



## Insurance alternative to sick pay considered

### Reform would mean insurers pick up bill for those off work

The government is set to consider a shake-up of the sick pay system that would see employers opting to pay for income protection insurance for their staff instead of providing paid sick leave.

Under the income protection insurance model, insurers would take responsibility for paying income protection when employees are off work sick. This in turn would incentivise insurers to supply health and wellbeing support to get people back to work more quickly.

One version of the model would see employers encouraged to take out the insurance on behalf of staff, while another, championed by think tank Demos in a report this week, would incentivise employees to do so by offering them a national insurance rebate.

Lord Freud, welfare reform minister, said today that any such policy change would be considered after the report of the independent review of sickness absence, which is being jointly led by Dame Carol Black, government national director for health and work, and David Frost, director general of the British Chambers of Commerce.

[Freud told an audience at an event hosted by pan-European think tank the Stockholm Network](#) that earlier interventions when people go off work sick were needed to help prevent the slide into long-term sickness and disability. He pointed to the high price of sickness absence, which costs UK firms £8 billion a year, while the government pays out £75 billion in benefits for working-age people.

Demos's proposals, published yesterday, said workers should be offered a £100 national insurance rebate if they take out income protection policies to make up for wages lost when off sick. It said that this could save the taxpayer more than £2.2 billion in benefits, against a cost of £850 million for the NI rebates, if the policy gets 25 per cent of staff to sign up to income insurance.

Jane Mann, head of the employment law at legal firm Fox Williams, said the cost savings and the possibility of better managed sickness absence sound attractive, "but the devil will be in the detail".

"Income protection insurance normally kicks in after an absence of about 26 weeks when it appears that the employee will be unable to work for a long time (may be permanently) due to sickness. Statutory sick pay is payable much earlier by employers on behalf of government after a relatively short period of absence," she said.

"So, how this will work will depend upon how the insurers go about assessing insurance claims. What evidence will they need of sickness and exactly what process will be followed and how long will it take for claims to pay out?"

"The question is: 'Are the reforms in fact aimed more at longer term state sickness benefits?'" she asked.

Jack McGarry, chief executive of financial protection provider Unum UK, said: "The government needs to look at ways to save money on the welfare bill while also making sure people have a decent income if they fall ill and can't work. Income protection is the silver bullet that can do both - stopping people falling onto benefits by providing a good level of income and helping them get back to work."