1 About the Association of British Insurers

1.1 The Association of British Insurers (ABI) is the leading trade association for insurers and providers of long term savings. Our 250 members include most household names and specialist providers who contribute £12 billion in taxes and manage investments of £1.8 trillion.

2 Executive Summary

2.1 This response addresses the third element of the Committee’s inquiry – effective support for disabled people – in particular the types of preventative support that employers can access in order to prevent existing employees with health conditions and disabilities from falling out of the workplace.

2.2 Purchasing Group Income Protection (GIP) is one way that businesses can support employees with health conditions and disabilities. The industry is committed to identifying how take up of GIP can be improved so that more individuals can benefit from the protection that it offers.

3 Support for employers

3.1 Returning people to work who have been out of the workplace for many years is known to be difficult. The Chief Medical Officer Dame Sally Davies concluded in her annual report that “those off work for more than 6 months have only a 20% chance of returning to work in the next 5 years”\(^1\). While this is related to the types of conditions that might cause someone to be out of work for this length of time, it is also the case that people’s health tends to deteriorate when they leave the workplace\(^2\).

3.2 Given that it is also the case that 83 per cent of people acquire their disability while in work\(^3\), a stronger focus on work-based prevention and retention would be appropriate, effective and efficient. It is therefore absolutely right that the Work and Pensions Select Committee is looking at how to help disabled people who are in work retain employment as part of its inquiry to the disability employment gap.

3.3 To what extent are the current range of proposed measures likely to achieve the Government’s ambition of closing the disability employment gap?

3.4 Government efforts to support employers to manage and retain people with health problems are welcome but more needs to be done if the disability employment gap is to fall meaningfully.

---

\(^1\) Department of Health (2014) *Annual report of the Chief Medical Officer.*
\(^3\) DWP (2015) *How your business can benefit from being disability confident.* Available at https://youtu.be/bWly6ssgJA
Disability Confident is a valuable campaign that engages in a business friendly way. The health sector has also produced guidance for employers through NICE, however very few employers are aware of it and fewer still implement it.

Public Health England’s Workplace Wellbeing Charter provides support and guidance to employers who are looking to implement NICE guidance. Again though, awareness among employers is low and the accreditation process requires a significant investment in time and effort, particularly for employers who operate in more than one location. This is because accreditation is done by local authorities that approach the process in different ways, which means that an employer with sites across the country has to have each site accredited individually by different councils using different processes.

A rapid increase in the number of employers gaining Workplace Wellbeing Charter accreditation would certainly improve wellbeing at work and better equip employers to recruit and retain staff with health problems. NHS England CEO, Simon Stevens, has mooted the idea of tax breaks for employers who implement NICE guidance. Workplace accreditation potentially offers one way of doing that. However it is very unlikely to take off while the accreditation process is piecemeal and awareness is so low. We recommend that the government explores how awareness of the charter among employers could be improved, and how accreditation across local authorities could be made more consistent.

What more could be done to support employers?

There are a number of alternative, complementary ways that employers might look to support employees with health conditions and promote disability diversity in the workplace. For many businesses, covering their employees with GIP can be a cost effective way of contributing towards these aims, in addition to delivering significant business benefits. Around 8% of employees in the UK are covered by a GIP policy bought by their employer, with a further 3% covered by an Individual Income Protection policy (IIP) they have purchased themselves.

It is important to note that, except for highly paid employees, group schemes do not involve underwriting at an individual level and so all employees can access the benefits of GIP regardless of their health at an affordable cost for the employer. In addition, disabled employees are most likely to benefit from these services due to their increased vulnerability to health problems that might lead them to take time off work.

When someone covered by GIP is unable to work because of a health problem, the insurer pays a high percentage of their salary until they return to work. It also provides expert vocational rehabilitation to help people return to work when they are ready. Finally, GIP provides support, resources and advice for employers and line managers on how to prevent and manage health problems in the workplace. Depending on the scheme, this preventative support can include health awareness days, employee assistance programs, outsourced HR support, and helping to analyse absence data to identify the causes of absence.

