



MONEY AND
MENTAL HEALTH
POLICY INSTITUTE



TOO ILL TO WORK, TOO BROKE NOT TO

The cost of sickness absence for
people with mental health problems

Nikki Bond and Rachel Braverman

Contents

Executive summary	5
Introduction	10
Section One: Context – mental health and work	14
1.1 Sickness absence	15
1.2 Presenteeism	17
Section Two: What determines if people can take time off work?	21
2.1 Can I afford not to work?	21
Section Three: The financial consequences of sickness absence	26
3.1 How do people cope with an income shock?	28
3.2 Weathering the storm – exhausting replacement income and eroding financial resilience	30
Section Four: The long term consequences of an income shock	34
4.1 Presenteeism	36
4.2 Prolonged absence from work	36
4.3 Financial scarring	37
Section Five: Conclusions and recommendations	39
5.1 Make income replacements sufficient to meet people's needs	40
5.2 Increase people's financial resilience to withstand an income shock	41
5.3 Simplify transition to the benefit system	45

Publication

The Money and Mental Health Policy Institute,
October 2018

22 Kingsway, London, WC2B 6LE

© Money and Mental Health Policy Institute, 2018

The moral right of the authors has been asserted. All rights reserved. Without limiting the rights under copyright reserved above, no part of this publication may be reproduced, stored or introduced in a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of both the copyright owner and the publisher of this report.

This report represents the research and views solely of the authors and of the Money and Mental Health Policy Institute.

Acknowledgements

The Money and Mental Health Team would like to thank Aviva for their generous support of this project. Particular thanks go to Luke McCullough, Steve Bridger and Julian Nurse.

We would also like to express our gratitude and admiration to all those members of our Research Community who gave up their time and courageously shared their experiences about some of the most difficult times in their lives.

Thank you to all those professionals who attended our roundtable event and contributed their advice and support for this project.

A special thanks to the rest of the team at Money and Mental Health, in particular to Merlyn Holkar for new analysis of the Labour Force Survey, Helen Undy for excellent editorial support, and Katie Evans for her unfailing dedication, guidance and support.

About the authors

Nikki Bond works as a Research Assistant at Money and Mental Health. Nikki's background is in financial services where she worked supporting people with mental health problems to manage their finances. Prior to this she worked in social care advocating for disadvantaged and marginalised groups.

Rachel Braverman is a Research Officer at Money and Mental Health. She holds a Master's degree in Public and Social Administration and has lived experience of mental health issues, both as a carer and an 'expert by experience'. Her background is in the voluntary advice sector, where she worked for two decades as a money adviser, manager, CEO and consultant.

Kindly supported by





Executive summary

Sickness absence due to mental health problems – the facts

- Poor mental health costs UK employers up to £42 billion a year.
- Sickness absence from the workplace due to mental health problems costs £8 billion. Self-employed people lose a further £1 billion a year due to poor mental health.
- Mental health problems can lead to longer periods of sickness absence, which cost nearly £2 billion a year. In our survey of people who had taken time off work due to a mental health problem, three quarters (76%) had taken more than a month off at least once.
- 300,000 people with a long-term mental health condition lose their job each year, leading to turnover costs for employers of an estimated £8 billion a year.
- Presenteeism – attending work whilst unwell – costs up to £26 billion each year. 94% of the people we spoke to who had needed time off work for a mental health problem in the last five years had attended work when unwell at least once.

Mental health problems in the workplace have garnered a lot of political attention in recent years. However, the focus has been primarily on prevention and support for people with mental health problems while they are well enough to work. Even with the best support, however, sometimes people will need to take time out of work as a result of their mental health. This report looks at the financial costs of taking time out of work, the impact this has on mental health, and how it influences our ability both to return to work and to take time off when we need to.

The financial consequences of sickness absence

- People who take time off work due to a mental health problem may receive a replacement income from the state, an insurer or their employer.
- Nearly all employees are entitled to Statutory Sick Pay. However, it is paid at a low rate and runs out after 28 weeks.
- Seven in ten employees are entitled to Contractual Sick Pay provided by their employer. However, the amount and duration offered vary considerably.
- Insurers provide income replacement through Group Income Protection to employers wishing to provide benefits for employees, and through Individual Income Protection insurance to individuals wishing to protect themselves. However, take-up is lower than would be ideal.
- The state provides a safety net through Employment Support Allowance/Universal Credit. However, rates are very low and application processes difficult to navigate, particularly for people with mental health problems.
- When income replacement systems work, they work well. However, they are not always flexible enough to meet the needs of people experiencing mental health problems. The low level of replacement incomes combined with the longer periods of leave needed by people experiencing mental health problems can lead to substantial income shocks.
- Among survey respondents who had taken an extended period of sickness absence, three quarters (75%) reported their household income fell, and two thirds of these respondents (66%) saw their income fall by 50% or more.
- Over half (54%) of these respondents suffered severe detriment during extended sickness absence, falling behind on paying bills, missing housing payments and/or going without essentials such as food and fuel.
- Long periods of sickness absence cause particular difficulties, with replacement incomes running out, savings being depleted and debts accumulating.
- People typically experience such income shocks when they are acutely unwell and least able to manage them.

The long-term consequences of an income shock

- Income shocks and financial difficulty associated with sickness absence can exacerbate existing mental health problems and prolong recovery.
- Financial pressures mean that people return to work before they are mentally well enough to do so, or make the difficult decision not to take time off in the first instance despite being seriously unwell.
- People can become stuck in a destructive cycle, sometimes losing employment or falling out of the labour market altogether.

Recommendations

1. Make income replacements sufficient to meet people's needs

- **Increase flexibility of Statutory Sick Pay to support people who need to reduce their hours:**
 - » The government should consider how it can introduce flexibility that encourages preventative part-time sick leave, as well as phased returns to work in its review of Statutory Sick Pay.
 - » Employers should also consider providing this flexibility within Contractual Sick Pay schemes.
- **Increase access to Statutory Sick Pay:**
 - » The government should endorse the Taylor Review's recommendation that Statutory Sick Pay be extended to all workers and recognised as a basic employment right.
 - » If this cannot be implemented immediately, the government should lower the SSP threshold to match the replacement income paid as a stepping stone.

2. Increase people's financial resilience to withstand an income shock

- **Trial short-term savings within auto-enrolment:**
 - » Government should carefully watch the ongoing pilot of short-term savings alongside pensions, and assess whether this scheme could be usefully extended across the working age population.
- **Increase sick pay transparency:**
 - » Government should extend the existing P60 form provided to all employees each year to include information on sick pay entitlements and details of sickness absence taken within the previous tax year.
- **Encourage the development of simple income protection products:**
 - » The government should set up a Challenge Prize Fund to encourage innovation in the development of income protection products for people working for a small employer or who are self-employed, especially those with pre-existing mental health problems.
 - » Government should also urgently change the rules around the treatment of Individual Income Protection Insurance payouts to people receiving Universal Credit, to bring this into line with income from Group Income Protection Schemes and remove the disincentive for individuals to protect themselves in this way.

3. Simplify transition to the benefits system

- **Help employees find the support they need:**
 - » Employers should routinely signpost people who are receiving sick pay, particularly where this is lower than their normal income, towards free financial guidance services. They should also offer signposting to benefits advice services at the end of Statutory Sick Pay entitlements.
- **Bring Employment Support Allowance assessment rate in line with Statutory Sick Pay:**
 - » The government should increase the ESA assessment rate to £92.05 a week, to bring it into line with SSP and avoid unnecessary detriment caused by financial hardship while people are unwell.



Introduction

Many of us will take time off work due to ill health at some point. For people with mental health problems, the odds of needing a period of sick leave are significantly higher.

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.¹ Mental health problems are the fourth most common reason for taking time off sick, with an estimated 15.8 million working days lost in 2016 due to mental health sickness absence.² This is likely to be an underestimate, as many people find it difficult to disclose their mental health problems at work.³ Often, serious physical health conditions are associated with mental health problems,⁴ and a person reporting a lengthy absence from work for cancer or back pain, for example, may also be experiencing a mental health problem.

“I didn’t tell them it was for mental health as I worried it would be negatively looked at – this had happened with other colleagues.”

Expert by experience

Context

Over the past two years the government has commissioned or led several high profile reviews and studies focusing on mental health in the workplace, including:

- **Improving Lives: The future of work, health and disability** – The Work and Health Unit committed to reforming Statutory Sick Pay to support a more flexible approach to phased return to work following sickness absence.⁵
- **Thriving at work: The Stevenson / Farmer review of mental health and employers** – Explored how employers can better support the mental health of employees and help those with mental health problems to remain in work.⁶
- **Good work: The Taylor review of modern working practices** – Considered how changes to the labour market have reduced people’s certainty about their rights in the workplace.⁷
- **The Five Year Forward View for Mental Health** – Considered the role of, and set targets for, access to psychological therapies to reduce the employment gap for people experiencing mental health problems.⁸

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

2. Office for National Statistics. Sickness absence in the labour market 2016.

3. Boardman J et al. Mental Health and Work. Royal College of Psychiatrists. 2008.

4. Raj D et al. Comorbidity in mental and physical illness in McManus S et al. (eds) Mental Health and Wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

5. Department for Work and Pensions and Department of Health. Improving Lives: the future of work, health and disability. 2017.

6. Farmer P and Stevenson D. Thriving at work: The Stevenson / Farmer review of mental health and employers. 2017.

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

8. The Mental Health Taskforce. The Five Year Forward View for Mental Health. 2016.

These reports have demonstrated how employers can support people experiencing mental health problems, increasing the likelihood that they will remain well and stay in work – for example, through offering wellbeing programmes or reduced hours. These are valuable interventions, but as work in this area is well advanced, we will not duplicate it here.

