

# Factsheet: Statutory Sick Pay

## Lower Earnings Limit Removal Structure

As part of our Plan to Make Work Pay, the Government committed to ensuring the safety net of sick pay is available to those who need it the most. In October 2024, we introduced the Employment Rights Bill, a significant step towards delivering this ambition and representing the biggest upgrade to workers' rights in a generation.

The Statutory Sick Pay (SSP) measures in the Bill will widen eligibility to up to **1.3 million employees** who are not currently entitled and remove the waiting period so that SSP is paid from the first, rather than the fourth, day of a sickness absence.

### *Removing the Lower Earnings Limit (LEL)*

We are removing the requirement for an employee to earn £125 per week to be eligible for SSP. To ensure the new system provides a fair earnings replacement, employees will receive **80%** of their average weekly earnings or **the flat rate** (£118.75 per week), whichever is lower.

This rate strikes the right balance between providing financial security to employees who need it, whilst limiting additional costs to businesses. It will mean the lowest paid employees will always receive the highest replacement rate of income (80%).

### *Will some people lose out?*

There is a small group (approx. 330,000) of employees who currently earn just above the LEL (£125-£148). Some of these employees may be entitled to occupational sick pay, but those who receive SSP may be entitled to a lower weekly rate than under the current system. This is because they would receive 80% of their earnings, rather than the current flat rate of SSP, which for those earning £125 per week is 95% of their income. All employees earning above £148 per week would receive the current flat rate of SSP, and their entitlement is unchanged.

However, by removing the waiting period, no employee will be entitled to less SSP overall for the first 3-weeks of a sickness absence, which, from a survey of UK employees, represents 87% of all sickness absences.<sup>1</sup> In fact, the vast majority will receive more than they do now.

This is because in the first three days of a sickness absence all employees will receive at least £60 extra than under the current system. This rises to £150 if they work two days per week, as they would previously have had to wait until the second week of illness to be eligible.

Our internal modelling suggests that employees will not, over the course of their sickness absence, be worse off as a result of these changes. This is based on a model that simulates employee earnings and sickness absence patterns. Whether in practice an employee receives less than they do now will depend on the duration of their sickness absence and:

- **Days worked:** the fewer days an employee typically works per week, the greater the gain from removing the waiting period. We would expect most employees earning £125-£148, reflecting approx. 10-12 hours at National Living Wage, to work fewer days.
- **Income:** the more an employee earns, the lower the difference to the current system in the weekly rate. This means it will take longer periods of sickness absence before they receive less SSP in total than they would now. Approx. 180,000 of the 330,000 earn between £135-148, and will be better off for at least the first 6-16 weeks.

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<sup>1</sup> DWP Employee Survey 2023

## Minimum weeks employee is entitled to more SSP overall under new system

Weekly earnings	Days worked per week				
	1 day	2 days	3 days	4 days	5 days
£125	19 weeks	9 weeks	6 weeks	4 weeks	3 weeks
£135	Always	16 weeks	11 weeks	8 weeks	6 weeks

*This table shows how an employee's earnings and the number of days they work per week affects how long during their sickness absence they will be better off overall compared to the current system. As earnings increase to £148 per week employees will always be better off overall compared to the current system.*

Internal analysis<sup>2</sup> indicates that, compared to all employees, those earning between £125-£148 per week have a higher proportion in full- or part-time education (15%), on Universal Credit (UC, 13%), or with multiple jobs (37%). A lower proportion are the household reference person (47%) so are less likely to be the primary earner or are more likely to live with parents.

Those needing additional financial support may be able to claim through the welfare system. UC could cover some of the potential future shortfall in SSP as the amount of UC received could increase, however this depends on their individual circumstances and entitlements.

## Case studies

A supply teacher works for **10 hours over 2 days per week** (earning £125). They are off work for 5 weeks due to a broken leg.

Under the old system, they have been entitled to a total of £416. Under the new system they will receive £500, an increase of **£84, or £21 extra per week**.

A steward works **11 hours over 3 days** at NLW in job, and **9 hours over 2 days** with another. They are off from both for 10 weeks to recover from an operation.

They would have been entitled to £1,068 (£107pw) from one job, but nothing from the other – due to earning below the LEL. Now they would be entitled to **£1,954 (£195pw)**.

A cleaner works **11 hours across 5 days** at NLW, receiving UC with no work allowance. They take 3 months off for cancer treatment.

Currently, they would receive £1,354 in SSP and, depending on their household situation, potentially be entitled to £142 extra in UC. In future, this would be £1,289 in SSP and could potentially receive £177 in UC.

## Why not ensure that everyone receives more?

An alternative system has been proposed to pay 80% of earnings until an employee earns the flat rate, then pay the flat rate. This has been proposed in the context of the current rate being approximately 95% of the LEL. However, this is a recent phenomenon, with the rate of SSP historically being just under 80% of the LEL until the latter was frozen in 2021, 2023 and 2024.

More generally, we do not consider the alternative model to be fair, as it would result in some employees receiving higher earnings replacement rate than those earning less. An employee earning £118.74 would receive £24 less in SSP than someone earning a penny more. We estimate up to 359,000 (earning £118.75-£148) would be eligible for more than the new fair earnings replacement (80%). Of these, 28,000 (earning £118.75-£125), who currently are not eligible for SSP, would have a replacement rate of more than 95%.

It is also inconsistent with other statutory payments, such as Statutory Maternity Pay, making it complex for employers to deliver. This leads to an increased risk of accidental incorrect payments, meaning employees might unintentionally be under- or over- paid.

As the rate is uprated each year, some employees will see a sudden drop in entitlement, whilst new cohorts of employees – who were previously ineligible for SSP – would see unfair jumps in their entitlement to up to 100%.

<sup>2</sup> This data is sourced from internal DWP analysis based on the Family Resources Survey 2022/23 (FRS) for employees only, assessing characteristics for subsets of the population based on earnings. The analysis in this release has been scrutinised and received sign off by the expert lead analyst. The figures have been seen in advance by Ministers and officials. The data which underpins this information is taken directly and solely from the survey datasets described above. Quality assurance has taken place in line with the standards usually applied to DWP analysis.