

# Sickness absence review

March 2010

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## Current position

### **Short-term absence**

Each year around **150m** working days are lost to sickness absence.

Much of this absence is short-term...

### **Long-term absence**

...though a significant proportion – **upwards of a ¼** – is longer-term and can lead to people falling out of work.

### **Worklessness**

Around **300,000** people each year move from work to Employment and Support Allowance or Incapacity Benefit.

## Where do the costs of sickness absence and ill-health fall?

### **State**

Worklessness benefits; foregone taxes; extra healthcare

### **Employers**

Statutory Sick Pay / Occupational Sick Pay; costs of staff turnover; time spend managing absence; occupational health where offered

### **Individuals**

Loss of income; emotional and physical costs of ill-health

## Independent review of sickness absence

The scope of the review is to:

- explore how the current sickness absence system could be changed to help people stay in work and reduce overall costs;
- examine whether the balance of these costs are appropriately shared between the State, individuals and employers, and
- make tangible recommendations for system change.

## The current journey

Incentives to rehabilitate and retain individuals in work lies with **employers**.

Employers pay sick pay and some offer rehabilitation and occupational health support.

**GPs** also play a crucial role.

GPs provide sickness certification and are typically the first healthcare professionals that people encounter when off sick from work.

The **state's** main interventions are focused on the after job-loss period.

The state defines levels and duration of SSP and controls the benefit system.

## Those flowing from work to ESA typically:

- Have lower skills;
- Are lower paid;
- Suffer from mental health or musculoskeletal disorders, and;
- Are more likely to have been working in a small or medium-sized enterprise.

## Yet a health condition need not necessarily prevent someone from working

### **27.3 million employed**

- 26 percent with a health condition or disability
- 650,000 off sick

### **9 million inactive**

- 48% with a health condition or disability

### **2.4 million unemployed**

- 29% with a health condition or disability

## Key questions

### **Question for individuals**

- Why do some people with a certain health condition work while others with the same condition do not?

- How much sickness absence is driven by sick pay incentives?
- In what circumstances do individuals exit work to flow on to ESA and how many would have preferred to stay in work?
- If flows on to ESA are reduced, what is the impact on other groups in the labour market (for example those trying to enter the labour market from unemployment or education)?

## **Questions for employers**

- What drives the differences in sickness absence rates between larger and smaller companies, between public and private sectors and different industries?
- In what circumstances does ill-health lead to an employer wanting an individual to exit employment? How much overlap is there between exits for ill-health and exits for under-performance?
- What are employers' main concerns in this area – is it the cost of sickness, of rehabilitation or problems around dismissals?

## **Questions for health professionals**

- What drives sickness certification behaviour?
- Does this vary between physical and mental health conditions?
- How effective is occupational health in facilitating returns to work? How could occupational health be improved?

## **Questions about international evidence**

- Which countries, if any, have a more efficient (less costly) sickness absence system?
- What are the labour market impacts of placing relatively more responsibility for sickness and disability on employers?
- Why do some countries rely on private, rather than state, insurance for sickness and disability and what are the pros and cons of this?

# **Timetable**

17 February – Review announced.

Two stages of the review:

Stage 1 (Feb – May): Evidence gathering and analysis

Stage 2 (May – Aug): Policy focus

Publication in late summer 2011

## Next steps

We want to hear your views:

**Now, in the evidence gathering stage, to:**

- Test that our key questions are right;
- Check for any gaps – what other things should we consider, and;
- To suggest other sources of information we can use.

**And later, in the policy phase:**

- To examine the emerging options

## How to contact us

Please do contact us by email at:

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We will keep in touch with you as the review progresses.