This report

Instead, in this report, we turn our attention to times when a mental health problem means that time off work is necessary. Absence from work is not a problem to be solved – people are worth more than the sum of their economic output. But sick leave does have financial consequences. Our primary concern is the human cost of financial difficulty during periods of absence from work, and our aim is to reduce suffering. As responsibility for supporting people during periods of ill health sits in the hands of employers and government, we also seek to understand the financial costs and benefits of changing policy.

Our 2017 report, *Overstretched, overdrawn, underserved*,⁹ explored the rise of financial difficulties among people in work, and began to illuminate some of the financial costs of sickness absence. Previous research has also shown that people experiencing

financial difficulty are substantially less likely to recover from mental health problems: someone experiencing problem debt alongside depression is 4.2 times more likely still to be unwell 18 months later than a person who is financially secure.¹⁰ This led us to hypothesise that falling incomes and resulting financial difficulties during periods of sickness absence could be aggravating people's mental health problems, and making it more difficult for people to return to work – costing individuals, employers and the wider economy dearly.

In this report we:

- Establish the national prevalence of mental health sickness absence, alongside our findings of the frequency and duration of absence, and the prevalence of presenteeism (Section One)
- Identify the factors that influence people's ability to take time off work, and the role played by financial wellbeing (Section Two)
- Share the findings of our new research into the financial consequences of sickness absence due to mental health problems (Section Three)
- Set out our findings around the long-term consequences of taking time off work and presenteeism (Section Four)
- Identify opportunities for intervention by employers and government to reduce the likelihood that people experiencing mental health problems will suffer financial detriment due to a period of sickness absence (Section Five).

9. Evans K, Holkar M and Murray N. *Overstretched, overdrawn, underserved: financial difficulty and mental health at work*. Money and Mental Health Policy Institute. 2017.

10. Skapinakis P et al. Socio-economic position and common mental disorders: Longitudinal study in the general population in the UK. *British Journal of Psychiatry*; 189: 109-117. 2006.

Our research draws on:

- New analysis of the Labour Force Survey, a large scale household study in the UK providing official measures on employment and unemployment
- A survey of over 500 people from the Money and Health Research Community, with lived experience of mental health problems, who have either taken time off work for a mental health problem, or felt that they needed time off but were unable to take it
- A focus group with eight people with lived experience of taking time off for mental health problems.

Further details on methodology are provided in Annex A.



Section One: Context – mental health and work

Many people who experience mental health problems are able to sustain work successfully and find that work has a positive impact on their mental health, providing routine, social contact and a sense of accomplishment. However, in some cases, people with mental health problems will simply be too unwell to be at work, and will need time off.

New analysis of the Labour Force Survey shows that six in ten (63%) people of working age who are currently experiencing mental health problems report that their health problem affects the amount of paid work they can do, double the rate amongst people with other health problems (35%).¹¹ Two thirds (66%) of people who are currently experiencing mental health problems report that their health problem affects the kind of paid work that they might do, compared to four in ten (40%) of those with other health problems.¹²

Mental health problems often cause fatigue and impaired attention, concentration and poor memory. These problems can be compounded by the effects of medication,¹³ and can affect a person's performance at work. Depression, for example, has a greater negative impact on time management and productivity than any other health problem and is equivalent to rheumatoid arthritis in its impact on physical tasks.¹⁴

Working in roles with high demands and expectations, or low control and autonomy, can contribute to increased prevalence of common mental health problems.¹⁵ Inversely, workplace wellbeing initiatives, supportive management and flexibility can all increase the likelihood that a person is able to stay in work while experiencing a mental health problem. However, employers can only make appropriate adjustments for a person's mental health needs if they are aware of them. Although business leaders report an increase in the number of staff taking time off for mental health problems,¹⁶ stigma persists: a third (32%) of survey respondents who have taken time off work for their mental health in the last five years did not feel able to tell the people they work for about their mental health problems.¹⁷

"Knowledge and understanding are key. People who have mental health problems are not weak, useless, unreliable or likely to jump off the roof or sit in a corner screaming. They are also not playing the system, but that is still the overall reaction."

Expert by experience

11. Money and Mental Health analysis of Office for National Statistics. Social Survey Division, Northern Ireland Statistics and Research Agency. Central Survey Unit. (2018). Quarterly Labour Force Survey, October – December, 2017. [data collection]. UK Data Service. SN: 8326, <http://doi.org/10.5255/UKDA-SN-8326-1>

12. Ibid.

13. Boardman J et al. Mental Health and Work. Royal College of Psychiatrists. 2008.

14. Burton WN et al. The Association of Medical Conditions and Presenteeism. *Journal of Occupational and Environmental Medicine*.46(6 Suppl): S38-45. 2004.

15. Ekberg et al. Early and Late Return to Work After Sick Leave: Predictors in a Cohort of Sick-Listed Individuals with Common Mental Disorders. *Journal of Occupational Rehabilitation*. 25(3): 627-37. 2015.

16. British Chambers of Commerce and Aviva. Mental Health at work becoming less taboo. 2018.

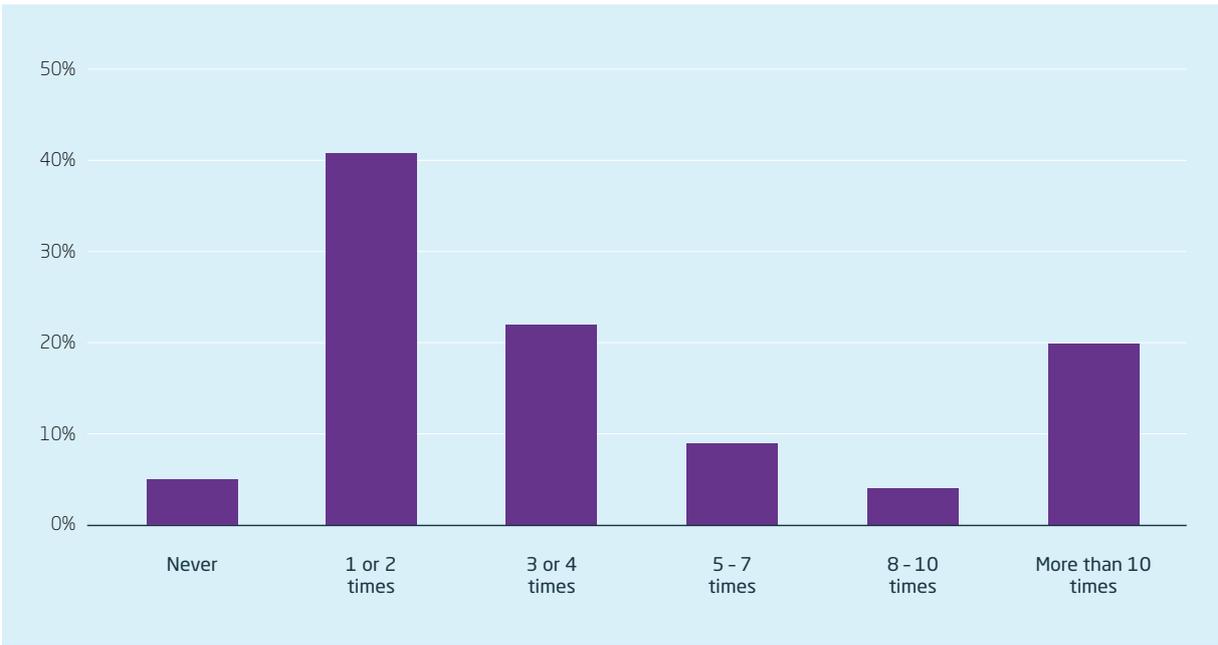
17. Money and Mental Health survey. Base for this question: 426 employees who have taken time off work for a mental health problem in the last five years.

1.1 Sickness absence

Sickness absence due to mental health problems costs UK employers nearly £8 billion a year in sick pay and cover costs.¹⁸ The self-employed are estimated to lose a further £1 billion a year in working days lost to poor mental health.¹⁹

For some people, sickness absence is a one-off event, however our survey of people with lived experience of mental health problems suggested that for some people absences were more frequent or prolonged.

Figure 1: Number of times people have taken time off work in the last five years due to mental health problems



Source: Money and Mental Health survey. Base for this question: 470 employees who have needed time off work for a mental health problem in the last five years.

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

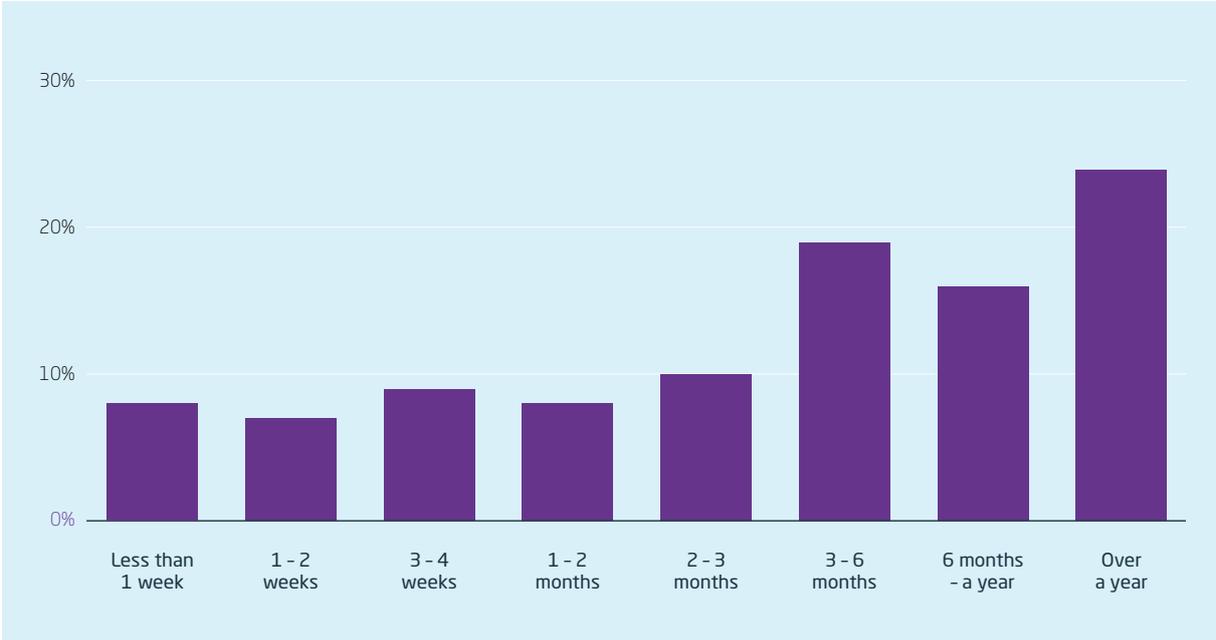
19. Ibid.

