financial insecurity

Given the low rate of SSP (both in absolute terms and in comparison to normal pay), it is no surprise that employees needing to rely on it struggle to make ends meet. A clear indication of this is the poverty rate amongst people claiming SSP, which stands at 52%. This compares to a poverty rate of 22% amongst the overall working-age population. Evidence from CIPD during the COVID-19 period highlighted that one in four (23%) workers who would either need to rely on SSP or who were ineligible said that, within a week, they would struggle to pay bills or buy food if they had to be off sick.

Real life view on the impact of being on SSP:

"It's [SSP] devastating. I'm below the poverty line as it is. I don't smoke, I don't drink, I don't take drugs, I don't socialise, but my income doesn't meet my outgoings as it is. Even losing £10 is going to affect me."

Source: Qualitative research published by DWP

Coming into work when ill

One of the consequences of such a low rate of SSP is that employees simply cannot afford to take time off sick. Where this is the case, they choose to come into work despite being sick or injured. A similar situation arises where people are ineligible for SSP, where they may be forced to come into work as otherwise, they would face having no pay at all.

Evidence from during the COVID-19 pandemic supported this, with Government research finding that the likelihood of self-isolating was severely impacted by the level of financial support available.[17]

Real life view on the impact of being on SSP:

"It does discourage you from taking time off if you're ill because you simply can't afford to. You get a lot of people going into work ill, which is no good for them and not good for everyone else either because everyone ends up getting it."

"I had to go back to work, firstly for my family as I couldn't carry on losing that much wages."

Source: Qualitative research published by DWP

Case study:

Following her cancer diagnosis, Hannah was unable to work as her treatment regime rendered her bedbound. She was only entitled to SSP from her employer, and this had a significant impact on her finances. A prolonged period away from work caused money to become so tight that Hannah consulted with her treating care team to reduce her treatment dosage so she could return to work part-time.

Source: Replicated from WPI Economics & Unum, (2022). Case study provided by Reframe Cancer Support. The patient's name has been changed to protect their privacy.

Impacts on overall health and wellbeing

The low rate of SSP and its eligibility criteria are also likely to have an impact on the health and wellbeing of those needing to rely on the system. For those actually needing to claim, its low and poverty-inducing rate risks pushing families into financial distress, with the potential knock-on impact of increased debt. Each of these have been shown to lead to significant impacts on mental health and wellbeing. For those needing the system but ineligible, the financial and wellbeing impacts could be worse still. More generally, for all of those who are not covered by more generous occupational schemes, the lack of effective support through SSP should they become ill, is likely to lead to an increase the precarity of their perceived financial situation, increased anxiety and lower wellbeing.

Real life view on the impact of being on SSP:

"I was signed off due to depression and anxiety. I was meant to take two weeks to recover but I couldn't as I was constantly aware that I would not be getting paid much and I'll struggle financially. It really affected me."

Source: Mind, Statutory Sick Pay: Our Research (2019)

SECTION 2: HOW CAN SSP BE REFORMED?

The previous section provided evidence that, as well as negatively impacting on the individuals who need its support, the low rate and restrictive eligibility criteria of SSP contribute to much wider economic and societal costs. That leaves the question of how SSP can be reformed and the potential benefits of this secured.

Previous research from WPI Economics has highlighted the need for significant reform to create a system that provides:

- Adequate financial support to the individuals who need to take time off work sick; and
- Practical support to both these employees and their employers in order to maximise the chances of a speedy return to work.

This could be underpinned by a new system of Social Insurance to provide businesses and employees the financial and practical support they need in periods of ill health. However, creating a system like this would require a significant programme of reform, over a long period. That means that more immediate reforms are also needed to make the most of the existing system.

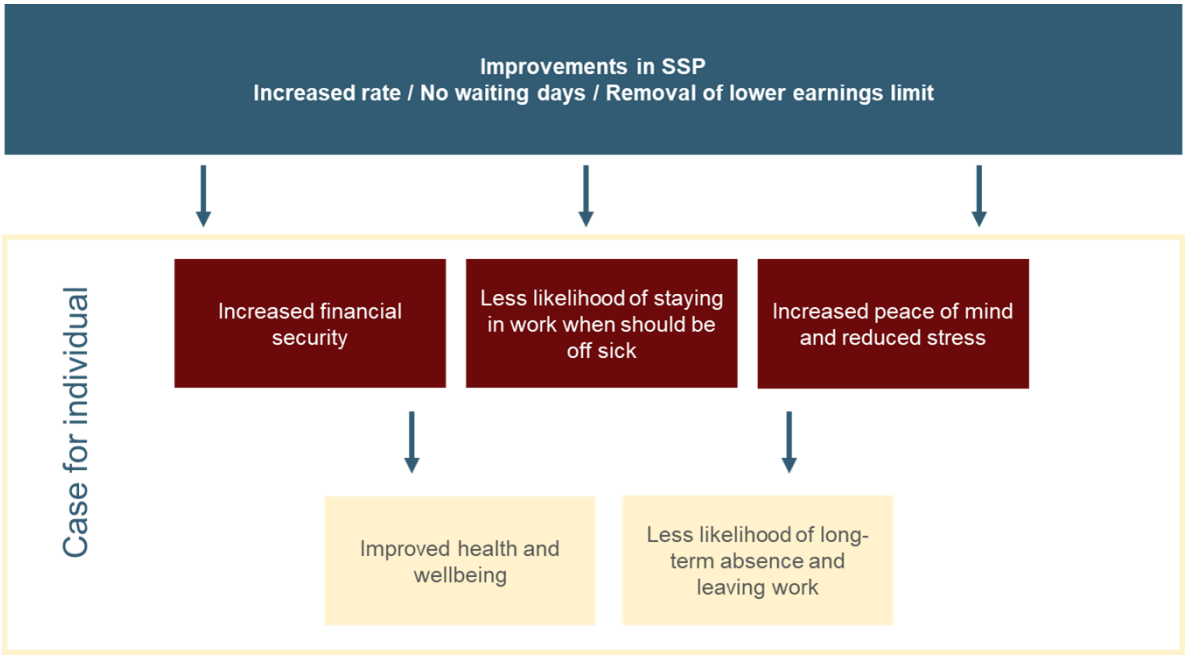
The remainder of this report focuses on three areas of reform that could make the existing system of SSP better and deliver significant benefits to individuals, businesses, government and society. These are summarised below.

