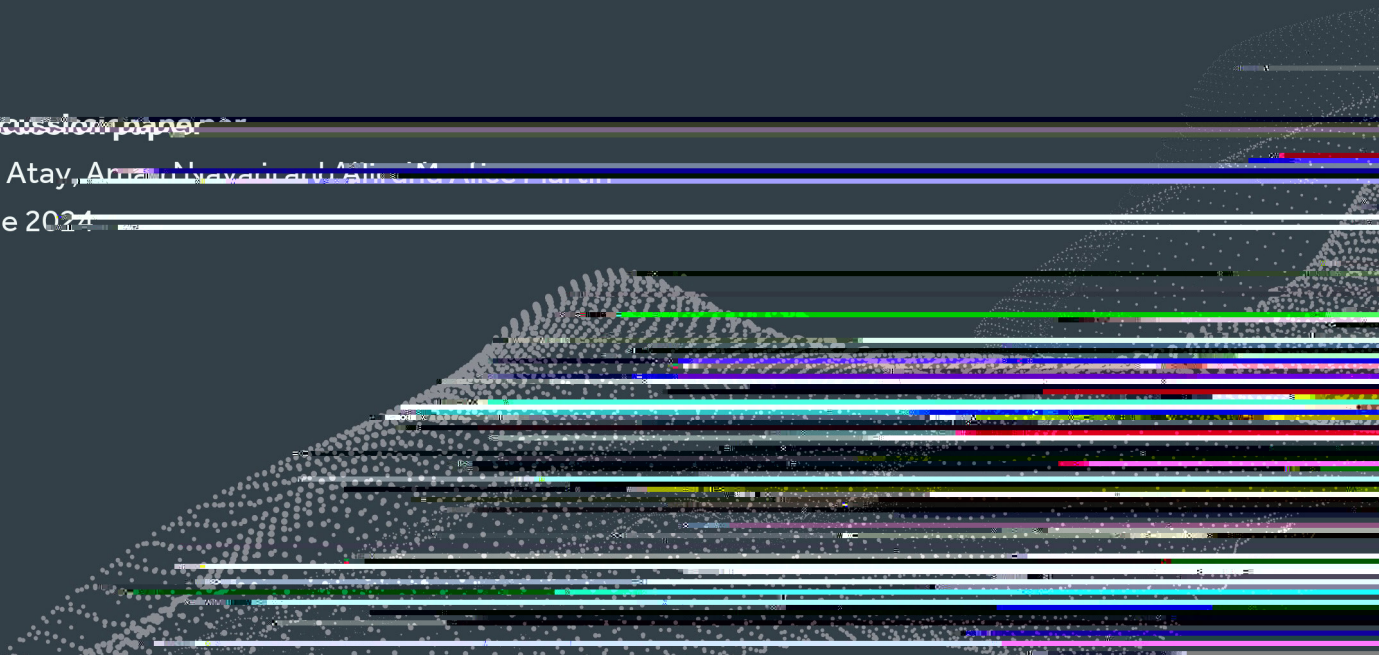


TIME OFF: REDESIGNING LEADERSHIP TO SUPPORT LONGER, HEALTHIER WORKING LIVES

Discussion paper

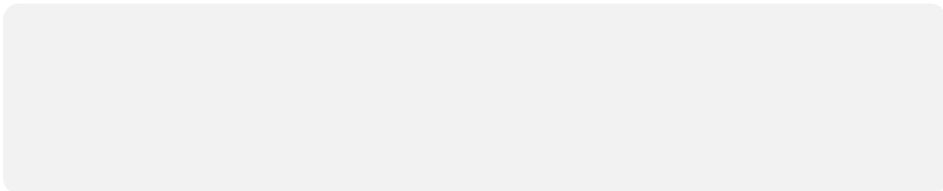
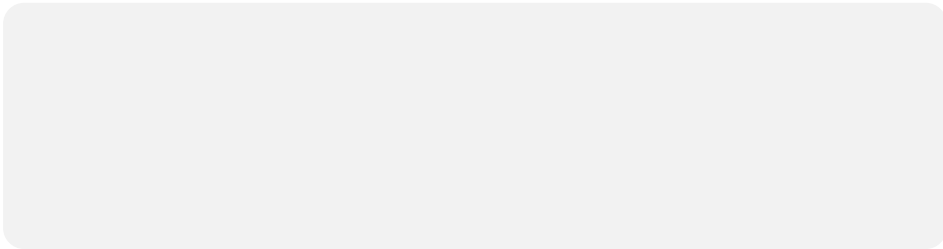
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June 2024



last four years, nearly half of employers (47%) do not go beyond the statutory minimum level of sick pay provision. This leaves many workers either struggling to make ends meet during periods of illness or deciding not to take sick leave to rest and recuperate with possible consequences for their long-term health.

