

ABI response to the Consultation on Measures to Increase Transparency in the UK Labour Market

May 2018

About the ABI

The Association of British Insurers 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 ± 1.6 trillion.

<u>Overview</u>

The ABI welcomes the opportunity to respond to the Department for Business, Energy, & Industrial Strategy's Consultation on Measures to Increase Transparency in the UK Labour Market. The review presents a timely opportunity to explore how the growing number of self-employed people or those working within the gig economy can benefit from greater transparency in their employment relations.

We believe that increased individual knowledge of the rights and responsibilities of their employment is beneficial to all parties concerned. The ABI believes that the proposals outlined in this consultation should remain a priority for any government.

In this submission we focus on the proposal for more detailed written statements to be provided to all workers and endorse the Taylor review recommendation that:

'The government should build on and improve clarity, certainty and understanding of all working people by extending the right to a written statement to 'dependent contractors' as well as employees'

We seek, in this response, to highlight our support for including additional information in the written statements provided to workers as outlined in Section A, concerning sick leave and pay entitlement. It is the firm belief of the insurance industry that people are entitled to understand the level of financial protection that is available to them if they are unable to work due to illness or injury.

Increased Transparency and Accountability

1. Creating soft systems of transparency and accountability can be an effective way of encouraging businesses to behave in a socially responsible way, as we have seen in numerous other areas. As part of this, the ABI has become a

strong advocate for providing information to individuals through workplace statements. These statements would provide individuals with details on the level of financial support they could expect to receive from the state, or their employer in the event they are unable to work due to illness or injury.

- 2. We feel that individuals, empowered with a greater appreciation of their financial situation in the event of illness, will be better placed to decide on whether to make appropriate self-provision or to advocate to their employer for better protection and sick pay entitlement.
- 3. Greater transparency between employers and employees presents an opportunity to improve the provision of information regarding a range of financial issues, including protection.

ABI Protection Statement

- 4. In the ABI's response to the Governments Improving Lives Green Paper we recommended that the government and employers work together to develop a means for employees to clearly and simply check their combined level of protection from the state and their employer. We advocated that the state should consider mandating a 'protection statement' that would aim to explain:
 - someone's chance of being off work sick for 28 weeks and what their combined income would be each month, and
 - the chance of being off work sick for 12 months and what their income would be each month.
 - This could be included in an employee's P60 or accessed online and help people better understand their potential needs should they be unable to work.
- 5. This concept was strongly supported by the then Minister of State for Disabled People, Health and Work, Penny Mordaunt MP.
- 6. By giving individuals an estimate of the safety net they have in place from their employer and the state, this statement would help individuals to make an informed choice about their own financial protection situation. It would also highlight where there is limited sick pay provision from an employer, and will therefore help drive conversations about workplace protection.
- 7. The Work and Health Unit has shown interest in this proposal before and is likely to value the industry's assistance in helping to explore further how this recommendation could work in practice.
- 8. Since the publication of the Improving Lives Command Paper, the ABI has been developing an online calculator in conjunction with the Learning and Work



Institute and Policy in Practice which will provide key information to individual workers on their financial resilience in the event of falling ill.

- 9. This tool can be completed in 2-3 minutes and has been assessed and tested through a number of consumer focus group sessions around the country, prompting participants to engage more with their financial affairs.
 - This tool has been devised as a financial educational tool and operates purely to promote understanding. The unbiased and accurate nature of the information and report created will enable individuals to make their own assessment about their future financial needs.
 - The ABI is striving to work with the new SFGB to create meaningful and informative webpages that will provide users with the full range of financial options available to them. This will help support the SFGB's mandate to increase financial resilience and capability.
- 10. The ABI is engaging with protection insurance industry representatives, the Money Advice Service, employer representative organisations, the Work and Health Unit, and businesses to promote this tool and will be hosting a round table event with stakeholders on 21 June 2018.

<u>Key Asks</u>

- 11. The ABI advocates that all written statements, as outlined in Section A, should highlight the need for individuals to consider their financial resilience and sustainability in the event that they are unable to work due to illness or injury. We believe this should be noted under the section of the statement that deals with sick leave and pay entitlement.
- 12. The ABI believes that one method of providing this information is to highlight to employees how they might access the proposed calculator tool and the subsequent information pages (e.g. as hosted by SFGB or on employer's own website) which will not only increase transparency between employers and employees concerning sick leave and pay entitlement, but also increase the general financial resilience of some of the most financially vulnerable in society.