Four in ten (41%) of our survey respondents reported only one or two periods of time off work due to their mental health in the last five years. More frequent absences were also relatively common – just under a quarter (24%) of respondents had taken time off eight or more times in the last five years.²⁰

Employers report that mental illness is the fifth most common cause of short-term sickness absence (up to four weeks) and the third most common for longer periods.²² Again, this is likely to be an underestimate due to underreporting of mental health problems.

People with a mental health condition are more likely to have a long-term period of sickness.²¹

Figure 2. Longest period of time off work in the last five years due to experiencing mental health problems



Source: Money and Mental Health survey. Base for this question: 439 employees who have taken time off work for a mental health problem in the last five years.

20. Money and Mental Health survey. Base for this question: 470 employees who have needed time off for their mental health in the last five years.

21. Department for Work and Pensions. Work, health and disability green paper: data pack. 2016.

22. CIPD. Absence Management Annual Survey Report. 2016.

A quarter of survey respondents (24%) reported their longest period of absence was relatively short, lasting less than four weeks, as figure 2 illustrates. However, over half (59%) had taken three months or more, and one in four (24%) had taken over a year. Longer absences can place particular strain on teams, causing further absences, turnover and reduced productivity. The annual cost to society of very long periods of sickness absence due to mental illness, lasting six months or more, is nearly £2 billion.²³ Extended periods of absence also have enormous human costs, chipping away at people's confidence, self-efficacy and social skills,²⁴ making it harder to return to work. All too often, people with mental health problems leave the workplace entirely, costing employers a further £8 billion a year in recruitment and training costs associated with turnover.²⁵ The social costs of supporting those who can no longer work due to poor mental health, including lost productivity, are as high as £79 billion a year.²⁶ The costs to these people, in terms of their financial and emotional wellbeing, and that of their family, is even higher.

1.2 Presenteeism

Presenteeism is defined as attending work whilst unwell. Many people report trying desperately to keep up with work, even as their mental health condition makes it harder to do so, causing significant distress. 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.²⁷ Presenteeism is also a risk factor for future sickness absence and poorer self-rated health,²⁸ often delaying rather than preventing time off and turnover. When people attend work whilst unwell, they may find it difficult to perform to their full ability. This can be frustrating for employers, particularly if the person has not felt able to disclose their health condition, and can lead to performance management procedures. People experiencing poor mental health are almost twice as likely to report they left their last job for health reasons (43%) as people with purely physical health problems (24%).²⁹

Figure 3 demonstrates that more than nine in ten of our survey respondents (94%) had worked at least once over the past five years when they felt they should really have taken time off. Four in ten people (42%) had done so eight times or more.

23. Centre for Economics and Business Research. The benefits of early intervention & rehabilitation. 2015.

24. Mclean C et al. Worklessness and health – what do we know about the causal relationship. NHS Health Development Agency. 2005; Bennett D. The value of work in psychiatric rehabilitation. *Social Psychiatry*, 5: 224–230. 1970.

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

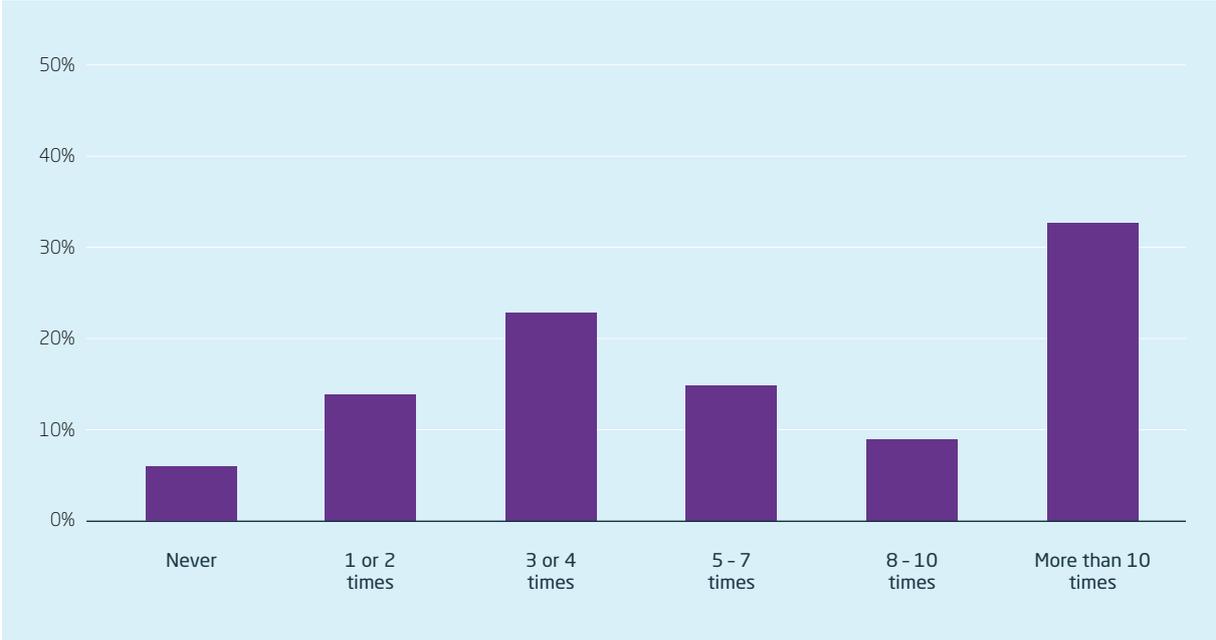
26. Ibid.

27. Ibid.

28. 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.

29. Money and Mental Health analysis of Office for National Statistics. Social Survey Division, Northern Ireland Statistics and Research Agency. Central Survey Unit. (2018). Quarterly Labour Force Survey, October – December, 2017. [data collection]. UK Data Service. SN: 8326. <http://doi.org/10.5255/UKDA-SN-8326-1>.

Figure 3. Number of times in the last five years people felt they should have taken time off work due to mental health problems, but did not.



Source: Money and Mental Health survey. Base for this question: 440 employees who have needed time off for their mental health in the last five years.

Together, the costs of sickness absence, turnover and presenteeism associated with mental health problems cost UK businesses up to £42 billion a year.³⁰ The cost to society, in terms of distress, lost potential, family breakdown and poverty, is even greater. But these

costs are not inevitable – in the rest of this report, we dig deeper into the nature of sickness absence and presenteeism for mental health problems, and explore how improved financial resilience could cut the final bill.

³⁰. Hampson E et al. Mental health and employers: The case for investment. Deloitte/ Monitor. 2017.

Section One summary

- Poor mental health costs UK employers up to £42 billion a year.
- Costs of sickness absence are substantial, at £8 billion. Those who are self-employed lose a further £1 billion a year when they are unable to work due to poor mental health.
- Mental health problems can lead to longer periods of sickness absence, which cause particular difficulties for teams and cost nearly £2 billion a year. A significant minority of survey respondents need to take time off work frequently, with 24% reporting eight or more periods of sickness absence in the last five years.
- It can be especially difficult to return to work after a prolonged period of absence for a mental health problem, which can lead to additional turnover costs for employers, estimated to be in the region of £8 billion a year. Three quarters (74%) of survey respondents who had taken time off work in the last five years had at least one period of long-term absence, lasting longer than four weeks.
- Many people continue to work when their mental health makes it incredibly difficult to do so effectively – a phenomenon known as 'presenteeism', which costs even more than absence each year (up to £26 billion). Nine in ten (94%) survey respondents have presented at work when too unwell to do so.



Section Two: What determines if people can take time off work?

Figure 4, derived from thematic analysis of qualitative data gathered for this report and existing evidence, illustrates how factors relating to work, mental health and financial wellbeing all influence a person's ability to work or take time away from work if they need it. In an ideal world, people would only work when they were well enough to do so. In practice, however, people's ability to take time away from the workplace to recover is also affected by the support offered by their employer. Given the volume of work already in progress in this area, we set this aside and focus on the financial factors.