Policy suggestion	What would this do?	Which employees would be affected?
Day one sick pay	***Increased eligibility.*** Rather than having to wait until the fourth consecutive day of ill health, employees would be eligible for SSP from the first day they were off sick	Large number of people who take only 1-3 days off and are not currently paid for it.
Removing the earnings threshold	***Increased eligibility.*** Rather than needing to earn more than £130 a week, employees would be eligible for sick pay regardless of how much they earned.	Low-earners.
Increase the rate of SSP	***Increased level.*** There are a range of options considered here – including: • Paid at the NLW. • Paid as a proportion of the NLW. • Paid at the Real Living Wage.	All of those who are paid SSP.

SECTION 3: THE POTENTIAL BENEFITS OF REFORM

The people most directly affected by the problems with the current system are those who need to rely on it. Figure 7 builds on the evidence in section 1 to highlight the key benefits of SSP reform to individuals. In short, by increasing financial security, making it more likely that individuals take the time off they need, and boosting peace of mind, reform to SSP are likely to improve health and wellbeing and lead to lower sickness absence (and, in turn, a lower chance of having to exit the labour market).

Figure 7: The individual benefits of reform of SSP



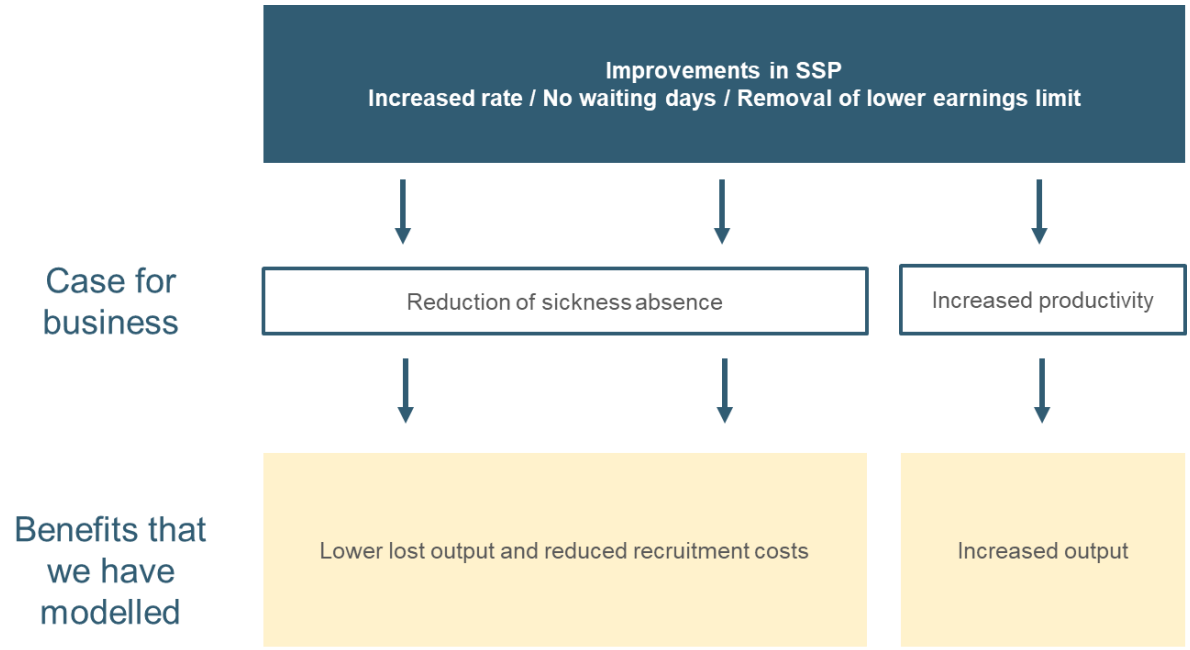
Source: WPI Economics

However, whilst the case of individuals is compelling, making the case for reform requires us to understand how the impacts on these individuals knock-on to impact on businesses, government and society. The following sections outlined the range of impacts that reform of SSP might bring and how these could deliver benefits. Evidence behind each of these points is also provided.

For business

The key impacts that will provide benefits for business are reduced overall levels of sickness absence, and increased productivity.

Figure 8: The business benefits of reform of SSP



Source: WPI Economics

The evidence linking improvements in SSP to key impacts for business

Reduced sickness absence	There is a degree of debate around the impacts of sick pay on levels of sickness absence. What is clear is that there are potentially three clear routes to impact: 1) "Shirking", where increases in sick pay incentivise taking unnecessary sick leave. Here, for example, there is some evidence from European studies that suggests reductions in sick pay could also reduce the length of sickness absence.[18] However, the evidence is mixed and considers reductions within sick pay systems with replacement rates of 100%, making the comparison largely unhelpful in the context of the UK's system of SSP. 2) Helping people get better. Allowing employees to take time off at the first sign of illness means that they can recover more quickly and this could lead to reduced sickness absence in both in the short- and long-term. Gains to employers can be even larger in the long-term. 3) Reducing the spread of infectious illnesses. Studies strongly evidence that better availability of paid sick leave reduces the spread of infectious diseases. While the observed rates have varied between different types of illness, it is estimated that between 9% and 33%[19] of influenza-like illnesses are contracted in the workplace – with modelled estimates suggesting that the illness of a single employee eventually ends up with 12% of staff falling ill through primary and secondary transmission.[20] In this context, providing appropriate financial support for the sick employee to remain at home will prevent further spread. The reduced spread of illness translates into fewer staff absences, due to fewer people falling ill.