Consecutive Governments have consulted on the need to reform SSP but reforms have been piecemeal or time limited, such as during the COVID19 pandemic



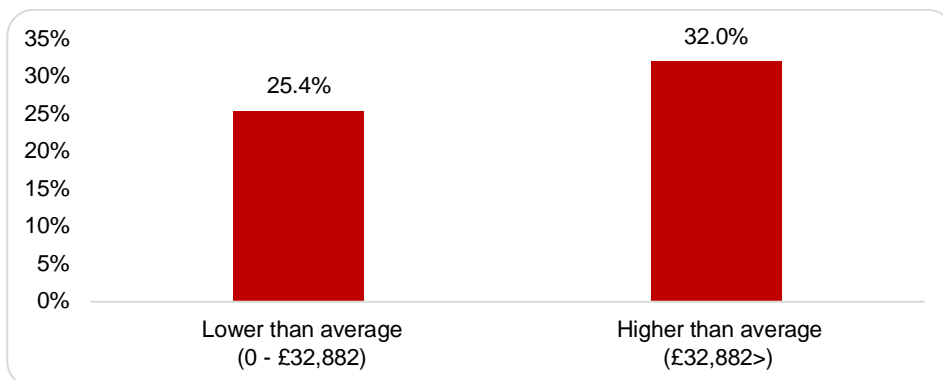
Annual leave: Lower earners have less paid time off

Annual leave can be defined as the period during which workers take time away from their work while continuing to receive an income from their employer. In the UK, all people classed as workers are legally entitled to 5.6 weeks' (28 days) paid annual leave a year. For some workers, this includes eight public holidays, while others receive time off for public holidays in addition to annual leave⁶.

Yet access to annual leave entitlements vary significantly, often driven by the fact that high paid sectors tend to offer more progressive leave policies while some workers face financial or workload pressures to work through their leave days.

This results in variation in annual leave entitlement by fulltime workers across income levels. Almost a third (32%) of those earning above the average income have an entitlement to annual leave that exceeds 30 days. By contrast, only a quarter (25.4%) of those who earn lower than the average income do so. This makes above average earners 1.26 times more likely than lower paid workers to have over 30 days annual leave.

Figure 3: Access to annual leave entitlements of 30+ days a year



Source: Work Foundation calculations of Labour Force Survey microdata, Dec 2022. For this estimate, we decided to use 2022 data as there have been quality concerns with Labour Force Survey data from late 2023.

Access to and uptake of family friendly leave is unequal

While maternity leave is generally perceived as being effective at keeping new mothers in paid work following time off to care for their children, there are substantial inequalities in mothers' abilities to access and utilise maternity leave which raise concerns for the future.

In part this is due to limitations in the paid leave on offer. While mothers can take up to 52 weeks' maternity leave, they receive payment only for part of their leave.¹⁰ Statutory Maternity Pay—a cost that employers can claim back from the Government—covers 90% of a woman's average earnings for an initial six weeks. For the following 33 weeks, Statutory Maternity Pay is either £184.03 a week or 90% of average weekly pay, whichever is less.

This results in a level of income replacement that falls short of the International Network on Leave Policies and Research's definition of "well paid" (66% or more of the employee's salary).¹² In this context, the UK lags behind countries such as Albania, Bosnia and Herzegovina and Bulgaria which offer maternity leave periods of a similar length.¹³ Even with employer top-ups, maternity pay provides low levels of earnings replacement over the course of maternity leave less than 50% for individuals earning £500 per week.^{14, 15}

This has significant consequences for mothers in low income jobs, who take on average just 23 weeks of maternity leave, four months less than the UK average.¹⁶ Some mothers' lack access to maternity leave altogether, depending on their employment status or length of service. Data suggests this is a particular issue for those of a black or ethnic minority background, who make up a substantial proportion of the 28% of British workers who cannot access parental leave.¹⁷