A report by the Centre for Economic and Business Research found that the rehabilitation that is part of group income protection reduced the length of long term absences by 17%.

---

4 Financial Times (17 Sep 2014) *NHS head suggests incentives for employers to keep staff health.*

5 CEBR (2015) *The Benefits of Early Intervention and rehabilitation: supporting employees when they need it most.*
Given the cost of sickness absence to employers, this meant that for every £100 they spent on GIP, they could expect to get about £66 pounds back.

3.13 Unum, a provider of group income protection, recently published a Return to Work Statement with information on everyone with a serious health problem who used its rehabilitation service in 2015. This shows that seven out of ten people using the service returned to work. Around a third of those were over 50 years old and another third were under 40 with 15% under 30. Of those returned to work 41% had a mental health problem, 19% had a musculoskeletal problem and 9% were recovering from cancer. This shows that the rehab services provided as part of a GIP policy have been proven to be effective at addressing the leading causes of long term absence.

3.14 Increasing the number of employees with GIP is not a panacea and will not on its own minimise the rate at which people fall out of work for health reasons. However, the evidence suggests that it could make a strong contribution towards achieving the government’s goal of halving the disability employment gap.

3.15 Government can support employers to protect more people in a number of different ways. One is by increasing access to financial education and advice through the workplace. We very much endorse recommendation 12 of the Treasury and Financial Conduct Authority’s (FCA) Financial Advice Markets Review, which directs the Financial Advice Working Group to “work with employers to develop and promote a guide to the top ten ways to support employees’ financial health.”

3.16 The government should also explore whether tax incentives could improve take up of GIP, particularly given the fiscal benefits that this could deliver. An independent economic evaluation commissioned by Zurich found GIP currently saves taxpayers £192 million per year. These gains would increase if more people were covered.

3.17 It is also critical to address disincentives. The current rules for Universal Credit (UC) will heavily disincentivise people from buying IIP. As it stands, claimants would lose £1 of UC for every £1 that they claimed on an IIP policy. This would reduce the value of the product substantially, particularly for those on low and middle incomes. This creates the risk that demand for IIP will fall, damaging efforts to reduce the disability employment gap. It is vital that the treatment of IIP claims within UC is improved.

3.18 For our part, we have commissioned qualitative research to understand further the drivers and barriers to take up of Income Protection insurance. We hope that the results from this research will help industry, government, and other stakeholders identify how to improve levels of protection among individuals.

3.19 An additional issue the government should look at if it is to close the disability employment gap is making sickness certification more effective. Five years ago, Professor Dame Carol Black and David Frost CBE’s Health at Work report correctly identified that improving sickness certification was “the first crucial step in stemming sickness absence and inactivity.”

---

6 ibid.
7 Unum (2016) 7 in 10 people return to work with Unum’s rehab service. Available from http://www.unum.co.uk/media/7-in-10-people-return-to-work-with-rehab-service-from-unum
as “evidence of fitness or unfitness for work – most commonly provided by GPs on ‘fit notes’ – is pivotal to the effective functioning of the sickness absence system” 10.

3.20 Sickness certification is the gateway to state, employer and insurance services for people who want to stay in or return to work. If someone receives an ineffective or inaccurate assessment of their fitness for work then their chance of getting suitable support to stay in work is greatly reduced. The government should consult with employers, health professionals, patient groups, and other key stakeholders on how the system can be improved.

3.21 Should the Government set interim targets along the way to meet the commitment to halve the disability employment gap? What should they be?

3.22 We think the idea of interim targets could be helpful and merits further consideration. As part of this, the government could consider separate targets to reduce the rate at which disabled people fall out of work and another focussing on welfare to work, as has been suggested by the Resolution Foundation11.

May 2016

---

10 Dame Carol Black and David Frost CBE (2011) Health at work – an independent review of sickness absence.
11 Resolution Foundation (2016) The road to full employment: what the journey looks like and how to make progress