

Money and Mental Health's submission to the Work and Pensions Committee's inquiry into Statutory Sick Pay

Introduction

The Money and Mental Health Policy Institute is a research charity established by Martin Lewis to break the vicious cycle of money and mental health problems. We aim to be a world-class centre of expertise developing practical policy solutions, working in partnership with those providing services, those who shape them, and those using them to find out what works. Everything we do is rooted in the lived experience of our Research Community, a group of 5,000 people with personal experience of mental health problems.

This written submission has been informed by the experiences of our Research Community, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from the Research Community.

In this response, we answer questions 1, 3, 6 and 7.

Background

- In any given year, one in four people will experience a mental health problem which affects their cognitive and psychological functioning.¹ Over a lifetime, this proportion rises to nearly half the population.²
- For people with mental health problems, the odds of needing a period of sick leave are significantly higher.³
- People with mental health problems are over-represented in high-turnover, low-pay and often part-time or temporary work,⁴ where employees are less likely to receive Contractual Sick Pay (CSP).⁵ Many are therefore dependent on Statutory Sick Pay (SSP) when they become unwell.
- But the inadequacy of SSP means that those with mental health problems who are dependent on it, lack an adequate financial safety net to fall back on when taking time off work due to sickness.⁶
- This can leave people in a destructive cycle where they are too unwell to work but can't afford to take time off — resulting in worsening mental health, poor performance at work, and often either extended periods of sickness or leaving employment entirely.

¹ McManus S et al. Adult psychiatric morbidity in England, 2007. Results of a household survey. NHS Information Centre for Health and Social Care. 2009.

² Mental Health Foundation. Fundamental facts about mental health. 2016.

³ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

⁴ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

⁵ Young V and Bhaumik C. Health and wellbeing at work: a survey of employers, DWP Research Report No. 750. Department for Work and Pensions. 2011.

⁶ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

- Lower employment rates and weaker wages when in work, combined with the low level of financial support provided to people who are unable to work, mean people with common mental disorders like anxiety and depression have typical annual incomes of just two-thirds (68%) of those without those conditions. This is equivalent to a gap of £8,400 per year.⁷

1. Is the current level of Statutory Sick Pay at £109.40 per week sufficient?

Approximately one in seven people in full-time employment (14%) and one in six people in part-time employment have symptoms of a common mental disorder, such as depression or anxiety.⁸ These symptoms - including fatigue, impaired attention and trouble concentrating - can make work very challenging.⁹ Tasks, which are straightforward when a person is well, can become overwhelming when unwell. For people with mental health problems, the odds of needing a period of sick leave are significantly higher. However, when people with mental health problems do take time off, they rarely have an adequate financial safety net to fall back on, in large part due to the inadequacy of SSP.¹⁰

The more supportive sources of replacement income - CSP and Group Income Protection (GIP) - rely entirely on employers' willingness and capacity to provide them. GIP is not widely offered,¹¹ and people in high-turnover, low-pay and often part-time or temporary work are less likely to receive CSP.¹² People experiencing mental health problems are over-represented in these groups,¹³ and many are therefore dependent on SSP when they become unwell.

However, for a full-time employee, SSP is the equivalent of being paid at as little as £1.10 an hour.¹⁴ The inadequacy of SSP can leave people in a destructive cycle where they are too unwell to work but can't afford to take time off — resulting in worsening mental health, poor performance at work, and often either extended periods of sickness or leaving employment entirely.

⁷ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

⁸ McManus S et al. (eds) Mental Health and Wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

⁹ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

¹⁰ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

¹¹ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

¹² Young V and Bhaumik C. Health and wellbeing at work: a survey of employers, DWP Research Report No. 750. Department for Work and Pensions. 2011.

¹³ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

¹⁴ Oakley M. Making Statutory Sick Pay Work: The business, governmental and societal benefits of sick pay reform. WPI Economics and the Centre for Progressive Change. 2023.

“Due to long term sickness with mental health issues I was only paid SSP which didn’t cover my bills each month so I had to get credit cards to pay bills and buy food. I’ve got about £4,500 on credit cards which is a massive worry.” Expert by experience

Low levels of SSP can prevent people with mental health problems from taking time-off

In an ideal world, people would only work when they were well enough to do so. In practice, however, a person experiencing a mental health problem is likely to face trade-offs between their ability to work, their mental health and their financial wellbeing. When assessing whether they can afford to take time off work when unwell, a person must consider what, if any, replacement income they will receive; their ongoing outgoings – such as housing costs, bills, food and debts; and their responsibilities, such as supporting a partner or children. They also need to think about whether they have any savings they can draw on.¹⁵

In light of this, we often hear that people with mental health problems desperately try to keep up with work, even as their mental health condition makes it harder to do so, causing significant distress and exacerbating their mental health problem.¹⁶ Despite these efforts, reduced productivity among people working during periods of mental illness costs UK employers between £17 billion and £26 billion per year and contributes significantly more to days lost per employee than absenteeism.¹⁷ Presenteeism is also a risk factor for future sickness absence and poorer self-rated health,¹⁸ often delaying rather than preventing time off and turnover.