Meanwhile, paternity, parental and shared parental leave are significantly more limited. Statutory Paternity Pay was introduced in the UK in 2003, and currently employees can choose to take either one week or two consecutive weeks' leave. However, the UK's paternity leave is one of the poorest in Europe, with fathers only being eligible for up to two weeks' paid leave, at £172.48 a week or 90% of their average weekly earnings (whichever is lower). Perhaps unsurprisingly in this context, the uptake of paternity leave in the UK has been low and over half of the families who take paternity leave (53%) go on to experience financial struggle.¹⁸

Parental leave was introduced

The role of employers

Employers have a significant role to play in the provision and uptake of statutory leave, but also in providing enhanced offers to support their workforce to take more time away from work.

Both workers and employers stand to benefit from supportive leave policies. Paid sick leave has been linked with greater productivity and worker retention,^{25, 26} while paid family leave can improve worker health.²⁷

Unfortunately, data suggests many employers only implement the statutory requirements. Our survey of senior business leaders revealed that close to half of all employers do not go beyond the statutory requirements for most forms of protected leave. This compares to between a quarter and a third of employers who offer policies that moderately or substantially exceed statutory requirements.

Figure 5: The balance of statutory and enhanced leave policies provided by employers

Source: Work Foundation survey of senior decision makers across GB April 2014 (n=1,413) (n-r)-9.9y23.2 (o1.442 Td [(sur)-15.1 (v)-16.6 (e)17.3 (y)

3. SICKNESS LEAVE AND PAY

In the context of rising economic inactivity due to ill health, access to comprehensive leave and pay if a worker is injured, becomes unwell or develops a long-term health condition is key to supporting individuals to recover while remaining connected to their job.

In the UK, Statutory Sick Pay (SSP) and sick leave entitlements aim to achieve this. SSP is the minimum amount of sick pay an employee should receive from their employer for absences due to illness.²⁸ It is a statutory requirement paid by employers that was introduced in 1983 under the Social Security Benefits Act of 1982²⁹ as a replacement for a social security payment.³⁰

Sick leave allows employees to take time off during times of ill health. In the UK, employees are entitled to sick leave but are required to provide proof of illness if absent for more than seven days, typically in the form of a 'fit note'.³¹

There are, however, several

4. POLICIES FOR LONGER, HEALTHIER WORKING LIVES

Today, workers are expected to navigate longer careers alongside responsibilities such as caregiving and managing ill health. The rise in economic inactivity over the last five years suggests that for many the current model isn't working.

The failings of the current system are felt most heavily by women. One in four older female workers in their 50s and 60s shouldering caregiving responsibilities and a growing number assuming a role as dual caregivers for both children and parents – the so-called 'sandwich generation'.³⁸ More than a quarter of women (25.3%) between the age of 16 and 64 are economically inactive due to caring for their family or home, compared to 7% of men.³⁹ Women are also leaving the labour force at a greater rate than men due to ill health, exceeding caring as the primary reason women are not in the labour market.⁴⁰

Meanwhile retirement becomes an increasingly distant prospect for many due to the

Rolling out paid leave for carers

There are an estimated 10.6 million people who provide unpaid care and support to a family member or a friend in the UK, which means one in five adults provide care to someone. In the age

allows qualifying NHS staff to take extended leave from their roles while maintaining their employment status. It enables them to pursue personal development, further education or career enhancement opportunities.

In 2018, Damian Hinds, the then Secretary of State for Education, proposed introducing a paid sabbatical pilot scheme for teachers with a view to increase retention in the sector.⁵⁹ At the time, the Government said teachers with over 10 years' experience would be able to apply "with a

