

WORKING WELL

A plan to reduce long-term sickness absence

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60-SECOND SUMMARY

The number of people receiving sickness benefits in the UK has remained steady and stubbornly high despite fluctuations in unemployment and decades of government interventions. While the number of jobseeker's allowance claimants has risen and fallen significantly in recent years in response to demand in the labour market, the number of claimants of employment support allowance (ESA) and incapacity benefit (IB) has remained remarkably stable. Over the last two decades, levels of ESA/IB claimants have not fallen below 2.2 million and not risen much above 2.6 million.

Successive government policy (from the New Deal for Disabled People, the reform of incapacity benefit, Pathways to Work, the work capability assessment and the Work Programme) has focused on one aspect of this problem – helping people move off sickness benefits and back into work (off-flow). However, these have generally had poor results with those on sickness benefits, compared to those on jobseeker's allowance. **Over the last two decades, those who have left sickness benefits have been replaced by a steady flow of people moving from work onto IB/ESA (on-flow) which has meant that the numbers of people claiming long-term sickness benefits has remained consistently high.**

Not enough is being done to prevent people from leaving work and moving onto sickness benefits in the first place. **After 20 weeks of sickness absence, the vast majority of individuals eventually fall onto benefits. An estimated 460,000 people each year transition from work to sickness and disability benefits.** This is despite the huge cost to both government and to employers of long-term sickness. Employers pay £9 billion a year for sick pay and associated costs and the state spends £14.5 billion annually on ESA alone.

This problem can no longer be neglected by both business and the government. If the government wants to reduce welfare spending, deliver on its promise to halve the disability employment gap and build an economy that works for all, it will need to reduce the flow of people onto ESA.

KEY FINDINGS

The rise in people claiming sickness benefits because of a mental health condition is a key factor in the growth of the sickness benefit bill; such cases account for an increasing proportion of on-flow onto sickness benefits. In the year from August 1999, 31 per cent of new IB claims were due to mental health conditions. Over the same period 15 years later, this had risen to 44 per cent of new ESA claims. In May 2000, 31 per cent of all IB claimants had a mental health condition, but by May 2016 this had risen to 49 per cent of those on ESA. Tackling the increase in claims for mental health conditions must therefore be a priority for policymakers.

International evidence suggests that changing the incentives and liabilities for employers can be a powerful driver of behaviour. In the Netherlands, the government increased employers' responsibilities by lengthening the period of statutory sick pay for which they were liable. This helped incentivise employers to focus on prevention and rehabilitation, thereby reducing sickness absence rates.

Businesses in the UK are not doing enough to address this problem, and the greatest costs as a result are borne by the state. For this to change, there needs to be a major shift in incentives with greater obligations on employers to support employees to stay in work, and greater financial liabilities if they fail to do so.

The current system is failing to identify health and mental health conditions early enough, and it is not doing enough to prevent those with such conditions either from falling out of work, or moving onto sickness benefits. There are a number of problems with the sickness policy framework that need to be addressed:

- **The 'Fit Note' from GPs provides too little information about the employee's ability to work, and the necessary adaptations to the workplace that might aid a return to work.**
- **Statutory sick pay (SSP) fails to reflect today's complex and long-term health conditions that may often exceed the 28-week limit for SSP, and employees who recover after a period**

of more than 28 weeks do not have a right to return to their old job.

- The government's new 'Fit for Work' service, while good in principle, is limited in scope, struggles to engage with small to medium-sized employers who need it, and does not provide the full suite of services that employers need to help people back into work.

RECOMMENDATIONS FOR EMPLOYERS

Additional obligations should be placed on employers so that there is a greater incentive for them to work with their employees to help keep them healthy and stay in work. However, the best employers already do this, and much can be learnt from the approach they take.

Workplace culture and practices are critical to improving the identification and management of sickness. It is in an employer's interest to guard against increased presenteeism and ensure that visible systems and mechanisms are in place to identify health problems as early as possible and ensure affected employees receive appropriate support.

Employers should encourage open dialogue in which the presence of different health conditions is not stigmatised, and ensure that employee health, wellbeing and sickness is monitored systematically to identify problems. Anti-stigma campaigns, health and wellbeing awareness training for line managers and leadership on health and wellbeing issues from senior management all have an important role to play. A growing number of employers are introducing 'wellbeing days', which can be taken at extremely short notice or on the day itself, unlike regular periods of leave which must be booked in advance. They are intended as a means of reducing sickness absence and presenteeism by preventing the accumulation of stress and fatigue.

In addition, employers should:

- include health and wellbeing in annual review processes and regular supervisions
- use sickness management software and systems to identify problems, particularly fluctuating conditions, as early as possible
- make greater use of flexible working practices, underpinned by a robust absence management system, and greater understanding of 'reasonable adjustments' within a mental health context.

RECOMMENDATIONS FOR GOVERNMENT

Government must introduce a major shift in incentives with greater obligations on employers to support employees to stay in work, and greater financial liabilities if they fail to do so. It must also ensure that the sickness policy framework, notably statutory sick pay, properly reflects the nature of today's major health conditions. We recommend that the government introduce four major reforms.

1. **Establish new employer duties to engage with employees on statutory sick pay and extend SSP from 28 to 52 weeks.**
2. **Introduce 'Fit Pay' (flexible sick pay) to better reflect the nature of modern health conditions and better support employees back into work.**
3. **Pilot an expanded 'Fit for Work' occupational health service to support SMEs in particular to support employees to stay in work.**
4. **Ensure employers meet responsibilities for paying SSP.**

About the report

The empirical research presented in this report was conducted between May and September 2016, and consisted of interviews, focus groups and roundtables with people with lived experience of mental health conditions, representatives of large private sector employers, academics, representatives of mental health charities, and clinicians. The evidence and views collected were supplemented by an extensive literature review of secondary sources.

For the full report, including all references, data sources and notes on methodology, see: www.ippr.org/publications/working-well-a-plan-to-reduce-long-term-sickness-absence

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