

Briefing May 2021

# Tackling Covid-19: A case for better financial support to self-isolate

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## Key points

- Self-isolation remains vital for curbing transmission, but evidence suggests that rates of compliance are worryingly low. A key factor driving low compliance is that many people face financial barriers and lose income for self-isolating. The government must therefore further expand financial support for self-isolation or risk undermining the vaccine rollout and exit from lockdown.
- Although the government has expanded financial and practical assistance to those isolating, the restrictive eligibility criteria, administrative complexity, and low levels of compensation involved in existing benefits mean that many people still lose earnings for staying home if sick with or exposed to the virus. The £500 self-isolation support payments only cover about **1 in 8 workers**, and statutory sick pay only **covers a quarter** of the average worker's earnings – and misses out 2 million of the lowest paid workers altogether.
- This paper sets out a costed proposal for removing these barriers and replacing incomes for those self-isolating. We propose using modified versions of the (Coronavirus) Job Retention Scheme and Self-Employment Income Support Scheme to compensate people who are self-isolating. The policy would allow self-isolating individuals – via their employer or through the Self-Employment Income Support Scheme – to apply for grants to fully cover the lost wages, up to a cap. This would expand support to anyone losing earnings as a result of self-isolation, and avoid people relying on discretionary packages that could be applied in variable ways.

- If the numbers of people testing positive for Covid-19 and being transferred to NHS Test and Trace remained similar to those in early April 2021, our proposal is estimated to cost between £27 million and £39 million a month. This is equivalent to just 3% of the monthly budget (£1.25bn) allocated for NHS Test and Trace this year and may help ensure the value of that major investment.
- There are barriers to self-isolation that go beyond lost earnings, which is why this policy must sit alongside ongoing funding for local councils to provide comprehensive self-isolation support packages. This includes practical help with housing and deliveries, as well as additional financial assistance for people with job insecurity, on low wages or not working.
- We believe that the Job Retention Scheme and Self-Employment Income Support Scheme offer the most pragmatic and comprehensive solution given the relative administrative ease with which changes could be implemented. While other options like reforming statutory sick pay may offer good long-term solutions to these issues, they are unlikely to happen quickly enough to help curb transmission.

## The need for effective self-isolation policies remains as important as ever

With well over half of the British population now vaccinated with at least one dose of a coronavirus vaccine, the UK has entered a new phase of the pandemic. But even though infection rates have come down, restrictions on social contact are easing further and scientific advisers **have warned** that rates of community transmission will increase. There is hope that outbreaks will now be smaller and more easily controlled, but this depends on our ability to identify and isolate cases when they occur, and so far, the UK's track record on test, trace and isolate is **underwhelming**. This is particularly important given unknowns about variants, and emerging evidence that current vaccines **may be less effective** against some strains of the virus.

Individuals are legally **required to self-isolate** when they test positive for coronavirus, experience symptoms or have been in close contact with someone who has tested positive. Studies assessing adherence to self-isolation are limited and show mixed results, but there are reasons to suspect that it is worryingly low. A series of online surveys with more than 50,000 participants

carried out throughout the pandemic (the CORSAIR study) found that in the latest wave of data collection (January 2021), **only half of respondents** (52%) with Covid-19 symptoms reported fully adhering to self-isolation guidelines.

Part of the issue is that people do not present themselves for a test when they have symptoms: the CORSAIR study also found that in January 2021 **only 22% of people** with Covid-19 symptoms requested a test. A **recent survey** of more than 2,500 people by the Office for National Statistics found much higher rates of compliance (86%) with self-isolation among those who had had a test and were in contact with NHS Test and Trace – but people already adhering to one behaviour are plausibly more likely to adhere to others, and a key factor in improving self-isolation is ensuring people get tested in the first place.

The reasons why people do not get tested or self-isolate when required are complex, but **the available evidence** suggests that financial barriers and loss of income are key factors. People with the lowest incomes and smallest savings **report being** least able to self-isolate. This is also true for testing, with preliminary data from the Liverpool Covid-19 community **testing pilot** showing that people from poorer areas were half as likely to take a test (17% in the most deprived quintile versus 33% in the least deprived quintile), in part due to fears of inadequate self-isolation support. Among the **most common reasons** people report for avoiding testing is fear of how their employer will react if the result is positive.

Providing adequate compensation for those isolating is a clear issue that urgently needs fixing if we are to do what it takes to prevent future outbreaks. The government recently **increased funding** for local councils in England to provide support to those self-isolating, but these extra resources will not fully resolve the limitations of our current system that mean many people lose earnings for following protocols. A fair programme would support people to do the right thing and help curb the spread of the virus, and ensure that anyone being asked to stay at home and not work is not penalised for doing so. As well as wasting money – with NHS Test and Trace having been allocated £15 billion for 2021/22 – a failure to improve self-isolation compliance may result in further cases, deaths and the need for further restrictions, while **undermining the success** of the vaccine programme.

## Current income support policies are not fit for purpose

Self-isolating individuals who have to miss work currently have a few options for income support. Statutory sick pay is available to all employees who earn more than £120 a week, and designated self-isolation payments are available to those in work (both employees and the self-employed) and receiving a benefit targeted at low-income families (although rules vary across the four nations of the UK; see Box 1).