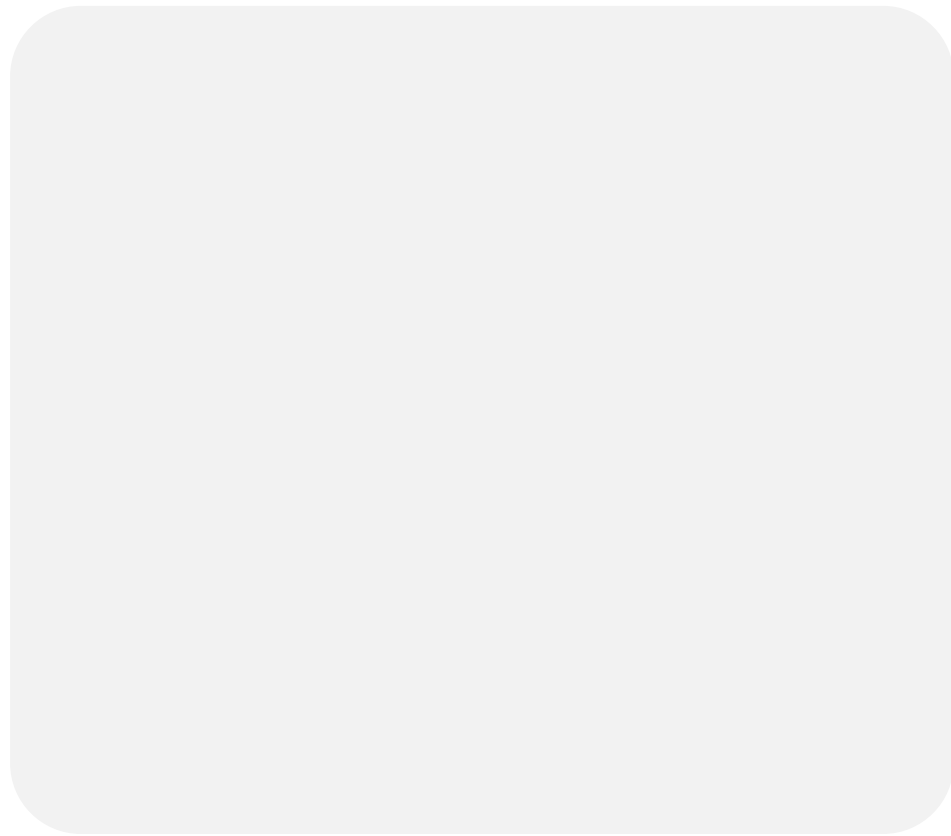
In April 2023, a YouGov survey revealed that three out of five retired British employees believe phased retirement has the potential to improve work life balance (62%).⁵⁴ The survey found that three in five retirees consider that phased retirement could lead to a positive impact on employee retention.⁵⁵

It could also bring financial benefits to those reaching the end of their career too if it leads to individuals ultimately extending their working lives. In countries such as Canada, Denmark, Japan and the UK, deferring pensions pays a 6% bonus for each year of deferral, in addition to higher earned entitlements when working.⁵⁶ The bonus can be partially offset as income tested benefit components are withdrawn, which is the case in Canada and Denmark.⁵⁷

There is also scope to look at better integrating sick leave and SSP with flexible working approaches and welfare payments to support a phased return to work whilst managing health conditions. The UK is an outlier in Europe in that employers are required to cover the full cost of SSP at a fixed rate.^{58, 59} In contrast, the predominant approach in other European countries is that the cost of sick pay is shared between employers, health insurance schemes and the government.⁶⁰ This shared approach can also enable a focus on wider policy aims such as increasing labour market participation.

Whilst the main purpose of paid sick leave is to allow people to recover and return to work, regimes in Austria, Denmark, Finland and Sweden, put an emphasis on rehabilitation and labour market reintegration programmes as part of their policy approaches to sickness absence. These programmes seek to prevent the exit from the labour market through early retirement or disability pensions of people affected by long term illness.⁶² In these models, employers are supported to keep jobs open for workers who become sick, and in some cases their return to work is facilitated through part-time sick leave alongside part-time work and occupational health support. These flexible models can allow people to continue in suitable work and earn wages alongside receiving some benefits. Austria provides an additional benefit that is intended to enable re-training when people can no longer carry out their former job due to their health status.⁶³

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- ² Florisson, R. (2024). Are high levels of economic inactivity the new normal? Work Foundation blog. Available at <https://www.lancaster.ac.uk/work-foundation/news-and-events/blog/are-high-levels-of-economic-inactivity-the-new-normal>

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¹⁹ HM Government. (1999). The Maternity and Parental Leave etc. Regulations 1999. Available at: [The Maternity and Parental Leave etc. Regulations 1999 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

²⁰ HM Government. (1999). divnl

etc. Regulations 1999 (legislation.gov.uk)