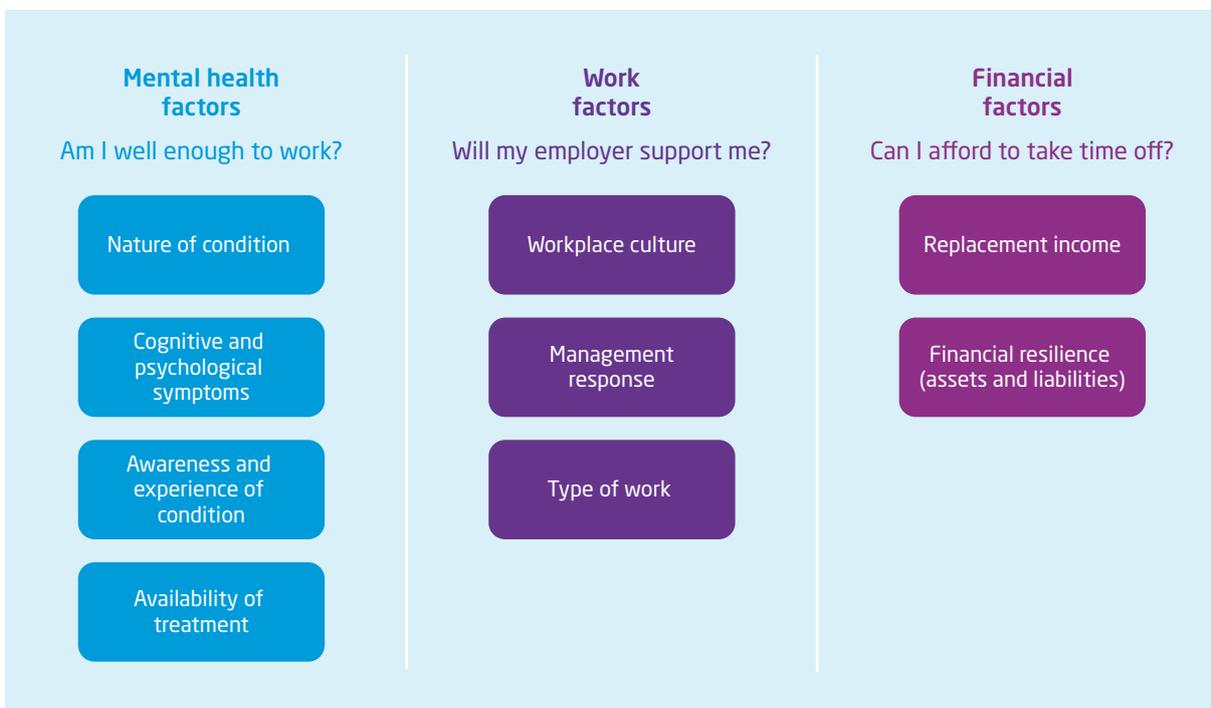
A person experiencing a mental health problem is likely to face trade-offs between their ability to work, their mental health and their financial wellbeing.

2.1 Can I afford not to work?

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.

Replacement income can be provided by a person's employer, an insurer or the state.

Figure 4: A model of factors influencing a person's ability to take time off work while unwell



Source: Money and Mental Health Policy Institute

Table 1: Sources of replacement income during a period of sickness absence

Provider	Income type	Amount/ duration	Prevalence, eligibility and legal basis
Employers	Statutory Sick Pay (SSP)	£95.05 per week for up to 28 weeks	<ul style="list-style-type: none"> Employers are obliged to pay this statutory entitlement to most employees earning £116 or more per week A doctor's Fit Note is required for sickness absences of more than 7 consecutive days
Employers	Contractual Sick Pay (CSP)	Varies	<ul style="list-style-type: none"> There is no obligation to provide sick pay beyond SSP described above Over half of employers choose to offer CSP. Around 70% of employees have some CSP coverage³¹ Eligibility is typically determined by a doctor's Fit Note
Employers	Group Income Protection Insurance	A proportion of employees' income, depending on level of cover bought by employer. Typically provides 80% of income	<ul style="list-style-type: none"> 7% of the working age population have this insurance³² Taken out by employers to offer additional protection to employees
Insurance companies	Individual Income Protection Insurance	Varies depending on level of cover bought by individual	<ul style="list-style-type: none"> Only 3% of working age population have cover³³ Individuals can choose to take out insurance The eligibility and cost of premiums depend on a variety of factors including age, health history, job etc Pre-existing conditions may be excluded from cover
State	Employment Support Allowance (ESA)/ Universal credit (UC)	£73.10 paid for the first 13 week assessment period. May rise to £109.10 as long as the person is deemed too ill to work	<ul style="list-style-type: none"> ESA is an out of work benefit, and was paid to 2.4 million people in August 2017³⁴ ESA/UC is the only sickness benefit available to self-employed people ESA/UC is means-tested for those with insufficient National Insurance contributions To receive full ESA/UC limited capability to work component claimants must pass stringent Work Capability Assessments

31. Black C and Frost D. Health at work – an independent review of sickness absence. Department for Work and Pensions. 2011.

32. Evans H. Improving Lives through income protection. ABI. 2016.

33. Ibid.

34. Department for Work and Pensions. Quarterly benefits summary: February 2018 (data to August 2017). 2018.

In most cases, a person's replacement income will be less than their usual paycheck. SSP is paid at a rate equivalent to just under 12 hours per week at minimum wage and is low compared to other European Nations, where wages during sickness absence are typically linked to prior earnings. The UK is also one of only three EU member states that provides a flat rate of sickness benefit.³⁵

CSP and GIP rely entirely on employers' willingness and capacity to provide them. Although most employees receive some CSP, this can vary widely both in duration and proportion of salary paid. On average, employers offer 67 working days of CSP, though this can be as little as three, or as much as a year. The value of CSP declines rapidly for some staff, with only 68% of employers paying 100% of salary after one month's absence, declining to fewer than a quarter (22%) after a six month absence. People in high-turnover, low-pay and often part-time or temporary work are less likely to receive CSP,³⁶ and people experiencing mental health problems are over-represented in these groups.³⁷ GIP is not widely offered.

Rates for ESA/UC are low and applying for them involves navigating complicated forms, appointments, capability assessments and delays. This can be difficult, if not impossible, when mentally unwell.³⁸ When people's mental health problems mean that they have to take a period of sickness absence that leads to surviving on SSP or welfare benefits alone, they can find themselves on a fast track to financial difficulties.

How well people are able to weather a drop in income during a period of ill health depends on their level of financial resilience, which, in turn, depends on several factors:

- **Savings** As well as savings specifically earmarked for a rainy day, people may also be able to divert long-term savings, such as pensions funds
- **Other resources** People may have possessions they can sell, insurance to pay off loans, income from property and contributions from other earners in the household
- **Access to credit** People may borrow to help them manage an income shock. The cost of credit may depend on their credit rating and whether they have equity in their home to use as collateral
- **Liabilities** Existing debt and family responsibilities, such as being the household's sole earner or supporting dependents, can make it much harder to make ends meet during an income shock.

In the next chapter, we move to examine the evidence about what levels of replacement income people are receiving when taking time off due to mental health problems, and the effect this has on their lives.

35. Spasova S et al. Sick pay and sickness benefit schemes in the European Union: background report for the Social Protection Committee's In-depth review on sickness benefit. 2016.

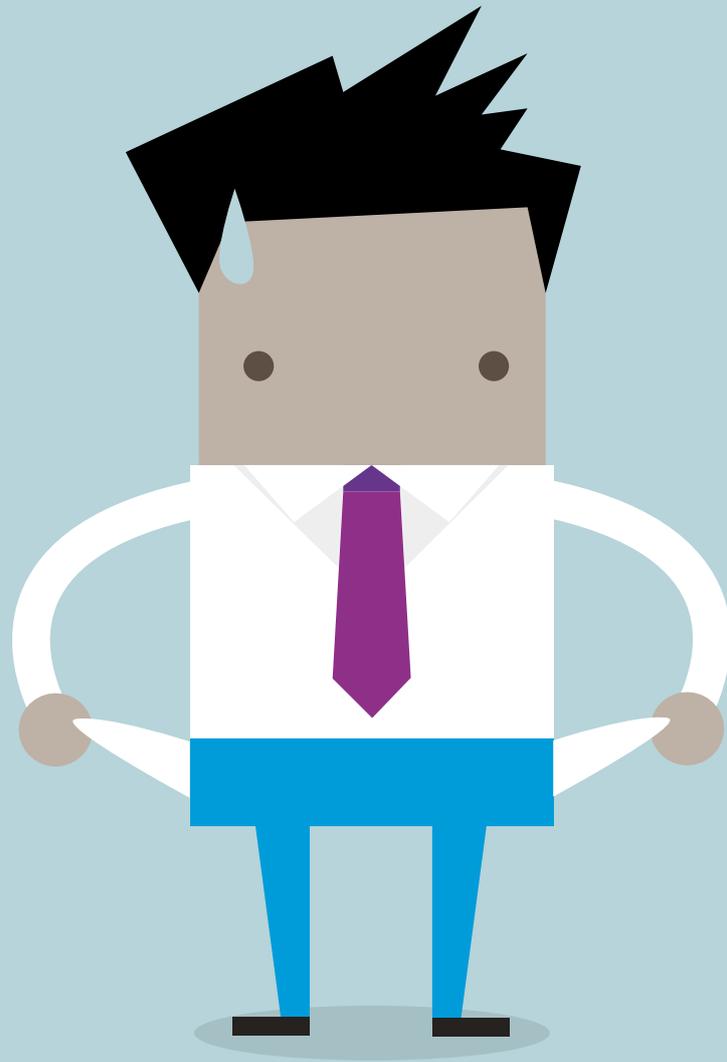
36. CSP is less commonly offered in organisations with a higher proportion of part-time workers and those with higher staff wastage. Young V and Bhaumik C. Health and wellbeing at work: a survey of employers, DWP Research Report No. 750. Department for Work and Pensions. 2011.

