

## Money and Mental Health's submission to the Department for Work and Pensions consultation on Making Work Pay: Strengthening 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 - a network of thousands of people with lived experience of mental health problems. This response also draws on our wider body of research.

In this response, we answer questions 2 and 3.

### Background

- In any given year, one in four people will experience a mental health problem which affects their cognitive and psychological functioning.<sup>1</sup> Over a lifetime, this proportion rises to nearly half the population.<sup>2</sup>
- For people with mental health problems, the odds of needing a period of sick leave are significantly higher.<sup>3</sup>
- Employees who earn less than the Statutory Sick Pay (SSP) threshold are, by definition, low earners. Individuals with mental health problems are overrepresented in roles that are low-paying, high-turnover, part-time, or temporary.<sup>4</sup>
- We are against the notion that individuals earning below the Lower Earnings Limit (LEL) should receive less than their average weekly earnings while on SSP. This approach would unfairly burden those already facing financial difficulties, including people with mental health problems, and heighten their risk of hardship during periods when they need to take time off work.
- Such inadequate financial support 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

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

<sup>2</sup> Mental Health Foundation. Fundamental facts about mental health. 2016.

<sup>3</sup> 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.

<sup>4</sup> 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.

health, poor performance at work, and often either extended periods of sickness or leaving employment entirely.

- 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 mental health problems have a median gross annual income of £2,376 less than people without mental health problems.<sup>5</sup>

## **2. Thinking about employees earning below the current weekly rate of Statutory Sick Pay (£116.75 per week), what percentage of their average weekly earnings should they receive through the Statutory Sick Pay system?**

100%.

## **3. Why do you think the percentage rate of earnings should be set to this level?**

Employees earning below the threshold for SSP are, by definition, low earners. Not only are individuals with mental health problems more likely to require periods of sick leave,<sup>6</sup> but they are also disproportionately represented in low-paid work.<sup>7</sup> They are therefore particularly vulnerable to earning below the Lower Earnings Limit (LEL) and being without financial support when they need to take time off work due to illness.

First and foremost, we oppose the suggestion that individuals earning below the LEL should receive less than their average weekly earnings while on SSP. Such a policy would disproportionately affect those already struggling financially, including individuals with mental health problems, increasing their risk of hardship when they need time off work.

The inadequacy of good financial support when off sick 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.<sup>8</sup>

According to WPI Economics, the direct cost to businesses of offering full earnings replacement is relatively small—estimated at £125 million annually across the UK economy, or just £15 per employee per year.<sup>9</sup> Reducing the earnings replacement rate below 100% would result in only marginal savings for businesses, as the amount saved would be a fraction of this already modest cost. Additionally, implementing a below-100% replacement rate would involve administrative expenses, such as payroll adjustments, which would offset some of the savings.

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<sup>5</sup> Lees C and Stacey B. Always on your mind: Preventing persistent money and mental health problems. The Money and Mental Health Policy Institute. 2024.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> Making Statutory Sick Pay Work. WPI Economics. 2023.

Moreover, the modelling suggests that providing full earnings replacement would lead to significant economic benefits: £1.1 billion for businesses, £400 million for the Treasury, and £350 million for the broader economy. With direct business benefits amounting to £1.1 billion, businesses could achieve an overall net gain of approximately £1 billion annually by offering 100% earnings replacement to employees earning below the LEL.

With the government committed to supporting more disabled people and people with health conditions into work,<sup>10</sup> a key step will be ensuring these individuals can access adequate financial protections if they need to take time off work due to illness. We know for some people with mental health problems that the risk of entering into work can outweigh the potential rewards.<sup>11</sup> Given that people with mental health problems are more likely to need a period of sick leave,<sup>12</sup> if the financial assistance they receive when off work equates to less than their average weekly earnings, it is understandable why moving into work might appear too risky for some people with such conditions.

Beyond these steps, we would also like to see the government increase the generosity of SSP. This would further support people with mental health problems to take time off work and focus on their recovery, in turn promoting a more sustainable return to work. 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.<sup>13</sup>

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<sup>10</sup> Department for Work and Pensions, HM Treasury, Department for Education. Get Britain Working White Paper. 2024.

<sup>11</sup> D'Arcy C. Untapped potential: Reducing economic inactivity among people with mental health problems. The Money and Mental Health Policy Institute. 2023.

<sup>12</sup> 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.

<sup>13</sup> 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.