



British Printing Industries Federation (BPIF)



British Office Supplies & Services Federation (BOSS)

**Consultation on the percentage replacement rate for those
earning below the current rate of Statutory Sick Pay
(Department for Work & Pensions)**

December 2024

**General comments on the impact of employment reforms on
businesses**

The British Printing Industries Federation and the British Office Supplies & Services Federation welcome the opportunity to respond to the consultation on the percentage replacement rate for those earning below the current rate of Statutory Sick Pay.

While we recognise the Government’s ambition to provide improved protections for the UK workforce, our members are predominantly SMEs and are concerned about the likely consequences of reform. In a survey of our members conducted in autumn 2024, the Federations found that 77% were either ‘moderately’, ‘very’ or ‘extremely’ concerned that the employment reforms would have a negative impact on their businesses.

Reasons for this concern will include increased costs and administrative burden, which companies are worried will make it more challenging to do business, and certainly to grow. It’s foreseeable that increased costs pose the risk of acting as a disincentive to providing more employment, and may even impact business viability. When taken alongside the increase in Employer National Insurance Contributions and rising minimum wage (which places pressure on employers to

match increases further up their pay structures), these concerns have become all the more acute.

Members have expressed disappointment that some of the more significant reforms have not been subject to formal consultation. However, we also recognise that the Government is keen to implement the package as a priority. Sufficient time before commencement, to allow businesses to prepare for their new obligations, is vital.

General comments on reforms to Statutory Sick Pay (SSP)

Ahead of the consultation question on the percentage replacement rate for those earning below the current rate of SSP, we make the following comments on the SSP reforms included in the Employment Rights Bill:

- a) The removal of the three-day waiting period and
- b) The removal of the Lower Earnings Limit (LEL)

While we recognise the Government's intention to protect employees, there should be consideration given to balancing this with the needs of businesses. There is a risk of over-correction, which will have a negative impact on businesses (and of course, which may lead to business distress with poor outcomes for employees in the medium to long term). 68% of survey respondents to our autumn 2024 survey were concerned about the reforms to statutory sick pay.

One of our member businesses told us that:

“The current SSP system works effectively for our business, allowing us to provide reasonable support to employees during illness while maintaining financial stability.

The three waiting days provides an important buffer, allowing businesses to mitigate the impact of short-term absences, especially in industries where those are common.

The LEL helps ensure that SSP applied proportionally to employees who meet a certain threshold of weekly earnings, aligning with their overall contribution.”

We consider that the negative impact on business will likely be caused by a number of factors:

Increased direct cost of absence

The removal of the waiting period, and the removal of the LEL, will each lead to many more absences being eligible for SSP, resulting in unarguable increased costs to businesses. As mentioned above in relation to all of the employment reforms, there is a limit to how many extra costs businesses are able to bear, especially when these are being implemented within a year or two. Disincentivising investment and growth is one potential outcome, increasing financial instability, redundancies and insolvency is another.

The impact on SMEs and microbusinesses, of which the printing industry is predominantly comprised, is likely to be especially significant – for these employers having just one or two employees on sick leave at any one time will have an impact on productivity and business earnings, as well as the direct increases in SSP payments.

For businesses with large proportions of employees earning below the current LEL, the impact of the removal will be all the greater. It would be a shame if employers, faced with increasing costs, look to minimise them by reducing the number of part-time roles available. These roles can be vital for those with studying or caring commitments, or with health conditions that do not allow full time work, enabling them to join the workforce.

Increased administration costs and tribunal claims

There will also be an undoubted increase in administrative burden necessary to process and calculate more claims. This will be compounded for those businesses with higher proportions of employees earning below the Flat Rate, and for whom the percentage rate will also need to be calculated. A member told us that:

“Implementing the changes could upset this balance, leading to increased operational costs and administrative burdens without clear evidence they would achieve significant improvement in employee outcomes.”

While the majority of employers no doubt do their best to accurately calculate SSP entitlements, it will never be possible to completely eradicate miscalculations. An increasing number of SSP processes, combined with additional complexity for some of them, will inevitably result in more employment tribunal claims. Alongside the other employment reforms, and the Bill’s lengthening of the time limit for a tribunal claim to be made, the Tribunals Service will face increased pressure and will need to be adequately resourced.