37. The Mental Health Taskforce. The Five Year Forward View for Mental Health. 2016.

38. Bond N, Braverman R and Clarke T. Recovery Space: Minimising the financial harm caused by mental health crisis. Money and Mental Health Policy Institute. 2018.

Section Two summary

- Nearly all employees are entitled to Statutory Sick Pay. However, it is paid at a low rate and only lasts for 28 weeks.
- Seven in ten (70%) employees are entitled to Contractual Sick Pay provided by their employer. However, the amount and duration offered vary considerably.
- Insurance companies provide income replacement through Group Income Protection to employers wishing to provide benefits for employees, and through Individual Income Protection insurance to individuals wishing to protect themselves. However, take-up is low.
- The state provides a safety net through Employment Support Allowance (ESA)/Universal Credit (UC). However, rates are very low and application processes difficult to navigate, particularly for people with mental health problems.
- People's capacity to manage on a reduced income depends on their financial resilience.



Section Three: The financial consequences of sickness absence

In this chapter, we present new evidence from a survey of over 500 people who have needed time off work for a mental health problem in the last five years, examining how people's incomes changed during sickness absence, and what consequences this had.

Figure 5 shows that most employee survey respondents who had taken more than a month off work (73%) received some Contractual or Statutory Sick Pay from their employer. When people received adequate sick pay, they told us it made all the difference to their ability to recover.

"I was very grateful for having contractual sick pay and do not know how/if I could have coped had that not been the case."

Expert by experience

Conversely, self-employed people have no access to employer sickness benefits, and their main source of replacement income is state benefits. Worryingly, over half (51%) reported not receiving any replacement income during their absence from work.³⁹

Most people experienced an income drop when they took a period of sickness absence for their mental health problems. Nearly three quarters of employee respondents who took an extended period of absence (75%) said their income dropped⁴⁰ as did 95% of self-employed respondents.⁴¹ For some the income shock was considerable, with 66% of employees reporting a drop of 50% or more and 22% of employees losing all of their income.⁴²

Even where people successfully claimed welfare benefits, the low levels of payment meant many people experienced a considerable income drop.

"Often the rates of benefits given are not enough to live on long term. They'll keep you alive, yes, but the quality of life is very low."

Expert by experience

39. Money and Mental Health survey. Base for this question: 75 self-employed people who have taken time off work due to a mental health problem in the last five years.

40. Ibid. Base for this question: 326 employees who have taken more than four weeks off work for a mental health problem in the last five years.

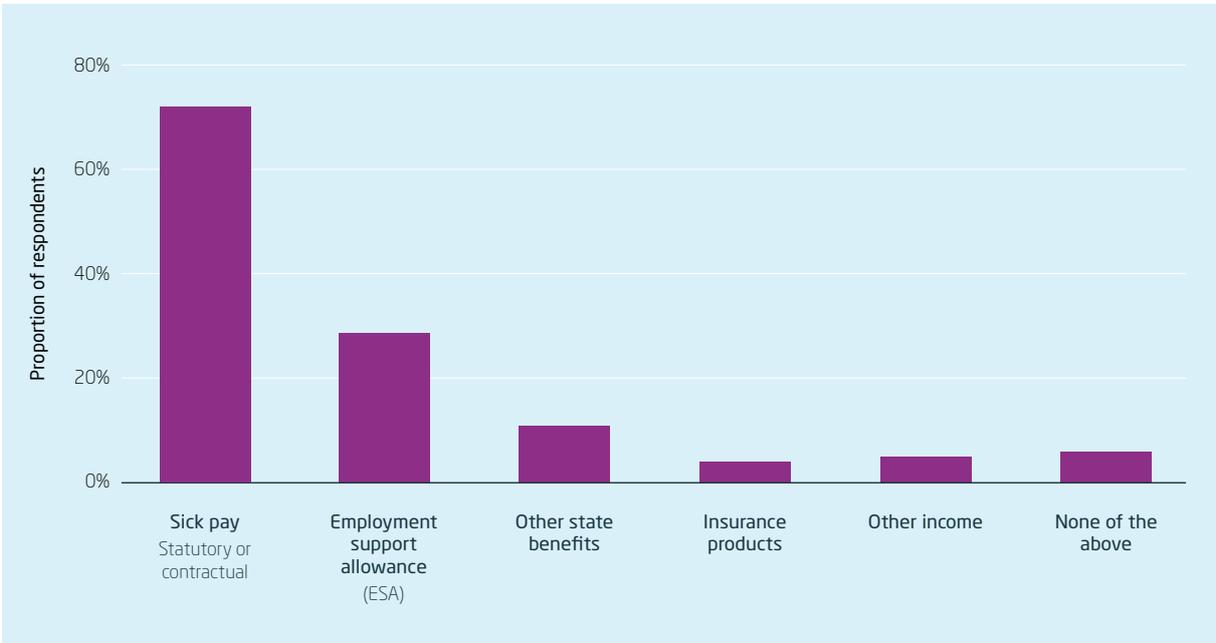
41. Ibid. Base for this question: 75 self-employed people who have taken time off work due to a mental health problem in the last five years.

42. Ibid. Base for this question: 217 employees who have taken more than four weeks off work for a mental health problem in the last five years.

Few employees and no self-employed respondents to our survey had income protection insurance. While prevalence is low across the population, the fact that people experiencing mental health problems are more likely to be in low paid, high-turnover and part-time work⁴³ may further reduce the likelihood that they are included in GIP schemes, which are more

typically offered to white-collar employees. Where GIP schemes are offered, they can be particularly valuable to people with mental health problems as pre-existing conditions are covered, which is not the case for IIP products. Where people did have insurance and made a successful claim, they told us it was helpful.

Figure 5. Types of income received during extended absence from work due to experiencing mental health problems



Source: Money and Mental Health survey. Base for this question: 331 employees who have taken more than four weeks off work for a mental health problem in the last five years.

43. The Mental Health Taskforce. The Five Year Forward View for Mental Health. 2016.

3.1 How do people cope with an income shock?

Faced with lower income, people have to rely on their own financial resilience or change their financial behaviours.

As Figure 6 shows, seven in ten (70%) respondents told us how initially they ‘tightened their belts’ in times of difficulty, went without luxuries, such as holidays, takeaways and family days out, and made other lifestyle changes.

“We had to sell some valuable items, downsize and use less of the car, use rolled tobacco, changed to shop brands for everything, had to let go of TV and phone services... Made kids lunch from home. Not send them on trips... walk to places... it’s very dark, gloomy memories.”

Expert by experience

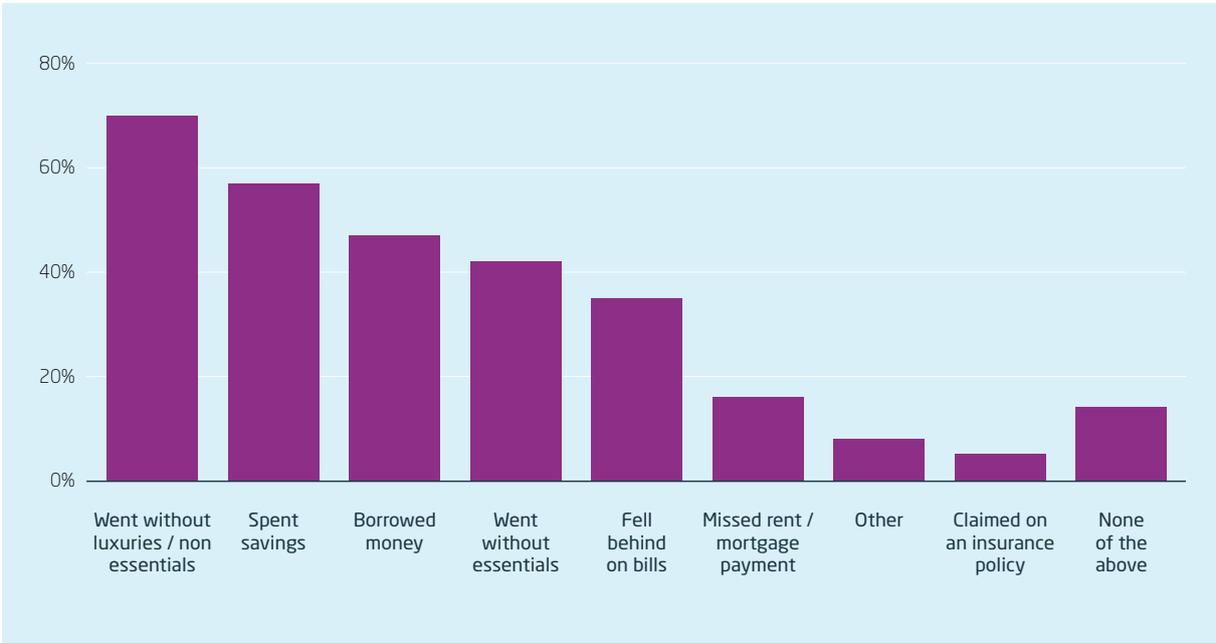
57% of respondents relied on savings. However, 26% of working age adults have no savings, and a further 29% have less than £1,000,⁴⁴ and as people with mental health problems often have lower incomes, they may be less likely to have savings to draw on. People who didn’t have ‘rainy day’ savings reported using long-term savings, such as pension pots, which are not designed to subsidise income drops during working life. Spending this type of saving during a period of sickness absence could have a considerable impact on future living standards.

“I used all my personal and business savings. By early 2018, these were all eventually wiped out along with other assets like my shares and pension whilst striving to keep a roof over my head.”

Expert by experience

44. Money Advice Service. Closing the Savings Gap. 2016.

Figure 6: How people managed whilst on a period of sickness absence from work



Source: Money and Mental Health survey. Base for this question: 322 employees who have taken more than four weeks off work for a mental health problem in the last five years.