One study that is relevant to the policy changes suggested in this report considers the impact of the introduction of mandated paid sick leave in Washington D.C. (2008) and Connecticut (2011).[21] There are several key findings here:

- In Connecticut, the policy was found to lead to a reduction of 18% in the aggregate rate of illness-related leave taking, amongst those who were affected by the policy. The report finds that the total number of hours taken as sick leave reduced by 25%.
- Similar affects were also observed amongst those who were *not* affected by the policy – suggesting that a reduced level of presenteeism led to the reduction of the spread of contagious illnesses.

The effects are found to be strongest in the winter months, which the authors suggest is indicative of paid sick leave allowing those with minor contagious illnesses to take the time off they need to recover, and not spread the illness. Impacts of a similar scale were found in Washington D.C.

As well as these short-term impacts, there are also good reasons to believe that paid sick leave policies can have longer-term positive impacts. For example, presenteeism is associated with a much higher likelihood of long-term health issues[22] such as coronary issues,[23] poor mental and depression.[24] All of these are chronic conditions which can be very hard to heal and can lead to more leave-taking in the future.

Evidence shows that the experience of presenteeism translates into higher chances of future sickness absence.[25,26] For example, one study found that employees with six or more instances of presenteeism increased their risk of long-term sickness absence (2 months +) by 74%.

Ill employees are also more prone to errors and accidents. Workers with access to paid sick leave were found to be 28% less likely than workers without access to paid sick leave to be injured[27] and have to take time off work as a result. The lower rate of workplace injuries also decreases the possibility that the company will be liable for compensation.

Improved access to paid sick leave can also help increase employee retention. Access to paid sick leave greatly increases the odds that a sick employee will come back to work once they recovered, with one study of cancer patients suggesting that employees who were covered by paid sick leave were three times more likely to return to work.[28]

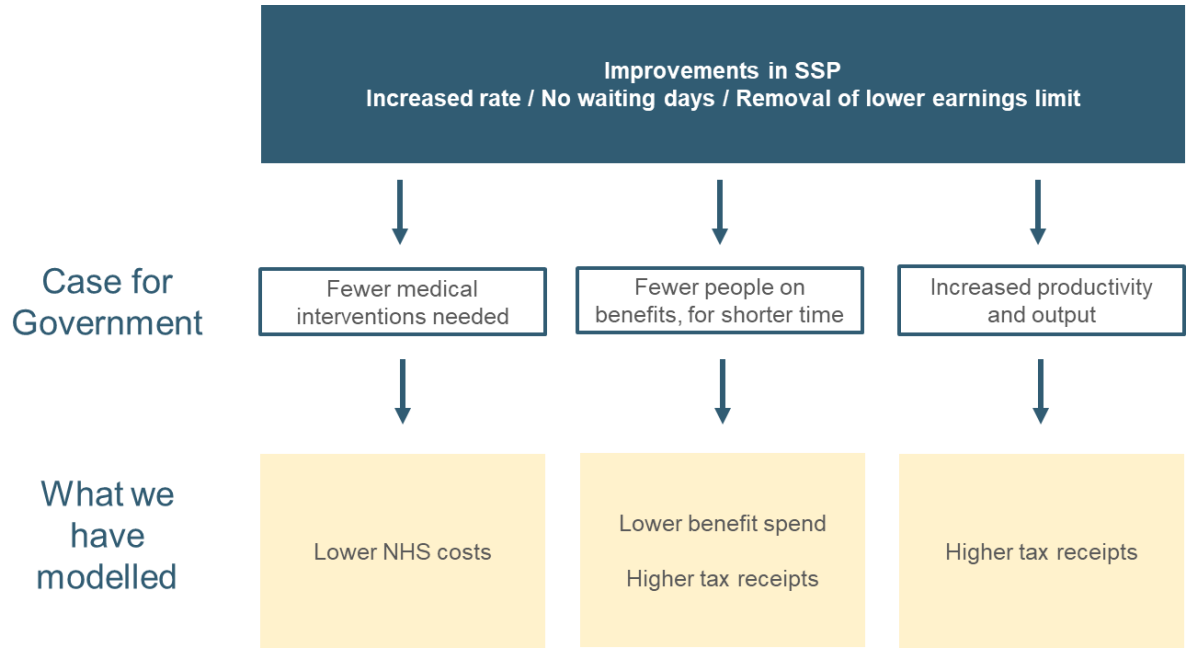
A final consideration here is the extent to which any change in sickness absence behaviour (e.g. increased likelihood of taking time off when someone is initially ill) impacts on presenteeism. The importance here is that, if paid sick leave allows someone who would otherwise have been ill, but at work, to instead take sick leave, the overall impact of that sick leave on business output will be less significant (since the workers output would already have been reduced by the fact that they are ill). A range of evidence shows the impact of ill health on the probability of presenteeism, and the potential impacts on productivity. For example, one study finds that 26% of those with poor mental health report to have experienced presenteeism (compared to the overall rate of 9% for the population).[29]

Higher productivity	Making sure employees can take time off when needed leads to decreased likelihood of long-term illness, improved employee motivation, and a lower likelihood of burnout, all of which can improve productivity – especially in the longer term. Ill people are less productive than healthy people – for example, those with migraines and headaches on average report productivity reduction of around 20-25%; those with respiratory problems, around 17-23%; those with depression, 15-36%.[30] Letting employees recover quickly, and staving off long-term health issues, can greatly improve worker productivity in the long-run. Since presenteeism is associated with a higher likelihood of long-term illnesses,[31] incentivising employees to take time to recover by improving SSP ends up increasing the overall productivity of the workforce, which benefits businesses. Furthermore, policies which promote work-life balance, including better sick pay, have been shown to increase employee morale and, by extension, lead to productivity gains for businesses. An analysis of Indeed reviews found that employee motivation is predicted by pay and benefits, including access to paid sick leave.[32] Following the introduction of paid sick leave mandates in San Francisco, 17% of firms reported a significant rise in employee morale.[33] Allowing employees to rest when needed can also help decrease burnout. Burnout causes sickness absence and increases likelihood of long-term illness.[34]

For Government

For Government, a reduced need for medical treatment, lower levels of benefit claims and increased productivity / output lead to significant benefits.

