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# Reducing barriers to work for people in ill-health

Representation by the Health Foundation in respect of the Autumn Statement 2023

## **1.0 Introduction**

- 1.1 Good-quality employment supports people's physical and mental health by providing a sufficient income, facilitating social connections and creating purpose. But disability and health conditions are often barriers to taking up, staying in or returning to employment.
- 1.2 This representation provides policy recommendations to reduce barriers to work, to improve support for people who are unable to participate in the labour market due to ill health and helping people stay in good health in the first place.
- 1.3 Our recommendations focus on current opportunities for government action to help people currently experiencing ill health, to protect those at risk of leaving employment on health grounds, and on incentivising employers to use their influence to improve health.
- 1.4 Longer term, we recommend greater consideration of the underlying causes of poor health contributing to the reduction of the labour force.

## **2.0 Context – economic inactivity**

- 2.1 In July 2023, a record 2.6 million people aged 16–64 were not participating in the labour market due to long term sickness – 500,000 more than before the pandemic<sup>1</sup>.

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<sup>1</sup> Labour Market Statistics 2023, Institute for Employment Studies

- 2.2 Working age sickness had been growing steadily since before the pandemic: 15% reported a work-limiting long-term health condition in 2014 compared to 18% in 2022<sup>2</sup>.
- 2.3 The rise in economic inactivity due to ill health over the last three years is estimated to have contributed to an annual tax loss of £8.9 billion and led to additional welfare costs of £6.8 billion in 2023–24<sup>3</sup>.
- 2.4 The Office for Budget Responsibility (OBR) also estimates that the health care spending on individuals moving into health-related inactivity costs the NHS between £900 and £1800 a year per person<sup>4</sup>.
- 2.5 Some health conditions or disabilities will mean that work is not suitable, but nearly 1 in 4 people who are economically inactive because of ill health want to work or are seeking work but are unavailable to start because of their health<sup>5</sup>.
- 2.6 The OBR has set out how lower labour supply and worsening in-work health is negatively impacting productivity: in a pessimistic scenario UK GDP in 2027 – 2028 could fall to around 1.5 per cent lower than previously forecasted. Around two thirds of the impact is from lower participation due to long-term sickness and the remaining third due to a sicker in-work population<sup>6</sup>.
- 2.7 In the same downside scenario, risk of further deterioration could mean that by 2027-28 tax receipts are £10.9 billion lower than forecast, due to fewer people in employment and lower earnings among those in work, and welfare spending is £7.6 billion higher relating to incapacity and disability benefit spending<sup>7</sup>.

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<sup>2</sup> Is poor health driving a rise in economic inactivity, The Health Foundation

<https://www.health.org.uk/news-and-comment/charts-and-infographics/is-poor-health-driving-a-rise-in-economic-inactivity>

<sup>3</sup> Reducing health-related job loss among older workers, Institute for Employment Studies, July 2023  
<https://www.employment-studies.co.uk/news/reducing-health-related-job-loss-among-older-workers>

<sup>4</sup> Fiscal risks and sustainability report. Office of Budget Responsibility, July 2023  
<https://www.employment-studies.co.uk/news/reducing-health-related-job-loss-among-older-workers>

<sup>5</sup> Is poor health driving a rise in economic inactivity, The Health Foundation  
<https://www.health.org.uk/news-and-comment/charts-and-infographics/is-poor-health-driving-a-rise-in-economic-inactivity>

<sup>6</sup> Fiscal risks and sustainability report. Office of Budget Responsibility, July 2023  
<https://www.employment-studies.co.uk/news/reducing-health-related-job-loss-among-older-workers>

<sup>7</sup> Fiscal risks and sustainability report. Office of Budget Responsibility, July 2023  
<https://www.employment-studies.co.uk/news/reducing-health-related-job-loss-among-older-workers>

### **3.0 Recommendation – Redesign the Work Capability Assessment (WCA) process for the support people receive due to ill health**

