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The Statutory Sick Pay Team
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IoD response to the consultation on Strengthening Statutory Sick Pay

About the IoD

The IoD is an independent, non-party political organisation representing approximately 20,000 company directors, senior business leaders, and entrepreneurs. It is the UK's longest-running organisation for professional leaders, having been founded in 1903 and incorporated by Royal Charter in 1906. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. It campaigns on issues of importance to its members and to the wider business community with the aim of fostering a climate favourable to entrepreneurial activity in the UK.

The IoD welcomes the opportunity to respond to this consultation on Strengthening Statutory Sick Pay (SSP). Supporting a healthy working population is of considerable interest to the IoD and its membership, and we are therefore pleased to present our views.

Consultation questions

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?

60%.

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

An IoD survey of 395 business leaders in November 2024 found no clear consensus on what the percentage rate of earnings should be (see Appendix). However, 53% of respondents favoured a percentage rate of 60% or lower while 47% favoured a percentage rate of above 60%.

A common theme in qualitative responses was strong support for SSP to be paid at a level which supports low-income earners who experience genuine illness. However, there are substantial concerns that the government's planned SSP reforms will increase the prevalence of abuse of the system at the expense of employers, many of whom are small businesses who struggle to meet the costs of prolonged and/or frequent sickness absence.

"For genuine sickness, employees should not have to suffer extensive drops in salary. As a small business being able to compensate long-term sick employees is very hard." – Small business, Information and communication, London

"Rather than making life hard for people already on a low income, it would be better to make it easier to dismiss staff who are playing the system." – Large business, Manufacturing, West Midlands

"Self-certification is an issue of concern, as is the question of the employer's rights in relation to persistent absenteeism." – Microbusiness, Accommodation and food services, London

"[We are concerned about] 'sick pay' fraud amongst low wage / part-time workers because there is a small differential between their actual wage and sick pay benefits... this is just offloading government responsibility onto business and puts smaller businesses at hugely increased risk." – Small business, Other services, East Midlands

"Covering the cost of enhanced sickness, maternity, paternity, parental bereavement when one person represents such a large percentage of payroll is challenging. [Financial support from government] would massively help small businesses provide provision for employees and even the playing field when compared to large organisations" – Small employer, Other services, Yorkshire and the Humber

A 60% replacement rate therefore strikes an appropriate balance between supporting individuals on low incomes and ensuring that there remains an incentive to work. It also takes a small step towards mitigating the significant financial impact that SSP reforms will have on businesses, particularly SMEs.

However, the implementation of this and other planned reforms to SSP should be accompanied by other policies to curb abuse of the system, avoid perverse incentives at the employee level, and support SMEs with the disproportionate increase in costs and risk that they will face. In order to ensure business confidence in the system, government should therefore:

1. Reintroduce the SSP rebate scheme for SMEs.
2. Address the perverse incentive which exists where individuals can claim SSP from multiple employers and consequently earn more from SSP than from working.
3. Reduce the period of self-certification from seven days to a shorter period based on evidence of what would be effective in reducing abuse of the SSP system.



I hope you have found our comments helpful. If you require further information about our views, please do not hesitate to contact us.

With kind regards,

A handwritten signature in black ink that reads "A. Hall-Chen". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Alex Hall-Chen

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Appendix

Policy Voice survey: November 2024, 395 respondents

Thinking about employees earning below the current weekly rate of SSP (£116.75 per week), what percentage of their average weekly earnings do you think they should receive?

0-10%	13.7%
11-20%	2.8%
21-30%	5.8%
31-40%	2.5%
41-50%	15.9%
51-60%	12.2%
61-70%	4.6%
71-80%	11.4%
81-90%	4.6%
91-100%	26.3%