Figure 9: The governmental benefits of reform of SSP



Source: WPI Economics

The evidence linking improvements in SSP to key impacts for Government

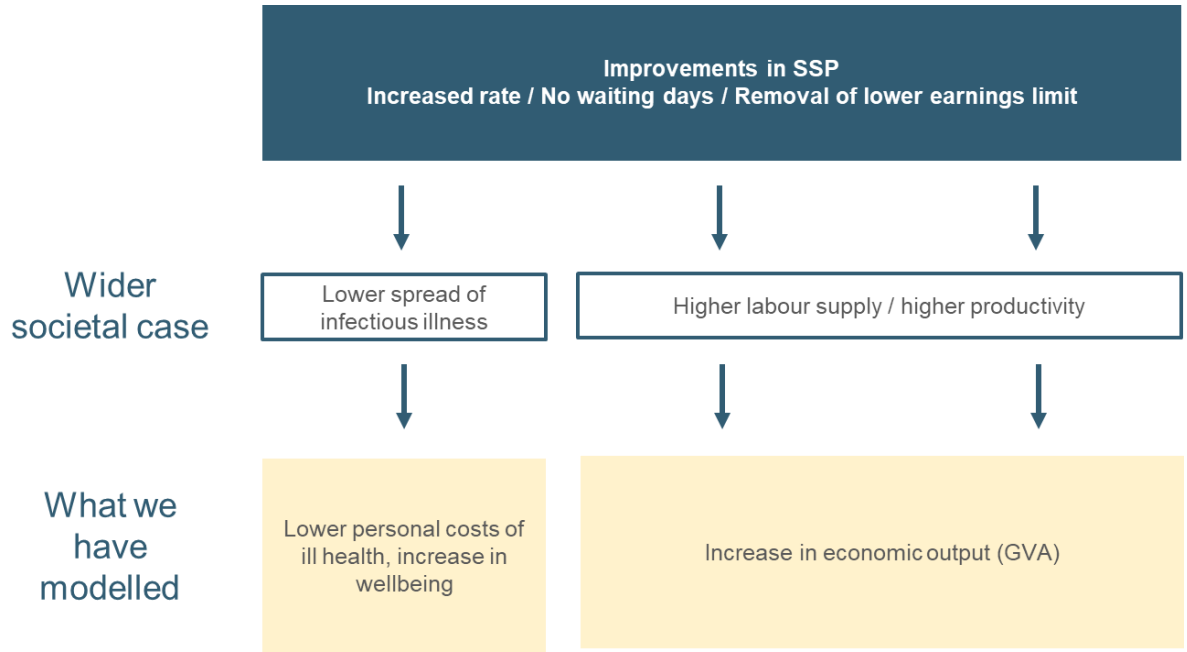
Fewer medical interventions needed	Allowing employees to take time off at the first sign of illness so that they can recover more quickly leads to reduced NHS costs in both in the short- and long-term. The short-term gains come from decreased spread of illness to other people. Studies strongly evidence that better availability of paid sick leave reduces the spread of infectious diseases. As noted above, while the observed rates have varied between different types of illness, it is estimated that between 9% and 33%[35] of influenza-like illnesses are contracted in the workplace. Evidence shows that improved access to paid sick leave can translate into reduced population spread of illness. Generous paid sick leave policies were shown to decrease influenza-like illness rates by as much as 23.5% in the population.[36] Allowing the sick employee to remain at home will prevent further spread. Expanding paid sick leave can also help prevent outbreaks of foodborne diseases. In the food industry, sick employees handling food is a contributing factor in up to two thirds of restaurant-related illness outbreaks.[37] Of all norovirus outbreaks with an identified source, 70% have been shown to originate from infectious food workers.[38] Gains to the NHS can be even larger in the long-term. Presenteeism is associated with a much higher likelihood of long-term health issues,[39] such as coronary issues,[40] mental disease, and depression.[41] All of these are chronic conditions which can be very hard to heal and can lead to greatly increased medical costs in the future. Access to paid sick leave was associated with 10% , 14%, and 22% lower hazards of all-cause mortality after follow-up times of 11.1, 6.5, and 4.5 years, respectively.[42] Ill employees are also more prone to errors and accidents. Workers with access to paid sick leave were found to be 28% less likely than workers without access to paid sick leave to be injured.[43] Fewer work-related injuries will mean a reduced number of people the NHS has to treat, which will result in reduced costs.
Fewer people on benefits, for a shorter time	Presenteeism is associated with a much higher likelihood of long-term health issues,[44] such as coronary issues,[45] poor mental health, and depression[46] in the long-term. All of these are chronic conditions which can be very hard to heal and can lead to individuals becoming reliant on benefits. Those who showed up to work sick had higher likelihood of future sickness absence,[47] including long-term absence of over 30 days.[48] Having access to paid sick leave also makes it easier for employees to return to work once their illness is over. For example, in a study of cancer patients, those with paid sick leave were three times more likely to retain the job.[49] This means that fewer people will have issues returning to work, and so fewer people will be relying on benefits to get by.

Increased productivity	Productivity losses associated with uncontrolled disease spread can far exceed the initial investment into allowing one sick employee time to recover.[50] Evidence from past outbreaks can give us an idea of the scale of disease spread caused by presenteeism. For example, it is estimated that employees who attended work when sick during the H1N1 pandemic in the US caused the infection of as many as 7 million co-workers – out of the 26 million that have been infected.[51] As noted above, presenteeism is associated with a much higher likelihood of long-term health issues,[52] such as coronary issues,[53] poor mental health and depression[54] in the long-term. All of these are chronic conditions which can be very hard to heal and can lead to individuals becoming reliant on benefits. Those who showed up to work sick had higher likelihood of future sickness absence,[55] including long-term absence of over 30 days.[56] A more generous SSP policy can benefit the wider society by decreasing sickness in the population overall, which enables more individuals to remain in work. This increases productivity and tax receipts, which means that NHS can receive greater funding.