Self-employed workers who need to self-isolate may also qualify for the Self-Employment Income Support Scheme, which was introduced during the Covid-19 crisis to support self-employed people whose business was adversely affected by coronavirus.

Finally, the government has also made some small changes to the social security system to help those who are self-isolating, including scrapping the four-day wait before statutory sick pay kicks in, and ensuring that those self-isolating because they are a close contact of a confirmed case also qualify for sick pay.

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### Box 1: Designated self-isolation payments

England, Wales and Scotland have established a £500 self-isolation support payment. These payments are statutory and available to employees or self-employed workers who are required to self-isolate, cannot work from home and receive benefits targeted at low-income families (such as Universal Credit). The government recently expanded eligibility to cover parents unable to work because they are caring for someone who is self-isolating (in **Scotland**, carers of adults also qualify). In addition, councils **in England** and **Wales** can offer discretionary support for other individuals in need of financial assistance. Northern Ireland also offers self-isolation support, but only on a discretionary basis for people who earn below £20,849 a year (based on the National Living Wage) and face **'extreme, exceptional or crisis situations'**.

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The suite of support available to those who are self-isolating still has several limitations, including the following:

- Some two million of the lowest-paid workers do not meet the eligibility requirements for statutory sick pay. For those who do, entitlement levels are **nearly the lowest among countries** of the Organisation for Economic Co-operation and Development (OECD), covering **only a quarter** of the average worker's weekly earnings.
- While many employers offer occupational sick pay above the statutory minimum, this is not the case for **around a quarter** (26%) of workers who receive only the minimum (this figure could even be higher as survey data suggest that **17% of workers** do not know what they are entitled to).
- The restrictive eligibility criteria and difficult application requirements for the self-isolation payments, combined with a lack of funds for the discretionary payments, have meant that many people have been unable to access them, with councils in England and Wales rejecting nearly **two-thirds of applications**.
- Self-Employment Income Support Scheme grants for the self-employed are only administered as three-month lump sums, so they are an inefficient mechanism for replacing lost earnings during a typical self-isolation period (unlike the other limitations to current self-isolation support, here the risk is that the government is paying too much money to someone who misses out on just 10 days of work).
- Any worker who sees their earnings fall (because their sick pay is less than their usual earnings) or their self-employment income fall when self-isolating may claim Universal Credit. However, the monthly assessment period means that families may find their entitlements are small, and the five-week wait for the first payment means that this financial support will typically not be paid in a timely way.

Table 1 sets out pre-existing, revised and new income support for people needing to self-isolate, along with the limitations of each.

**Table 1: Income support for individuals who need to self-isolate**

Eligibility	Pre-existing sick-pay funding and eligibility	Revised or new funding during the pandemic	Limitations
Employed	<p><b>Statutory sick pay:</b> £96.35 a week in 2021, paid up to 28 weeks a year. To be covered, workers have to be classed as an employee or agency worker and earn an average of at least £120 a week.</p> <p>At least half – and perhaps as high as three-quarters – of employers top up the rate under <b>occupational sick pay schemes</b>.</p>	<p>The four-day wait before payment kicks in has been removed.</p> <p>Statutory sick pay includes exposed contacts in eligibility criteria.</p> <p>The government has introduced a relief package to cover the costs of statutory sick pay for isolating employees for small and medium-sized businesses.</p>	<p>The replacement rate is low and only covers a quarter of the average worker’s earnings.</p> <p>Some two million of the lowest-paid workers do not meet the eligibility requirements for statutory sick pay.</p>
Self-employed		<p><b>Self-Employment Income Support Scheme:</b> the government pays 80% of a self-employed person’s profits for up to three months, with a maximum claim of £7,500, if they cannot work because of Covid-19. From July 2021, the level of support will depend on the amount of earnings lost.</p>	<p>Currently the grant is only available as a lump sum, so individuals self-isolating for the standard 10-day period can only claim for a full three-month period.</p>
		<p><b>Self-isolation support payments:</b> £500 support payments are available to employees or self-employed workers who are required to self-isolate, and receive benefits targeted at low-income families. Councils have also been given funding to offer discretionary payments to other low-income workers who need financial assistance to self-isolate.</p>	<p>The support payments have narrow eligibility criteria, with only one in eight workers qualifying.</p>
Employed or self-employed	<p><b>Universal Credit:</b> benefit payments of between £344 and £596.58 a month (depending on age, marital status, earnings and other sources of financial support) for people on a low income or out of work. There are top-ups for individuals with children, disabilities or health conditions, or who need help paying rent.</p>	<p>The level of Universal Credit was increased by £20 a week in April 2020, but this increase is due to stop at the end of September 2021.</p> <p>Requirements of the minimum income floor have been temporarily relaxed to extend coverage to self-employed people with no or low earnings.</p>	<p>The built-in wait period of five weeks means that it will typically not be paid in a timely way to support self-isolation.</p>
	<p><b>Employment and Support Allowance (ESA):</b> £74.70 a week, available for individuals over the age of 25 who are unable to work because of a disability or health condition (different rates apply for couples applying jointly, and/or with dependents). Individuals must have previously paid National Insurance contributions as an employee or self-employed worker. (Individuals are unable to claim ESA and statutory sick pay at the same time.)</p>	<p>ESA has been made available from day one of absence from work (instead of day eight usually).</p>	<p>The ESA rate is lower than the statutory sick pay rate and below the National Living Wage.</p>

The eligibility gaps in, and administrative complexities of, the current income support offers mean that many people are at risk of financial hardship or lost earnings when self-isolating. Below we discuss the main principles that we think any policy should follow if we are to address these limitations and ensure no one is financially penalised for self-isolating.