Low levels of SSP can mean people with mental health problems return to work prematurely

Similarly, rushing back to work due to a financial imperative can jeopardise mental health recovery and also broader career prospects. Almost three-quarters (73%) of respondents to a Money and Mental Health survey who had taken time off work for a mental health problem in the last five years felt that they returned to work too soon. The same proportion said that they would have taken more time off if they had been able to afford it.¹⁹

“I was off for six months and [had] company sick pay for that period, I went back to work because my sick pay was running out and I could not have managed for even one month on Statutory Sick Pay. I went back even though I was not well enough to do so.” Expert by experience

¹⁵ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

¹⁶ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

¹⁷ Hampson E et al. Mental health and employers: The case for investment. Deloitte/ Monitor. 2017.

¹⁸ Skagen K and Collins A. The consequences of sickness presenteeism on health and wellbeing over time: A systematic review. *Social Science and Medicine*. 61:169-77. 2016.

¹⁹ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

People returning to work before they are well enough to do so can lead to a destructive cycle of struggling to meet targets, poorer workplace relationships and stress.²⁰ These outward manifestations of a person's mental health problems can be misinterpreted as capability issues, particularly if a person is reluctant to disclose a mental health condition. People can find themselves subject to performance management, disciplinary action and dismissal.²¹ Alternatively, the stress of trying to maintain performance whilst unwell can impact people's self-esteem and efficacy, leading people to decide they cannot continue in their job and, sometimes, to leave the labour market altogether. 300,000 people with a long term mental health condition lose their job each year,²² leading to turnover costs for employers of an estimated £8 billion a year.²³

"I eventually suffered a mental breakdown and took months off work. I then returned to work too quickly and subsequently suffered another breakdown so severe that I have not returned in over a year and am now mutually terminating my contract." Expert by experience

Long periods of time on SSP can exacerbate mental health problems and reduce the likelihood that someone will return to work

For those who do take periods of time off work, the longer a person is absent from work the less likely they are to return. Across 2022, one in four (26%) of people who were economically inactive due to long-term sickness had a mental health problem as their primary health condition,²⁴ and a person who has been off work for six months or more has an 80% chance of being off work for five years.²⁵ Our research suggests that financial difficulties play a substantial role in these statistics.²⁶ Long periods of absence are associated with growing financial difficulty, which can be especially acute for people depending on SSP alone. This can in turn aggravate people's mental health problems, and makes it more difficult to recover, reducing people's chances of being able to return to work.

Even if people do return to work, their financial resilience may have been drastically reduced as savings have been depleted and debts incurred during their sick leave. This can then be exacerbated by reduced incomes upon returning to work. Almost half of respondents (47%) to a Money and Mental Health survey who had taken time off work for a mental health problem in the last five years had to borrow money to make ends meet whilst on a period of sickness

²⁰ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

²¹ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

²² Stevenson D and Farmer P. Thriving at Work: a review of mental health and employers. Department for Work and Pensions and Department of Health and Social Care. 2017.

²³ Hampson E et al. Mental health and employers: The case for investment. Deloitte/Monitor. 2017.

²⁴ D'Arcy C. Untapped potential: Reducing economic inactivity among people with mental health problems. The Money and Mental Health Policy Institute. 2023.

²⁵ NICE. Workplace health: long-term sickness absence and incapacity to work. 2009.

²⁶ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

absence. People often reported using high-cost credit like credit cards, overdrafts and doorstep lenders.²⁷ This is even more difficult to recover from when over a quarter of respondents (28%) also reported a permanent reduction in income even after returning to work. For some this was due to voluntary or involuntary cuts to hours worked, while others returned to lower paid roles.²⁸ The more a person's finances deteriorate, the more this is likely to have an adverse impact on their mental health, lessening their chances of remaining in work.

So people with mental health problems are financially supported to take time off work and focus on their recovery, which in turn can promote a more sustainable return to work, the government must increase the generosity of SSP. WPI Economics and the Centre for Progressive Change have modelled a number of different options that include increasing SSP to the equivalent hourly rate of the headline National Living Wage (NLW) rate, Real Living Wage (RLW), or 75% of the NLW. These scenarios are all accompanied by projected costs and benefits for businesses and government.²⁹

3. Statutory Sick Pay is currently paid from the fourth qualifying day of sickness absence. Should this three-day wait period be changed or removed?

SSP currently fails to protect people who are off work for three or less days. This is the case for 70% of all days of sickness absence.³⁰ Given the fact that people with mental health problems are already more likely to be struggling financially than their counterparts without such conditions,³¹ this group is left particularly vulnerable to this lack of financial support. Rather than having to wait until the fourth consecutive day of ill health, we believe that eligibility for SSP should be expanded by paying it from day one of sickness absence rather than day four.