For society

There are also potential benefits of SSP reform for broader society. These come through impacts of lowering the spread of infectious illness and increases in labour supply and productivity (which spread further than the individual firms affected). Costings below focus on the increased output (or broader economy) impacts, and a discussion of the wider health and personal impacts follows later.

Figure 10: The wider societal benefits of reform of SSP



Source: WPI Economics

The evidence linking improvements in SSP to key impacts for wider society

Lower spread of infectious illnesses	Enabling people to stay at home when they are ill will reduce population transmission, both in the workplace and while commuting. Even a single infection can grow exponentially into a large outbreak. Studies strongly evidence that better availability of paid sick leave reduces the spread of infectious diseases. As noted above, while the observed rates have varied between different types of illness, it is estimated that between 9% and 33%[57] of influenza-like illnesses are contracted in the workplace. Evidence shows that improved access to paid sick leave can translate into reduced population spread of illness. Generous paid sick leave policies were shown to decrease influenza-like illness rates by as much as 23.5% in the population.[58] Allowing the sick employee to remain at home will prevent further spread. Sick pay mandates in the USA have reduced doctor-certified influenza illnesses by 11% in the first year,[59] which suggests allowing employees to stay at home when sick helps contain the outbreaks at the population level. After paid sick leaves mandates were implemented in Washington D.C. and Connecticut, the aggregate rate of illness-related leave taking reduced both for those who were directly affected by the policy, and those who were not.[60] The possibility of re-infection is not limited to flu-like diseases. Expanding paid sick leave can also help prevent outbreaks of foodborne diseases. In the food industry, sick employees handling food is a contributing factor in up to two thirds of restaurant-related illness outbreaks.[61] Of all norovirus outbreaks with an identified source, 70% have been shown to originate from infectious food workers.[62] Allowing employees to rest when they are not feeling up to scratch will also reduce workplace accidents. This is particularly crucial in sectors where workplace mistakes can have devastating consequences to the worker and those around them, such as construction and aviation. Sick or stressed workers who don't take time off from work are likely to take medications, experience sleep problems, or be fatigued. With all of the other variables we considered held constant, the odds of a nonfatal occupational injury were 28% lower among workers with paid sick leave, with the greatest effects in construction, maintenance and healthcare.[63]
Higher labour supply / productivity	Productivity losses associated with uncontrolled disease spread can far exceed the initial investment into allowing one sick employee time to recover.[64] Evidence from past outbreaks can give us an idea of the scale of disease spread caused by presenteeism. For example, it is estimated that employees who attended work when sick during the H1N1 pandemic in the US caused the infection of as many as 7 million co-workers – out of the 26 million that have been infected.[65] Presenteeism is associated with a much higher likelihood of long-term health issues,[66] such as coronary issues,[67] mental disease, and depression[68] in the long-term. All of these are chronic conditions which can be very hard to heal and can lead to individuals becoming reliant on benefits. Those who showed up to work sick had higher likelihood of future sickness absence,[69] including long-term absence of over 30 days.[70] A more generous SSP policy can benefit the wider society by decreasing sickness in the population overall, which enables more individuals to remain in work. This increases productivity and economic output.

Benefit assumptions

Whilst direct impact assessments of the potential impacts of SSP have not been conducted, the evidence above provides a basis for us to make a set of realistic and conservative estimates of the potential impacts of the reforms to SSP that we study in this report. We have summarised these below. The assumptions are split between a set for policies that increase eligibility for SSP (day one sick pay and removing the lower earnings threshold) and those that increase the rate.

Increasing eligibility

Policy	Applies to who?	Assumption	Rationale
Fewer days off sick – those with sick pay	Those who are now paid SSP, when they would have previously received nothing.	12.5% reduction in sickness absence for this group.	Evidence above suggests a reduction of time taken as sick leave of 25%. We have reduced this to reflect the different nature of the population in question.
Fewer days off sick – from reduced transmission of illness	Those in workforces affected by the changes in SSP.	10% reduction in sickness absence for this group.	Evidence above suggests a reduction of time taken as sick leave of 25%. We have reduced this to reflect the different nature of the population in question (e.g. US impacts focussed heavily on those working with the public – e.g. hospitality, where transmission likely very high). Also reduced to provide very conservative figure.
Reduced lost output from presenteeism – for those now off sick.[1]	Those who are now paid SSP, when they would have previously received nothing.	25% of these days would have been presenteeism days. Output on presenteeism days is 25% of usual.	No direct evidence to draw on here – however, the evidence above suggests that 25% of those with a mental health condition report presenteeism. This is used as a baseline. Reduction in output drawn from findings above.
Increased productivity	Those who are now paid SSP, when they would have previously received nothing.	Increase in output equivalent to a reduction of 0.5 days of productivity.	No direct evidence, but a wide range of evidence showing the routes through which this will occur. We have adopted a very conservative assumption that those who are affected could see an increase in productivity of the equivalent value of half a day of output.
Reduced flow onto long-term benefits	Those who are now paid SSP, when they would have previously received nothing.	5% reduction in numbers of this group flowing onto long-term benefits.	No direct evidence, but a wide range of evidence showing the routes through which this will occur. We have adopted a very conservative assumption.

[1] Note that this is technically a reduction in the costs of paying SSP. The premise is that a proportion of workers who are now off sick and claiming SSP, would have otherwise come in to work at full pay but only worked at a fraction of their productive capacity. We have included as a benefit for transparency.

Increasing the rate

The table below provides assumptions for the scenario with an increase in the rate to the National Living Wage. Other scenarios have their impacts scaled based on the size of the increase in the rate.