Further limitations of the reforms

We recognise that discouraging employees from entering the workplace while they are physically unwell can reduce the risk of illness spreading across a workforce. However, the majority of sick days in the UK in 2023/24 were not related to infectious disease, and instead were as a result of mental health conditions (16.4m) and musculoskeletal disorders (7.8m).¹ Therefore, the intention to protect workforces from infectious disease will not be achieved in the majority of extra cases for which SSP will now need to be paid.

The Federation of Small Businesses has proposed the introduce of a rebate scheme for SMEs, similar to the Coronavirus Statutory Sick Pay Rebate Scheme.² The Government should consider introducing such a scheme for at least an initial period after the changes come into force, to allow for an assessment of how the changes are affecting absenteeism levels and the subsequent impacts on business productivity and costs.

Consultation questions

Which of the following best describes how you are responding to this consultation. Are you responding?

- ~~• As a member of the public / employee~~
- ~~• As or on behalf of an individual business or employing organisation~~
- As or on behalf of an employer/ business representative organisation
- ~~• As or on behalf of an interested Trade Union, stakeholder, or other representative organisation~~
- ~~• Other (please specify)~~

The British Printing Industries Federation (BPIF) is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. It is one of the country's leading trade associations.

Our members are approximately 1300 companies operating in the £13.9bn UK printing industry. The industry had a Gross Value Added to the UK economy of £6.5bn in 2022 and productivity gains well above average. It employs almost 100,000 people, receiving £3.8bn in wages annually.

¹ Health & Safety Executive, Working Days Lost in Great Britain 2023/24 (2024)

² Federation of Small Businesses, Make Work Pay a “rushed job” which threatens employment and growth, say small firms (10 October 2024)

The British Office Supplies and Services Federation (BOSS) is the voice and representative body of the UK's business supplies industry and supports the whole supply chain in a dynamic and expanding sector. BOSS is a long-standing not-for-profit organisation with a leading and strategic role in the promotion and development of the business supplies industry.

Thinking about employees earning below the current weekly rate of Statutory Sick Pay (£116.75 per week), what percentage of their average weekly earnings should they receive through the Statutory Sick Pay system? Number must be between 0 to 100.

60%.

Why do you think the percentage rate of earnings should be set to this level? (maximum 500 words).

The Government is correct to attempt to identify a percentage rate of earnings for those who earn below £116.75, in order to disincentivise sickness absence that would otherwise pay more than normal earnings. Getting this figure right is vital to ensure that those receiving it are not unfairly penalised for taking time off due to sickness, while incentivising them to return to work when they can. We recognise this will be a difficult balance to strike.

We believe that 60% of earnings will be appropriate to achieve the above balance, while mitigating some of the cost impacts on businesses. We note that the Coronavirus Job Retention Scheme considered 80% to be a fair replacement rate for average earnings, but that in this case the costs of the SSP reforms are being entirely borne by businesses. As noted above, there is a limit to how much extra cost businesses are able to bear without impacts on investment and growth, or even compromising financial viability, which in turn threatens jobs.

As the percentage rate is the only part of SSP reform up for consultation, it is likely that many business-facing respondents will understandably support a lower rate of 60%, in order to mitigate expense in the only way the policy process is making available. This puts the business community in a difficult position in responding to the consultation, having to recommend the negative impact falls on a) the employees on the lowest earnings or on b) businesses facing increased costs, which may in turn have an impact on the entire workforce. As the bigger expense to businesses will result from the removal of the waiting period and not the removal of the LEL, we would have liked to have seen both reforms consulted on together, with an Impact Assessment which calculated a range of options. For example, the impact on business costs of combinations of a one-day or two-day waiting period – which would still strengthen SSP in line with the Government's intention –

alongside, for example, 80% and 90% replacement rate options for the lowest earners.

Contact

Carys Davis, Public Affairs Adviser, British Printing Industries Federation/British Office Supplies & Services Federation
carys.davis@bpif.org.uk