- 3.1 Improving the WCA in its current form should require assessors to consult with an expert on a claimant's condition if they are unfamiliar with it and improve access to the appeals process.
- 3.2 Redesigning the WCA assessment should involve consultation with health care professionals, people with health conditions and disabled people to design a health-led assessment process.
- 3.3 It should also involve a transparent and evidence-based review of a full range of descriptors and functional activities to ensure they accurately reflect the requirements of jobs and account for multiple health conditions.
- 3.4 *Background to the recommendation:*
- 3.5 In March 2023 the government's Health and Disability White Paper set out plans to abolish the WCA. However, there are significant concerns surrounding the impact of the government's proposals on claimants as they are likely to have a restrictive effect on access to support and, as a result, risk negatively impacting people's health.
- 3.6 The new proposals, set to be introduced in the next parliament, would use qualification for Personal Independence Payment (PIP) as the main way to access a new Universal Credit (UC) 'health element' and is replacing the UC limited capability for work and work-related activity element.
- 3.7 Making the UC 'health element' contingent on PIP will reduce eligibility to financial support under the current system. Many disabled people have shorter term debilitating health conditions or fluctuating conditions, such as mental health, that affect their ability to work but wouldn't meet the eligibility for PIP. The IFS estimated that 600,000 people who currently receive the health-related element of UC would lose £350 a month as a result of the changes<sup>8</sup>.

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<sup>8</sup> Spring Budget 2023: Institute for Fiscal Studies analysis, March 2023  
<https://ifs.org.uk/events/spring-budget-2023-ifs-analysis>

- 4.0 Recommendation – Provide tailored employment support to people that accommodates their health condition and widen access to provision without Universal Credit or ESA**
- 4.1 This should include enabling recipients to try out work, limited hours and work-related activity without the risk of losing entitlement to additional financial support paid due to their health condition and without the threat of sanctions being imposed.
- 4.2 Provision of Individual Placement and Support services and other forms of intensive support, such as the Universal Support scheme, should be expanded at a greater speed and scale than currently planned. Support should also be made available to people with health barriers to work who are not entitled to working age benefits to reach a wider population.
- 4.3 The focus here should be on integrating health care professionals in employment support services, with better access to disability employment advisers; working with employers to ensure that workplaces are inclusive for disabled people and those with health conditions; and ensuring access to training to build the skills required for available and suitable jobs.
- 4.4 *Background to the recommendation:*
- 4.5 In September 2023, the government launched its first phase of Universal Support, a new employment scheme for disabled people, who are referred by work coaches or employment programme providers and without the threat of sanctions.
- 4.6 It will match people with jobs and promises funding for necessary training and workplace support. Similar schemes have been shown to be effective which would be a positive step given that being in employment benefits health.
- 4.7 Universal Support aims to support at least 50,000 people a year by 2025/26. At the end of 2022 there were 2.4 million people in receipt of either Employment Support Allowance or Universal Credit with limited capability to work and no requirements to look or prepare for work<sup>9</sup>. This suggests considerable scope to expand the Universal Support programme and to extend other forms of employment support to this group.
- 4.8 Under the existing system, work coaches' understanding of health conditions and their implications varies widely, leading to inconsistent access to effective support for recipients. The Spring Budget outlined an additional £270m in 2024, rising to £400m

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<sup>9</sup> Reassessing the Work Capability Assessment, Resolution Foundation, September 2023  
<https://www.resolutionfoundation.org/publications/reassessing-the-work-capability-assessment/>

by 2026, to fund increased work coach support 'to help those who are long-term sick and disabled people into work'<sup>10</sup>.

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<sup>10</sup> Spring Budget 2023, March 2023 <https://www.gov.uk/government/topical-events/spring-budget-2023>

- 5.0 Recommendation – Support employers to better understand their role in the health of their employees and provide Occupational Health services (OH) which enable those with health conditions to find and stay in employment**
- 5.1 The government should focus on building awareness of schemes such as Access to Work to help overcome the perception that hiring a disabled employee or someone with a long-standing health condition poses a financial burden.
- 5.2 In better supporting employee health such as Occupational Health provision, the government should also consider wider financial incentives for employers that go beyond tax reliefs.
- 5.3 The focus should be on improving the coverage and availability of Occupational Health services by strengthening – and making readily available – evidence-based OH interventions and extending subsidies for OH provision to smaller businesses who have limited benefit from tax relief.
- 5.4 *Background to the recommendation:*
- 5.5 Working culture, management practices, the level of autonomy involved in carrying out a role and training and progression opportunities can help shape employees' health.
- 5.6 Workplace adjustments to support disabled people at work can be funded via Access to Work – the government grant used to fund practical support for workplace adjustments for people with a disability, health or mental health condition. However, evidence suggests that take-up is limited amongst those who could benefit.
- 5.7 Occupational Health (OH) services, commissioned by employers, can play an important role in maintaining the health of the workforce and encourage employers to recognise the role they play in strengthening employee health.
- 5.8 Current OH coverage in the UK is estimated to be in the range of 34% to 51% of the UK workforce. In countries where there are legal requirements for employers to provide OH services there is over 75% coverage<sup>11</sup>. Smaller firms face significant challenges in providing OH as they do not benefit from the economies of scale of larger employers.