Policy	Applies to who?	Assumption	Rationale
Fewer days off sick – those with sick pay	Those who are now paid SSP, when they would have previously received nothing.	6.25% reduction in sickness absence for this group.	No direct evidence for systems with equivalent replacement rates to the UK. Average impact will be lower than that of increasing eligibility – so we have assumed half of the impact that increasing eligibility has.
Fewer days off sick – from reduced transmission of illness	Those in workforces affected by the changes in SSP.	5% reduction in sickness absence for this group.	No direct evidence for systems with equivalent replacement rates to the UK. Average impact will be lower than that of increasing eligibility – so we have assumed half of the impact that increasing eligibility has.
Increased productivity	Those who are now paid SSP, when they would have previously received nothing.	Increase in output equivalent to a reduction of 0.5 days of productivity.	No direct evidence, but a wide range of evidence showing the routes through which this will occur. We have adopted a very conservative assumption that those who are affected could see an increase in productivity of the equivalent value of half a day of output.
Reduced flow onto long-term benefits	Those who are now paid SSP, when they would have previously received nothing.	5% reduction in numbers of this group flowing onto long-term benefits.	No direct evidence, but a wide range of evidence showing the routes through which this will occur. We have adopted a very conservative assumption.

SECTION 4: THE COSTS AND BENEFITS OF REFORM

The following sections provide analysis of the costs and benefits of the three areas of reform of SSP.

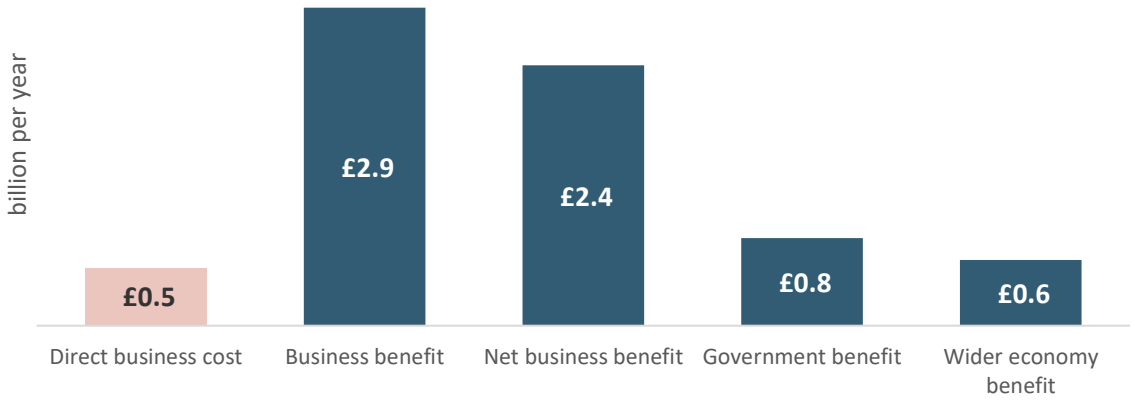
Costs are calculated based on the increase (from increased eligibility or increased rate) in the direct costs to the firms having to pay employees SSP. The benefits of the changes are calculated based on the potential for improved SSP to reduce the costs associated with the existing system, as outlined above. In each section, key assumptions and sensitivities, based on a lower impact of the proposed policies are highlighted.

Day one sick pay

Policy

Introducing day one sick pay would mean removing the current waiting days requirement. This means that SSP would be available from the first day of sickness absence, regardless of the number of days the employee had been ill. Currently, if an employee relying on SSP becomes ill on Monday and takes the full week off, SSP would only be paid for two of those five days.

Figure 11: The costs and benefits of introducing day one sick pay



Source: WPI Economics

Impact on individuals

Policy	Numbers affected	Benefits to those affected
Day one sick pay	Increase of SSP-paid days: 25m per year Covering ~9m spells of absence	Up to £65.64 per week

Costs

Policy	Total business costs	Cost per employee for affected businesses
Day one sick pay	£525m per year	£60 per year

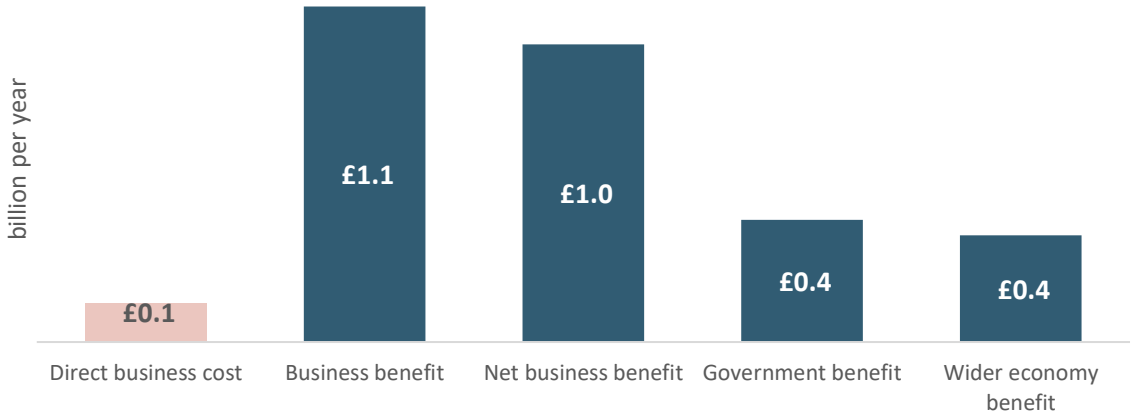
Benefit estimates

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£2.9bn	£800m	£600m
Reduced impact	£1.9bn	£600m	£450m

Removing the lower earnings threshold

The lower earnings threshold would be removed. This mean that SSP would be available for all employees, regardless of their level of earnings.

