

Government's sick pay reforms deliver at least £2bn net boost for business – TUC

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The government's plans for stronger sick pay will deliver significant financial benefits to businesses up and down the country, which are five times the costs, according to a [TUC](#) and WPI economics report published recently.

The new analysis, commissioned by the TUC and carried out by WPI using 'reasonable and cautious assumptions' estimates an annual £2bn net benefit to business from the government's plans to deliver sick pay for all, paid from day one of sickness absence through the Employment Rights Bill.

The analysis projects that the benefits to business amount to £2.4bn – with costs to business from the reforms estimated at £425m.

The analysis also projects additional benefits to the public purse and wider economy:

- Exchequer benefits: Increased tax revenue and lower social security payouts are estimated to amount to £800m a year
- Wider economy: Reduced health-related economic inactivity is estimated to amount to £700m a year

The analysis is based on cautious assumptions of benefits to business from:

- Reduced sickness absence: By staying off work when sick, employees limit the spread of illness, and

are likely to recover more quickly and return to work themselves.

- Increased productivity: Sick workers are less productive and risk the health of others.. Better levels of support like sick pay are also associated with a happier workforce.
- Reduced turnover: With employees better able to manage their health by taking time off when ill, the risks of longer-term absence or even leaving work altogether are reduced.

Recent estimates from the University of Warwick suggest work related ill-health is costing the economy tens of billions of pounds each year.

The TUC says the findings in the WPI report – which are published as the Employment Rights Bill is continuing its passage through parliament – show the “urgent importance” of improving the quality of work in the UK.

Inadequate sick pay

The TUC says for too long sick pay has been totally inadequate – with millions of low-paid workers missing out due to not earning enough to qualify.

The current wait period for statutory sick pay is three days, meaning even many eligible workers are forced to go without sick pay for the first few days of illness.

The union body says that this broken statutory sick pay system was especially exposed during the pandemic.

The government’s reforms, which will deliver sick pay for all from the first day of illness, will be a “major step forward” and “stop millions from facing a financial cliff edge if they get sick”, according to the TUC.

TUC general secretary Paul Nowak said:

“Nobody should be plunged into hardship when they become ill. The government’s sick pay reforms will stop millions from facing a financial cliff edge if they get sick.

“With sick pay rights from the first day of sickness, workers will know they can take the time they need to recover without needing to rush back to work.

“That’s good for business and the wider economy too. A healthier, happier workforce is a more productive workforce.

“Making statutory sick pay available to all workers – and from day one – shows why the government’s Employment Rights Bill is so important.

“We hope this is the start of a programme of sick pay reform and will continue to make the case for higher future sick pay rates.”

Matthew Oakley, Founder and Director of WPI Economics, said

“Sickness absence costs the economy – simple as that – and it impacts affected workers severely in terms of lost earnings.

"Improving sick pay would enable people to take the time off they need to recover and lower the number of people taking extended sick leave, stemming the flow of unwell workers on to out-of-work benefits and boosting productivity.

"As the Government looks for fresh ideas to give the UK a competitive edge, a wider overhaul of sick pay and better incentives for employers to invest in occupational health should be front and centre."