

## Sickness insurance could replace sick pay from employers

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*Employers could be required to take out income protection insurance for their staff rather than provide statutory sick pay in a bid to cut a sickness absence bill that currently costs them £8 billion a year.*

This is a leading proposal before Lord Freud, the coalition government's welfare reform minister, and is one of several options that will be examined under an independent review of sickness absence being co-chaired by Dame Carol Black, the government's national director for health and work, and David Frost, director general of the British Chambers of Commerce.

Lord Freud told a conference held by the Stockholm Network, a privately-owned company that acts as an umbrella body for more than 130 right-wing think tanks, that earlier intervention was required to prevent people moving onto longer-term sickness and disability benefits when they went off work with illness as the current system was "simply unsustainable".

The issue cost firms £8 billion a year, while working age benefits cost the government £75 billion, so "we are missing a massive trick" by not providing effective intervention sooner to ensure people remained in work, he said.

The idea is that under a private insurance model, insurance companies would have an incentive to provide the medical and other support required to get people back into the workplace as they are the ones paying out.

Freud believes that most of those off sick for any length of time "do not have a true medical problem", but instead show symptoms caused by an issue at work, with some 40% suffering from stress or other mental health issues and a quarter having bad backs or other muscular-skeletal problems.

The findings of a report by centre-left think tank Demos, which were published on Wednesday, will also be fed into the review, however. It suggested that staff should be provided with a £100 national insurance rebate if they take out an income protection policy, either as individuals or under an employer-sponsored scheme.

The move could save taxpayers more than £2 billion in benefit payments, while costing them £850 million in rebates if a quarter of staff took out the cover, the study, which was sponsored by income protection insurance provider Unum, said.

A £100 rebate would account for about a third of the cost of a group policy and replace around 75% of workers' incomes, it added.

The review will also evaluate the current system in the Netherlands, however, in which employers take full responsibility for supporting sick employees, which includes finding them another job if they are unable to.