Figure 12: The costs and benefits of removing the lower earnings threshold from SSP



Source: WPI Economics

Impact on individuals

Policy	Numbers affected	Benefits to those affected
Removing lower earnings threshold	Increase of SSP-paid days: 5.7m per year Covering ~2m spells of absence	Up to £109.40 per week

Costs

Policy	Total business costs	Cost per employee for affected businesses
Removing lower earnings threshold	£125m per year	£15 per year

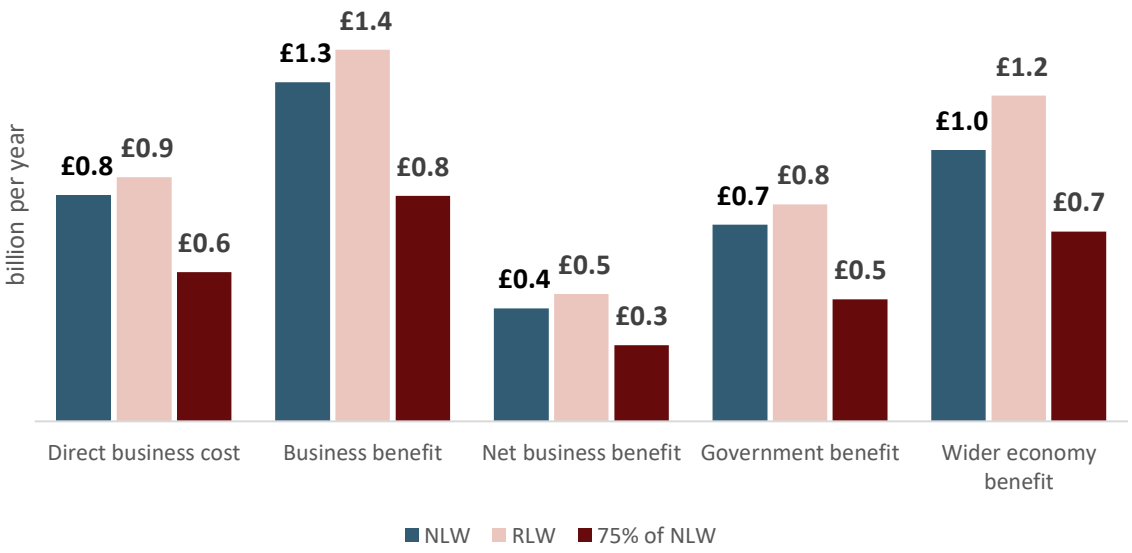
Benefit estimates

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£1.1bn	£400m	£350m
Reduced impact	£625m	£300m	£300m

Increasing the rate

The rate of SSP is increased to the equivalent hourly rate of the headline National Living Wage (NLW) rate (£10.42), Real Living Wage (RLW - £10.90 and £11.95 in London) or 75% of the NLW. It is paid pro-rata based on the number of hours the individual would have expect to work when they were off sick (up to a maximum of eight hours at the appropriate rate per day).

Figure 13: The costs and benefits of increasing the rate of SSP



Source: WPI Economics

Impact on individuals

Policy	Numbers affected	Benefits to those affected
Increasing the rate of SSP	Increase of SSP-paid days: 0 Policy covers all days of SSP already taken	NLW: Up to £307 per week RLW: Up to £333 per week 75% of NLW: Up to £203 per week

Costs

Policy	Total business costs	Cost per employee for affected businesses
Increasing the rate of SSP	NLW: £825m per year RLW: £900m per year 75% of NLW: £550m per year	NLW: £90 per year RLW: £100 per year 75% of NLW: £60 per year

Benefit estimates - NLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£1.3bn	£700m	£1bn
Lower impact	£825m	£525m	£800m

Benefit estimates - RLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£1.4bn	£800m	£1.2bn
Lower impact	£900m	£600m	£900m

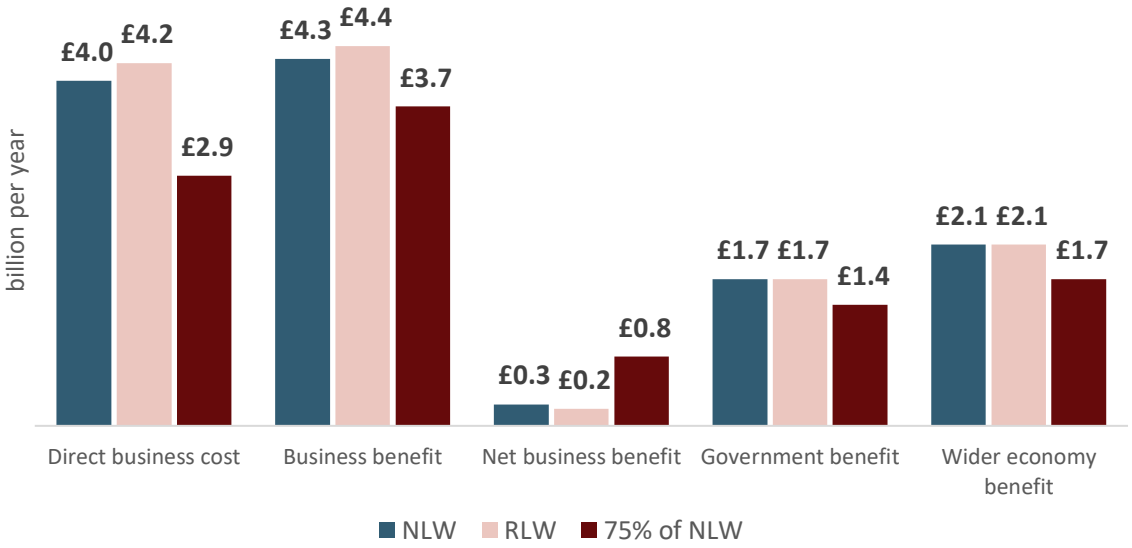
Benefit estimates – 75% of NLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£825m	£500m	£700m
Lower impact	£550m	£350m	£525m

Adopting all three reforms

This would see the removal of the lower earnings threshold and waiting days in SSP eligibility criteria, and an increase in the equivalent rate of SSP.