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<sup>11</sup> Sickness and Disability Schemes in the Netherlands, OECD November 2007  
<https://www.oecd.org/social/soc/41429917.pdf>

- 5.9 Financial incentives, where employers need to bear the cost of long-term sickness, have also been effective at increasing upfront investment in OH.
- 5.10 The Government has set out plans in the Health and Disability White Paper for a new digital advice and information service for employers. This should go further than a digital resource and disability experts and local employment teams in councils should be involved in its development and delivery. The service should support employers to design jobs that reflect the health challenges of their local workforce to help employees stay in employment, both in the short and long term.

## **6.0 Recommendation – Widen eligibility of Statutory Sick Pay (SSP) and increase support to enable people to stay in work despite experiencing ill health**

- 6.1 Statutory Sick Pay should be increased to the National Minimum Wage/ National Living Wage, as recommended by CIPD<sup>12</sup>. Based on a pro-rata daily rate covering time taken off work sick, for example, this would mean that if someone aged 23 or above normally works seven hours per day, their pro-rata daily SSP rate would be £62.37.
- 6.2 Access to income protection should be extended to those who are lower paid or working part time hours and the lower earnings threshold should be abolished in order to protect and improve the health of those on lower earnings or in part time working hours.
- 6.3 *Background to the recommendation:*
- 6.4 In the UK Statutory Sick Pay (SSP) provides people with £99.35 per week for up to 28 weeks if they are too ill to work. This is the second lowest level of sickness benefit compared with other European states pre-pandemic. To be eligible someone must be classed as an employee, to be earning at least £123 per week and have been ill for at least 4 days in a row. This disparity means that, for many, being unwell prompts financial insecurity that could exacerbate illness and break their link to employment.
- 6.5 The lower earnings limit means that people who are lower paid and working part-time hours, or have multiple jobs, with each earning £123 or under a week do not receive SSP. This is likely to embed the existing links between low income and ill health. A lack of income, and even short periods of poverty, are associated with worse health.

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<sup>12</sup> What should an effective sick pay system look like? Chartered Institute of Personnel and Development, December 2021 [https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/guides/2023-pdfs/sick-pay-reform\\_tcm18-104511.pdf](https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/guides/2023-pdfs/sick-pay-reform_tcm18-104511.pdf)



## **7.0 Recommendation – Improve working conditions for disabled people and those with health conditions**

- 7.1 Introduce inclusive recruitment practices e.g. advertising jobs as flexible, ensuring that job descriptions and person specifications do not unintentionally rule out applicants who could do the job. Ensure that every stage, from the format of applications to whether specific tasks are needed, are accessible and do not exclude or disadvantage people with particular impairments.
- 7.2 Drive higher investment in skills by employers, by reforming the Apprenticeship Levy to incorporate skills training and progression. Improve links between employers, local authorities and education providers to ensure that young people are developing the right skillset to secure local jobs.
- 7.3 *Background to the recommendation:*
- 7.4 On average, disabled people are paid £2.05 less per hour than non-disabled workers. To normalise better practices, the government should introduce mandatory disability reporting, including the disability pay gap, for large employers, with a duty to assess how they are performing and produce a targeted action plan to make progress<sup>13</sup>.

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<sup>13</sup> Urgent action needed to address the disability pay gap, TUC, November 2022  
<https://www.tuc.org.uk/research-analysis/reports/urgent-action-needed-address-disability-pay-gap-letter-kemi-badenoch>

**Contact details:**

Should you wish to discuss any aspect of this representation, please contact our relevant team, [public.affairs@health.org.uk](mailto:public.affairs@health.org.uk)

**About the Health Foundation:**

The Health Foundation is an independent charitable organisation working to build a healthier UK. Health is our most precious asset. Good health enables us to live happy, fulfilling lives, fuels our prosperity and helps build a stronger society. Yet good health remains out of reach for too many people in the UK and services are struggling to provide access to timely, high-quality care. It doesn't have to be like this. Our mission is to help build a healthier UK by:

- improving people's health and reducing inequalities
- supporting radical innovation and improvement in health and care services
- providing evidence and analysis to improve health and care policy.

We achieve this by producing research and analysis, shaping policy and practice, building skills, knowledge and capacity, and acting as a catalyst for change. Everyone has a stake and a part to play in improving our health. By working together, we can build a healthier UK.