Almost half of survey respondents (47%) borrowed money to make ends meet. People often reported using high-cost credit like credit cards, overdrafts and doorstep lenders.

“I got into debt and struggled to pay essential bills and heat my home and the electric and buy food. I took on loans from doorstep lenders with very high interest rates.”

Expert by experience

Over half of respondents (54%) suffered severe detriment, experiencing at least one of the following:

- Three in ten (35%) fell behind on paying bills
- 16% missed rent or mortgage payments
- Four in ten (42%) went without essentials such as food, gas and electricity.⁴⁵

“Don't have heating on much, have it on as low as possible, sit under a duvet, wear extra jumpers and clothing. Sit in the dark to avoid high electricity bills.”

Expert by experience

Falling behind on bills, housing payments and going without essentials can trigger arrears letters, bailiff visits and threats of eviction and homelessness. Cutting back by missing meals and restricting the use of electricity and gas can cause physical ill health, as well as psychological distress. The emotional impact of going without basic essentials and being pursued for debts can overwhelm people and exacerbate their mental health problems.

“We fell behind with just about everything, I ended up with default notices etc... it was a very stressful time on top of what I was already going through.”

Expert by experience

3.2 Weathering the storm – exhausting replacement income and eroding financial resilience

When a person's mental health problems exceed the duration of their income replacement the severity of financial detriment increases significantly.

“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

Short-term coping strategies such as cutting back and going without can work for a while, but in the longer term they are not sustainable. Savings, for example, can only be spent once and may eventually be exhausted, and while credit can bridge the gap between income and outgoings for a while, eventually repayments will become unaffordable.

“The small amount of savings I had are being whittled away.”

Expert by experience

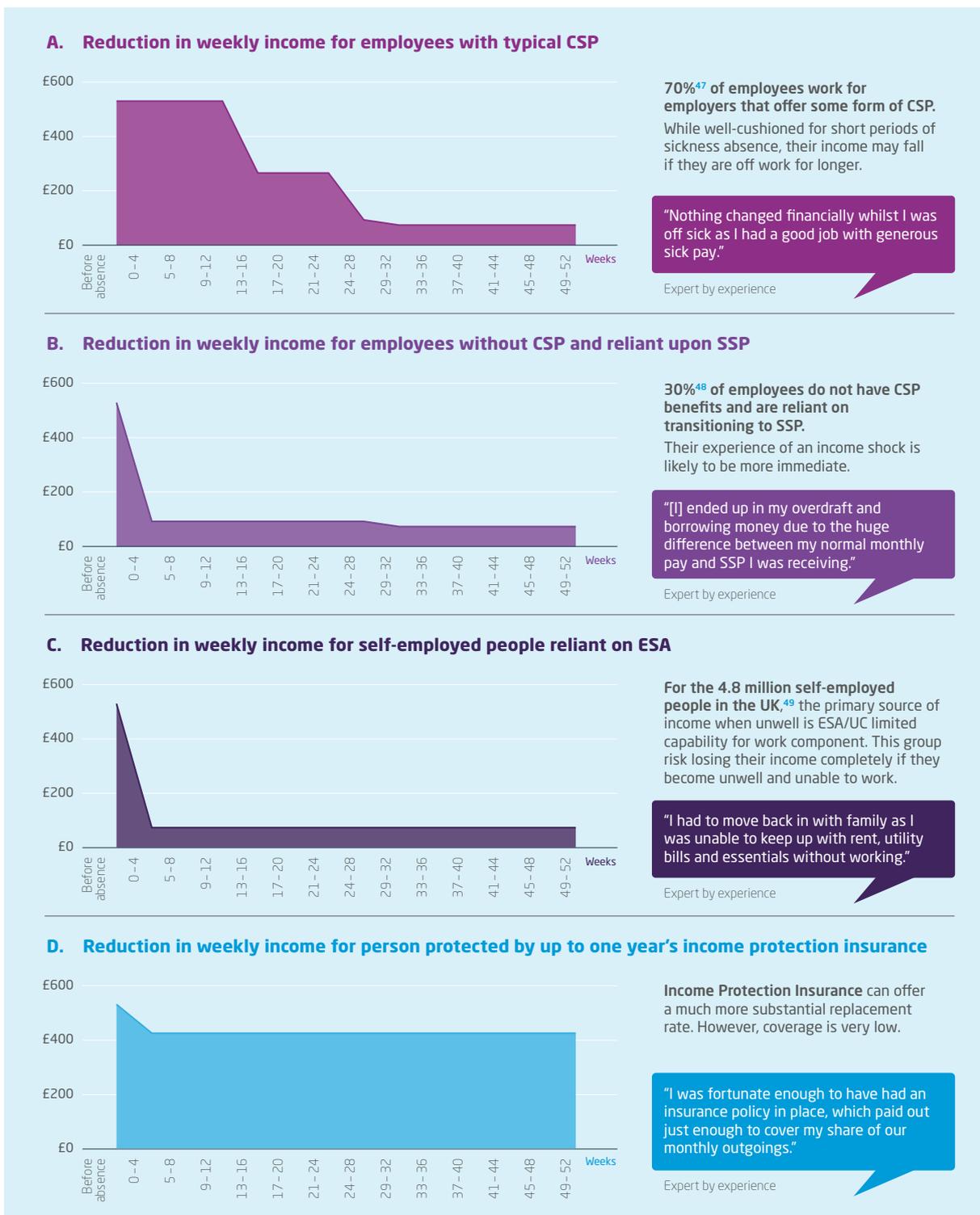
Figure 7 illustrates how people's replacement income erodes at different rates depending on the sickness benefits available to them and their employment circumstances.

Over half of survey respondents (53%) reported their financial situation deteriorated after a period of sickness absence.⁴⁶

45. Money and Mental Health survey. Base for this question: 322 employees who have taken more than four weeks off work for a mental health problem in the last five years.

46. Ibid. Base for this question: 198 employees who have taken more than four weeks off work for a mental health problem in the last five years.

Figure 7: Illustrative examples of the income shocks people experience, dependent upon their access to, and the generosity of, employer and state benefits



Source: Money and Mental Health Policy Institute

47. Black C and Frost D. Health at work – an independent review of sickness absence. Department for Work and Pensions. 2011.

48. Ibid.

49. Office for National Statistics. UK labour market: September 2018. 2018.

Section Three summary

- Most people receive some form of Contractual or Statutory sick pay. However, low levels of replacement income combined with the longer term duration of mental health sickness absence, can mean that income replacement is frequently insufficient.
- Almost three quarters (75%) of respondents reported their household income fell during an extended period of sickness absence, and two thirds of respondents (66%) saw their income fall by 50% or more.
- Over half of respondents (54%) suffered severe detriment during extended sickness absence:
 - » Three in ten (35%) fell behind on paying bills
 - » 16% missed rent or mortgage payments
 - » 42% went without essentials such as food, gas or electricity.
- Long periods of sickness absence cause particular difficulties, with replacement incomes running out, savings being depleted and debts accumulated, leaving people with fewer options for ways to manage financially.



Section Four: The long-term consequences of an income shock

Given the scale of the income shocks people experience when they need to take time off work, it is not surprising that this often has serious consequences for their mental health, as well as their financial wellbeing. Stress, worry and anxiety about money can exacerbate mental health problems, resulting in a more acute mental health crisis that can lead to suicidal ideation or periods of hospitalisation.

“It took longer for me to deal with the issues, and thoughts of suicide started to appear.”

Expert by experience

During a period of sickness absence people have to make difficult decisions about returning to work, balancing the interacting factors of mental health problems, the nature of their work, support offered by their employer, and their financial situation. In this section, we consider the long-term consequences of these problematic cycles.

Ideally, everyone's path would follow the right-hand side of Figure 8. Financial factors would not influence decisions about taking time off and people would take the time and space they need to recover before returning to work. In reality, people continually have to revisit the question of whether they can afford to take time off work (Point A). Where people cannot afford to do so, they are forced to make difficult decisions about remaining in or returning to work. Three quarters

of survey respondents (75%) reported their financial situation affected their decision to return to work after a period of sickness absence.⁵⁰ 73% of people felt that they returned to work too soon,⁵¹ and the same proportion said that they would have taken more time off if they had been able to afford it.⁵²

People returning to work before they are well enough to do so (Point B) can lead to a destructive cycle of struggling to meet targets, poorer workplace relationships and stress. 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.

Alternatively, the stress of trying to maintain performance whilst unwell can impact upon people's self esteem and efficacy, leading people to decide they cannot continue in their job and, sometimes, to leave the labour market altogether.

“I found it very difficult to return to work as [I] wasn't ready but had to for financial reasons. I was in bad arrears with rent, council tax, TV licence and my other bills.”