Figure 14: The costs and benefits of introducing day one sick pay, removing the lower earnings threshold and increasing the rate of SSP



Source: WPI Economics

Impact on individuals

Policy	Numbers affected	Benefits to those affected
All three proposals	Increase of SSP-paid days: 39m per year Covering ~14.5m spells of absence Rate policy covers all new and existing days of SSP paid	NLW: Up to £417 per week RLW: Up to £442 per week 75% of NLW: Up to £313 per week

Costs

Policy	Total business costs	Cost per employee for affected businesses
All three proposals	NLW: £4bn per year RLW: £4.2bn per year 75% of NLW: £2.9bn per year	NLW: £425 per year RLW: £455 per year 75% of NLW: £315 per year

Benefit estimates - NLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£4.25bn	£1.7bn	£2.1bn
Lower impact	£2.8bn	£1.3bn	£1.5bn

Benefit estimates - RLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£4.4bn	£1.7bn	£2.1bn
Lower impact	£2.3bn	£1.1bn	£1.6bn

Benefit estimates – 75% of NLW

Scenario	Business	Government (by year 5)	Broader economy (by year 5)
Central	£3.7bn	£1.4bn	£1.7bn
Lower impact	£2.5bn	£1.1bn	£1.3bn

Other considerations

The sections above show the significant potential benefits of reforms to ensure that more people are eligible for SSP, and to increase the rate at which it is paid. These have been based on conservative assumptions of the potential direct benefits in terms of reductions in the number of sickness absence days and increased productivity in workplaces affected by the changes. We have used these to understand the potential knock-on impacts on the Exchequer through reduced flows onto long-term benefits and increased tax receipts. Aside from these impacts, there are also a wider set of considerations that should be noted.

Potential additional benefits

Our assumptions are deliberately conservative, and the impacts are relatively narrowly defined. There are good arguments to suggest that these assumptions might be loosened, and the range of potential benefits increased. For example:

- ***Spillover effects:*** Research from the US shows that, by reducing the transmission of infectious illnesses, the introduction of mandatory sick pay schemes has a knock-on impact on the whole workforce (not just those who are in workplaces relying by SSP). More broadly, there is a wealth of evidence that suggests that anything that can limit the likelihood of people who are sick attending work, can reduce transmission of illnesses. As such, it would be reasonable to assume that the extension of the eligibility of SSP could have a meaningful impact on overall sickness absence of the whole UK labour market. Our estimates suggest that, even if it were to only reduce sickness absence by 1% (the US evidence suggests 25%) in the workforces not currently relying on SSP, this could reduce lost output by as much as £300m a year.
- ***NHS savings:*** Healthier people cost the NHS less. Improvements in health driven by improved functioning of SSP could therefore come with savings to the NHS. Based on Government methodology, we estimate that the total NHS costs associated with work-related illness amongst those relying on SSP amount to some £3.5bn a year. Even a small reduction in these costs could lead to significant savings to the public purse.[71] Again, these benefits could also apply to those not directly affected by improved SSP (e.g. by reducing the spread of influenza in the winter months), meaning that existing NHS costs and the potential associated benefits of reform could be higher still.
- ***Value of health and wellbeing:*** We have deliberately focused on the case for business, government and the broader economy. This means that we have not placed a value on the improvements in health and wellbeing (including increased peace of mind) that reforms to SSP could lead to. These benefits are likely to be substantial and should be included in a full value for money assessment of future policy.

Supporting those businesses who are impacted most

As highlighted in the introduction to this report, reform of SSP needs to be one part of a wider programme of reform to improve the health and wellbeing of the UK's workforce. As with all changes to policy, an important part of this will be to consider how to mitigate the impacts on those who are disproportionately asked to cover the costs of change. In this case, there are clearly some businesses (likely smaller, in low-paying sectors like retail and hospitality) that are disproportionately relying on SSP now; meaning that they would see a disproportionate increase in their costs.

Over the longer term, we believe that all of these businesses will benefit from a healthier workforce and increased productivity. However, there will likely be direct costs in the short-term, which need to be considered.

For this reason, there is a case for the Government to (re) introduce a scheme to provide support for SSP payments to some businesses. The details of this should be worked through with Government and business representatives. This should consider the following questions:

- ***How to target the support:*** It will be important to ensure that the support is targeted at those who are actually impacted by the changes to SSP, rather than subsidising existing occupational schemes. This will help the support to have the most positive impact and ensure value for money for the Government. A range of options exist here, including targeting by size of business and / or sector or the nature of the firm's workforce.
- ***How much to support:*** There are also questions about the level of support that should be available to those firms that are eligible. Given there are significant benefits for businesses down the line, there are strong arguments that this should be set to reimburse a proportion of the additional costs of the scheme.
- ***The total size of the support:*** One way of determining the extent of targeting and level of reimbursement will be for Government and business to agree on the scale of the overall package of support available. This might, for example, be set at half of the estimated exchequer benefits of the reforms to SSP (in the case of the NLW scenario, this would be a support scheme worth around £850m).
- ***How long to support businesses for:*** Given the longer-term benefits of reform to SSP, there needs to be consideration of whether to time limit the support scheme. For example, Government might commit to providing transitional support for eligible businesses for a period of three or five years.

Conclusion

This report has shown that SSP is not working for people, businesses or the economy. The benefits of reform to individuals relying on SSP are clear and obvious. However, too little attention has previously been paid to the potential benefits for business, the wider economy and the Exchequer. Based on international evidence, and conservative assumptions, this report has shown that increasing the generosity of, and extending eligibility for, SSP could have significant benefits to each of these groups. Combined with a time-limited scheme to support those businesses most affected by the reforms, we believe that that the proposals set out in this report could make a real difference to the health and wellbeing of the UK's workforce and, in turn, drive reductions in sickness absence, increased productivity and higher growth.

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