6. How could a phased return to work and Statutory Sick Pay work better together?

People with mental health problems who are undergoing a phased return to work can face barriers to getting financial support for the hours they're not working. This group are over-represented in high-turnover, low-pay and often part-time or temporary work³² where employees are less likely to receive CSP and more likely to depend on SSP. Whereas employers can choose to use CSP to "top up" pay on days not worked during a phased return to work, the ability to use SSP in this way is a lot more restricted.

²⁷ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

²⁸ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

²⁹ Oakley M. Making Statutory Sick Pay Work: The business, governmental and societal benefits of sick pay reform. WPI Economics and the Centre for Progressive Change. 2023.

³⁰ Oakley M. Making Statutory Sick Pay Work: The business, governmental and societal benefits of sick pay reform. WPI Economics and the Centre for Progressive Change. 2023.

³¹ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

³² Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

Due to the three-day wait period for SSP, an employee must be off sick for at least four consecutive days of their contracted working days to be eligible for SSP alongside wages when undertaking a phased return to work. This means that an employee whose contracted working days were Monday to Friday, would only be able to work on either Monday or Friday to qualify for SSP.³³ But if they worked on a Wednesday, they would not be entitled to receive SSP. Central to ensuring a phased return to work and SSP work better together, therefore, is the removal of the three-day wait period for SSP. This would be key in enabling small and medium-sized enterprises who are not in a position to pay employees full pay or CSP when returning to work on reduced hours, to still offer some financial support during a phased return to work.

As well as considering how SSP can better interact with phased returns to work, we'd also like this consideration to be extended to how SSP can interact with a preventative reduction in people's hours. Current systems present workplace sickness as a dichotomy: people are either well enough to work, or they are not. In practice, many people are too unwell to work but cannot afford to take time off, while others may be well enough to do some work, but not to work the hours their role currently demands. This rigid approach to sickness absence drives presenteeism, which can delay recovery and costs employers. Some people may benefit from temporarily reducing the number of hours they work to help them manage a particularly acute period of mental ill health, allowing them to avoid a longer term absence. However, people often do not have the financial reserves to temporarily reduce their hours and absorb the financial impact of a reduction in pay. This further drives presenteeism.

"I just got progressively worse... If I cut my hours earlier that may have helped. My employers were very understanding but the nature of the business and contract meant I could not get sick pay." Expert by experience

That is why we would like the government to increase the flexibility of SSP, to allow preventative, part-time sick leave as well as phased returns to work. Greater flexibility around claiming SSP part-time alongside wages as a preventative measure to leaving work completely is widely accepted across Europe,³⁴ and could help people avoid the destructive cycles of presenteeism, sickness absence and financial difficulty identified in our research.³⁵ This, in turn, would help people to better manage their condition in the workplace and to recover more effectively from a period of poor mental health while avoiding the financial hardship that taking time off work can cause.

7. Should Statutory Sick Pay be extended to include those earning below the lower earnings limit? If so, what would be a fair balance between support for employees and avoiding the risk of creating a disincentive to return to work?

³³ HM Revenue & Customs. [Work out your employee's Statutory Sick Pay manually.](#)

³⁴ Andren D. Does part time sick leave help individuals with mental disorders recover lost work capacity? *Journal of Occupational Rehabilitation* 24(2): 344-60. 2014.

³⁵ Bond N and Braverman R. Too Ill to Work, Too Broke Not to: The cost of sickness absence for people with mental health problems. The Money and Mental Health Policy Institute. 2018.

An estimated half a million workers on zero-hours contracts or in temporary work do not earn enough to be eligible for SSP.³⁶ People with mental health problems are over-represented in this group.³⁷ We would agree with the view expressed in the Taylor Review that SSP is a basic employment right and should be offered to all workers.³⁸ To help safeguard people's incomes, the government should extend SSP to workers earning less than the Lower Earnings Limit. This would provide additional financial security for some of the most vulnerable people in society.

If the government is not immediately able to extend the generosity of SSP by removing the eligibility requirement, a step in the right direction would be to remove an inconsistency in the current system, whereby the eligibility threshold for SSP is higher than the income that replaces it. Reducing the threshold to the same level at which SSP is paid – currently £109.40³⁹ – would help to simplify and align the system. This would continue to leave those on the very lowest levels of pay vulnerable, but would benefit some of this group, who are most at risk of immediate financial detriment and whose pay is consistently low, limiting their ability to build other forms of financial resilience.

³⁶ TUC submission to the Taylor Review, quoted in Taylor M. Good work: the Taylor review of modern working practices. Department for Business, Energy and Industrial Strategy. 2017.

³⁷ Bond N and D'Arcy C. Mind the Income Gap: How work and social security shape the incomes of people with mental health problems. The Money and Mental Health Policy Institute. 2020.

³⁸ Taylor M. Good work: the Taylor review of modern working practices. Department for Business and Trade and Department for Business, Energy & Industrial Strategy. 2017.

³⁹ <https://www.gov.uk/employers-sick-pay/entitlement>