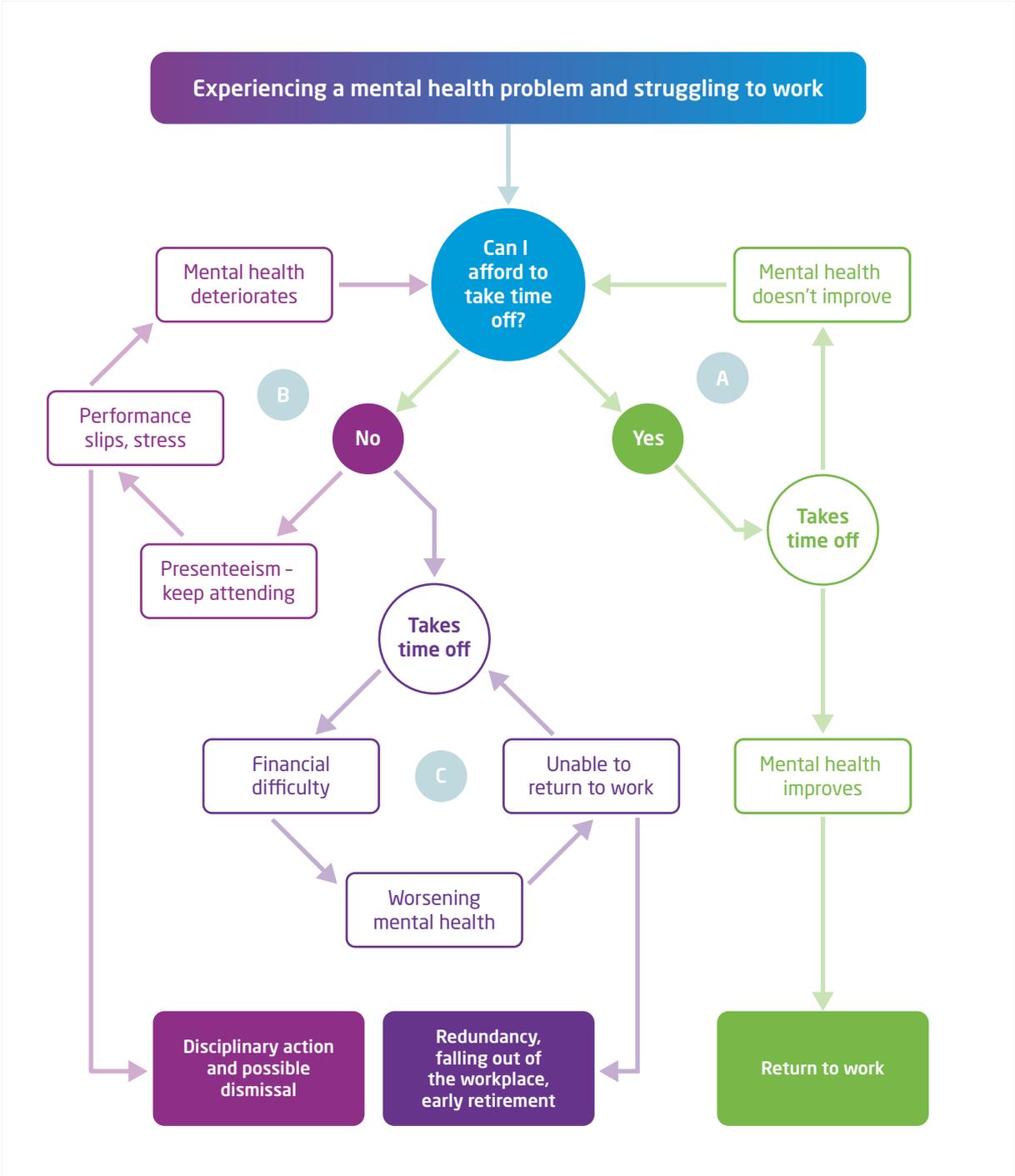
Expert by experience

50. Ibid. Base for this question: 224 employees who have taken time off work for a mental health problem in the last five years.

51. Ibid. Base for this question: 218 employees who have taken time off work for a mental health problem in the last five years.

52. Ibid. Base for this question: 212 employees who have taken time off work for a mental health problem in the last five years.

Figure 8: Destructive cycles driven by financial difficulty



Source: Money and Mental Health Policy Institute

4.1 Presenteeism

Continuing to work whilst still acutely unwell, or returning before recovering sufficiently due to financial pressures, can have far reaching consequences:

- Difficulties in relationships with management and mental health stigma in the workplace
- Difficulties carrying out work and performing tasks as required
- Reduced ability to manage the pressures of the role
- Lost confidence or self esteem.

These pressures, in turn, can aggravate a mental health condition, making it even more difficult for a person to maintain their performance. People can get stuck in loop B in Figure 8, with potentially disastrous consequences for their career. When people are less able to carry out their work, employers may take formal performance management action against employees. Ultimately this can lead to people being dismissed.

“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

The pressures of juggling financial pressures, performance management, work environments, and poor workplace attitudes to mental health problems mean that people often resign, take early redundancy or retirement, or even leave their employer without a job to go to. One in five people surveyed (19%) did not return to work after a period of sickness absence.⁵³

4.2 Prolonged absence from work

The longer a person is absent from work the less likely they are to return. A person who has been off work for six months or more has an 80% chance of being off work for five years⁵⁴ and 300,000 people with a long-term mental health condition lose their job each year.

Our research suggests that financial difficulties play a substantial role in these statistics. Long periods of absence are associated with growing financial difficulty, which in turn aggravates people's mental health problems, and makes it more difficult to recover, leaving people stuck in loop C in Figure 9.

An important factor in timely recovery from mental health problems is access to mental health services. Long waiting lists for services may increase the duration of illnesses, and thus absences from work. These delays may be causing further financial difficulty and undermining recovery rates. Many people will have exhausted their CSP entitlements, relying on SSP alone before psychological therapies even start.

“I was the main earner, became ill... What particularly didn't help was... two years waiting for NHS mental health treatment.”

Expert by experience

An additional benefit of income protection schemes, by contrast, can be fast access to private treatment.

53. Money and Mental Health survey. Base for this question: 286 employees who have taken time off work for a mental health problem in the last five years.

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

4.3 Financial scarring

Even if people do return to work, their financial resilience may have been drastically reduced as savings have been depleted and debts incurred.

This is even more difficult to recover from when over a quarter of respondents (28%) reported a permanent reduction in income even after returning to work.⁵⁵ For some this was due to voluntary or involuntary cuts to hours worked, while others returned to lower paid roles.

Self-employed people can face additional financial challenges returning to work. If their mental health conditions prevented them from delivering on contracts, they risk losing work and clients, creating additional pressures to rebuild relationships with clients and generate new business.

“As a one-man-band, my work completely died during my time off. 20+ years of building work relationships fell away.”

Expert by experience

People who experience recurring periods of mental ill health can find the cycle becomes a downwards spiral, as savings, access to credit and sick pay entitlements dwindle, leaving people more financially vulnerable each time they are unwell. 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 going back to and remaining in work.

Section Four summary

- Income shocks and financial difficulty associated with sickness absence can exacerbate existing mental health problems and prolong recovery.
- Financial pressures mean that people return to work before they are mentally well enough to do so, or make the difficult decision not to take time off in the first instance despite being seriously unwell.
- People become stuck in a destructive cycle, which can lead to losing employment and in some cases falling out of the labour market altogether.
- Sickness absence can cause long-term financial scarring.

⁵⁵. Money and Mental Health survey. Base for this question: 168 employees who have taken time off work for a mental health problem in the last five years.



Section Five: Conclusions and recommendations

Our research has identified three key problems:

- 1. Income replacement levels for most people off work with a mental health problem are insufficient, and people have low levels of financial resilience to withstand an income shock**
- 2. The financial difficulties which result from income shocks related to absence from work exacerbate mental health problems, prolong recovery and increase the duration of absence, and the likelihood that people do not return to work**
- 3. Mental health related sickness absence and presenteeism often lead to people losing their jobs and leaving the labour market altogether.**

The question of where responsibility to alleviate this suffering should lie forms part of a wider ideological debate about the role of the state, employers and individuals. This is an important debate, but one that has persisted for decades, and the established balance of responsibility is unlikely to change in the short or even medium term. Given the number of people struggling due to income shocks caused by time out of work at this very moment, our recommendations focus on how we can reduce harm quickly, within the established balance of responsibility between state, employer and individual. Should this balance shift, it may be possible to go even further in future.

Our recommendations include proposals intended to:

1. Make income replacements sufficient to meet people's needs

- Increase flexibility of Statutory Sick Pay to support people who need to reduce their hours
- Increase access to Statutory Sick Pay

2. Increase people's financial resilience to withstand an income shock

- Increase sick pay transparency
- Encourage development of simple income protection products
- Consider introducing short-term savings within auto-enrolment

3. Simplify transition to the benefits system

- Help employees find the support they need
- Bring Employment Support Allowance assessment rate in line with Statutory Sick Pay

5.1 Make income replacements sufficient to meet people's needs

Increase flexibility of Statutory Sick Pay to support people who need to reduce their hours

The government's focus is on supporting people with mental health problems to remain in work. However, 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. Our rigid approach to sickness absence drives presenteeism, which can delay recovery and costs employers £17-26 billion per year.⁵⁶

Some people may benefit from reducing the number of hours they work to help them manage their mental health condition, allowing them to avoid a longer term absence. However, people often do not have the financial reserves to allow them to take a voluntary reduction in pay.

Work is already in train to change SSP so it can be claimed part-time, alongside wages, to encourage people to return to work in a phased way if necessary.⁵⁷ Offering similar flexibility around the ability to mix sick

pay and wages as a preventative measure is widely accepted across Europe,⁵⁸ and could help people avoid the destructive cycles of presenteeism, sickness absence and financial difficulty identified in our research.

"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

Recommendation

The government should consider how it can introduce flexibility that encourages preventative part-time sick leave, as well as phased returns to work in its review of Statutory Sick Pay.

Employers should also consider providing this flexibility within Contractual Sick Pay schemes.

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

57. Department for Work and Pensions and Department of Health. Improving Lives: the future of work, health and disability. 2017.

58. 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.

Increase access to Statutory Sick Pay

An estimated half a million workers on zero hours contracts or in temporary work do not earn enough to be eligible for Statutory Sick Pay.⁵⁹ We would agree with the view expressed in the Taylor Review that sick pay is a basic employment right and should be offered to all workers.

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 a logical inconsistency in the current system, whereby the eligibility threshold for SSP is higher than the income that replaces it. 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.

Recommendation

The Government should endorse the Taylor Review's recommendation that Statutory Sick Pay be extended to all workers and recognised as a basic employment right.

If this cannot be implemented immediately, the government should lower the SSP threshold to match the replacement income paid as a stepping stone.

5.2 Increase people's financial resilience to withstand an income shock

Increase sick pay transparency

The wide range of employment statuses and the high variability of Contractual Sick Pay make it difficult for people to know their sick pay rights, and to take steps to protect their financial wellbeing in case they become unwell. Keeping track of sick pay usage and remaining entitlement can be difficult, particularly for people experiencing mental health problems and taking repeated periods of time off work.

Increasing transparency around sick pay and other financial support people could expect if they become unwell should both encourage employers to be generous in their provision and ensure employees are aware that sickness may leave them financially vulnerable, encouraging them to put adequate provision in place. The Association of British Insurers is currently developing a calculator to simplify the provision of this information, and have suggested that all employees should be provided with an annual Protection Statement. However, the success of such proposals is likely to hinge on finding a way to provide this information which is not overly arduous for employers, and which ensures the information is sufficiently simple that employees are not over-burdened. To maximise effectiveness of this information remedy, we suggest leveraging existing trusted documents and statutory instruments. As HMRC already have responsibility for ensuring SSP is paid, one option is to extend the existing P60 form to include information about sick pay entitlements, including sick pay taken over the previous year.

⁵⁹. 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.

Information about benefits eligibility and levels could be included in income tax self-assessment documentation to ensure self-employed people are also adequately informed about the support they could receive if they are unwell and unable to work.

Recommendation

Government should extend the existing P60 form provided to all employees each year to include information on sick pay entitlements, and details of sickness absence taken within the previous tax year.

Encourage development of simple income protection products

Our evidence suggests that more generous Contractual Sick Pay may be an effective investment for businesses in the long run, allowing staff to take time off when they need it and reducing the substantial costs associated with employee turnover. Finding the cash to fund this, however, can be challenging, particularly for small businesses. Recognising this, we think it is more important to focus efforts on increasing access to Statutory Sick Pay rather than increasing the mandated level of this payment. It is undeniable, however, that this payment is often insufficient, particularly for people who need to take a longer period of absence. To be comfortable, a person needs to make some supplementary provision for themselves. Although both Group Income Protection (GIP) and Individual Income Protection (IIP) can provide a sufficient income during a period of mental illness, across the UK we see systemic under-investment in both products.

The reasons for this under-investment in income protection insurance are likely to be complex, and may include lack of public awareness of these products and their benefits, perceptions that such products are expensive, or a belief that the state will provide sufficiently high benefits to maintain living standards if a person is taken unwell.

Two groups are particularly financially vulnerable:

- 1. Those who work for small employers, who may have more limited CSP and are less likely to be offered GIP**
- 2. Those who are self-employed, who have no right to SSP and are not able to access GIP schemes.**

Our research suggests that there is a particular problem for people in these groups who have pre-existing mental health problems: if these people are not able to join a GIP scheme through their employer, they are only able to buy IIP, but often this will exclude their mental health conditions, seriously undermining its value as a protective measure against future periods of illness. Filling this gap in the market is essential if we want more people to take advantage of income protection products to reduce the impact of income shocks associated with sickness absence due to mental health problems.

To encourage innovation in these important market segments, the government should consider setting up a challenge prize, similar to the Open Banking for Good challenge currently underway as part of the Inclusive Economy Partnership, encouraging firms to design innovative insurance products for people with existing mental health conditions. These could include simple GIP products suitable for smaller employers, or IIP products which cover pre-existing conditions for the self-employed.

The interaction of IIP payments with the benefits system is also problematic. For people with long-term conditions, fear that investing in insurance may nullify their right to claim benefits can be a significant disincentive. Problems with the treatment of IIP payments under UC are significant, affecting up to half of all policyholders.⁶⁰ The differences in the treatment of IIP and critical illness cover are particularly concerning, as most critical illness policies do not cover mental health problems, meaning that people experiencing mental health conditions are treated differently to people experiencing other illnesses. The government should urgently address the rules regarding treatment of IIP in UC, aiming to bring treatment into line with GIP and critical illness cover to ensure fair treatment of those who are unable to access these products.

Recommendations

The government should set up a Challenge Prize Fund to encourage innovation in the development of simple income protection products for people with existing mental health problems who are self-employed or working for a small employer.

Government should also urgently change the rules around the treatment of Individual Income Protection Insurance payouts to people receiving Universal Credit to bring this into line with income from Group Income Protection schemes.

⁶⁰. New Policy Institute. Private Insurance and Social Security. 2017.

Consider introducing short-term savings within auto-enrolment

SSP is not intended to provide a complete replacement for an individual's income. Our evidence shows, however, that with low savings rates and substantial household debts, many people find themselves in acute financial difficulty if they are off sick for any length of time. While typical savings advice suggests people should save three months' salary as protection against income shocks, low levels of savings across the UK have proved that this goal simply isn't achievable for many. A smaller savings pot of up to £1,000, however, would do a substantial amount to reduce the number of people in acute financial difficulty⁶¹ during shorter periods of sickness absence. While this level of savings would not help those who have serious, long-term mental health problems and recurring periods of absence, it may help prevent some people entering the negative spirals where financial difficulty aggravates mental health problems and delays return to work, illustrated in Figure 8. Ensuring everyone has a small savings cushion could act as a preventative circuit-breaker, reducing the number of people who end up in serious financial difficulty which leads to taking longer off work.

Traditional government policies to incentivise savings, like tax advantages, are expensive and primarily help those who can afford to save most. One other option, currently being explored, is to leverage the framework

built to increase pensions savings, by creating a short-term savings pot as part of the auto-enrolment structure. This would be a simple waterfall scheme, whereby pension contributions are initially paid into an accessible short-term savings pot, and then cascade into the pension when this is full. If savings are withdrawn from the short-term pot, the next pension contribution then tops it up, then further payments flow straight into the pension. Although repeated use of this pot could undermine a person's pension savings and long-term financial stability, using it to mitigate financial difficulty associated with sickness absence should reduce the chances of people with mental health problems falling out of the workplace altogether – an outcome that is likely to be more detrimental to financial prospects in later life than a pension pot that is reduced by a thousand pounds withdrawn as emergency savings.

Recommendation

Government should carefully watch the ongoing pilot of short-term savings alongside pensions⁶² and assess whether this scheme could be usefully extended across the working age population.

61. Surtees J. Becoming a nation of savers. StepChange Debt Charity. 2015.

62. Blakstad M et al. Liquidity and retirement savings: what's the right balance? NEST Insight. 2018.

3. Simplify transition to the benefit system

Help employees find the support they need

Many employers have made great progress in recent years to support employees who are unwell to remain in work. However, sometimes people will just be too unwell. When an employee is on sick leave, their employer knows when they are running out of CSP, or coming towards the end of their 28 week SSP eligibility. While employers may not have the resources to offer more generous sick pay, they can and should do more to direct people towards other sources of help. Employees in these situations may benefit from debt advice, and, towards the end of sick pay entitlements, may also need help to navigate the complexity of the benefits system.

Timely signposting towards local and national advice charities, such as Citizens Advice, Mental Health & Money Advice and Turn2Us, could help establish a norm of help-seeking in these situations, and prevent

the escalation of debt and financial difficulty that can accompany an income shock. Commensurate funding should be made available to these organisations to ensure they have the capacity to provide extra services. Distributing leaflets, or sending email signposting alongside pay slips to those off sick, would have only minimal costs for employers.

Recommendation

Employers should routinely signpost people who are receiving sick pay, particularly where this is lower than their normal income, towards free financial guidance services. They should also offer signposting to benefits advice services at the end of Statutory Sick Pay entitlements.

3. Simplify transition to the benefit system

Bring ESA assessment rate in line with SSP

When people's mental health problems extend beyond the duration of Contractual and Statutory sick pay, people are entitled to apply for ESA or the limited capacity for work element of Universal Credit.

Our research demonstrates that SSP is insufficient for many people to meet expenses. Yet when a person exhausts their SSP entitlement, if they are still too unwell to work, they will face a further fall in their income, of nearly £20 a week. This 'assessment rate' is paid for 13 weeks.

While it is possible to justify short-term sick pay being lower than a person's usual income, on the basis that some expenditures like new clothing or furniture can be postponed, expecting a person to exist for nine months on these meagre sums causes significant distress, and exacerbates mental health problems. If a person is assessed as being eligible for ESA and sufficiently unwell to work, the rate paid is substantially more generous, at £110.75 a week, partly in response to the additional costs associated with long-term illness.

The 2011 Health and Work Review proposed that the assessment phase for ESA should be abolished completely, with people making an immediate claim for JSA (payable at the same rate as the ESA assessment rate), and an early WCA assessment to determine eligibility for ESA.⁶³ This does not recognise that people applying for ESA are doing so because of a health condition. Rather than moving claimants to a punitive rate when they apply for ESA, the government should increase the assessment rate to be equivalent to SSP, currently £92.05. While our research has demonstrated that this level of income is not sufficient to support a person for any length of time, this would at least reduce the detriment associated with the assessment rate level of ESA offered at present.

Recommendation

The government should increase the ESA assessment rate to £92.05 a week, to bring it into line with SSP and avoid unnecessary detriment caused by financial hardship while people are unwell.

63. Black C and Frost D. Health at work – an independent review of sickness absence. Department for Work and Pensions. 2011.





MONEY AND
MENTAL HEALTH
POLICY INSTITUTE

Kindly supported by