## What an effective self-isolation payment policy needs to do

### 1 Remove any significant impact of lost earnings for people self-isolating who test positive for Covid-19 and their exposed contacts

There is an urgent need to remove any financial imperative for people to continue working rather than staying at home if sick with or having been exposed to Covid-19. Therefore, the current package of support needs to be expanded to cover anyone with coronavirus who loses earnings as a result of self-isolation. Office for National Statistics data **suggest** that 32% of people who test positive for Covid-19 lose income when self-isolating (this may underestimate the true proportion of people with Covid-19 who would lose out if they had to self-isolate, given the large proportion of people with symptoms who do not come forward for a test). The Scientific Advisory Group for Emergencies (SAGE) **recently concluded** that protecting incomes would likely 'have the single largest effect' in achieving equitable self-isolation policies, and could help improve adherence among both high and low earners. Since people with lower socioeconomic status have the hardest time self-isolating, it is essential that payments are high enough to fully replace their household's income.

### 2 Keep payments administratively simple to access

The test, trace and isolate system needs to work quickly to be effective. Setting income thresholds for payments may help target resources to those in most need, but it would increase the evidence that individuals need to submit to claim the benefit – one reason why so many applications are rejected under the current system. A functioning system should have reasonable checks and balances, but it should not go so far as to impede timely payment.

Widening and simplifying eligibility criteria would also ensure that more people in need of financial assistance are able to get support, and do not



have to rely on discretionary packages that may be applied variably across the country. And no matter the solution developed, it is also key that it can be implemented with relative ease, with minimum regulatory and legislative changes, given the risks of delayed action for the continued spread of coronavirus.

### **3 Exist alongside other forms of support**

There are barriers to self-isolation that go beyond lost earnings. For example, those on zero-hours contracts or who experience other types of job insecurity may feel unable to self-isolate if they fear it means they will be given fewer paid opportunities in future. A range of other socioeconomic and practical factors are **known to** also hinder compliance – such as caring responsibilities, the need to access essential supplies and living in crowded housing.

This is why, alongside recovering lost earnings, local councils must continue to be supported to offer comprehensive self-isolation support, including things like help with deliveries, alternative accommodation for people unable to self-isolate in their own home, and additional financial assistance for people on low wages or not working. The government's **recent funding announcement** is a positive development, and should be carefully evaluated to understand whether it sufficiently meets local needs and addresses the practical barriers people face when self-isolating.

## **What are the policy options and costs?**

There are a number of mechanisms available for expanding support for self-isolation, each involving different design choices with different trade-offs and cost implications. Given the principles described above, we think the most pragmatic and comprehensive solution would be to modify the existing furlough and Self-Employment Income Support schemes so that it can be used in cases of self-isolation as well. Below we discuss how that would work and what it would cost, and discuss some of its advantages relative to other options available.

**Use modified versions of the Job Retention Scheme and the Self-Employment Income Support Scheme.** The Job Retention Scheme was established to allow workers who were furloughed during the pandemic to receive up to 80% of their previous earnings. The scheme could be modified



to allow employers to apply for grants to cover 100% of the lost wages of any employee self-isolating, up to a cap. If the cap remained as it is under the current furlough scheme – at equivalent to £2,500 a month (or £822 for a typical 10-day self-isolation period) – this would ensure that 75% of workers had their incomes replaced. Meanwhile a lower cap roughly equal to £1,500 a month (a number chosen to match the existing self-isolation support payments of £500 for 10 days of isolation) would ensure that 44% of workers had their incomes replaced. Since the Job Retention Scheme only applies to those with an employer, the Self-Employment Income Support Scheme would need to be maintained to offer a solution to the self-employed, and modified so that payments could be issued to cover a short self-isolation period, rather than as a three-month lump sum. Steps would also have to be added to the claims process to account for people who have not been self-employed for very long, and so may have difficulty proving lost earnings.

If the number of people who test positive for Covid-19 and are transferred to NHS Test and Trace remained similar to the number in early April of this year, we estimate that the policy would cost between £27 million and £39 million a month, depending on how benefit caps are set (see Table 2 for alternative options). For context, this equals roughly 3% of the allocated £1.25 billion a month for the NHS Test and Trace budget for 2021/22.

These figures assume that the number of recent close contacts for every case will be a similar level to what we observed during the easing of restrictions in the summer of 2020, although we provide further detail on the assumptions, calculations and costs associated with different scenarios in Table 2. Close contacts account for £19 million, or 49% of our cost estimate, so government policy to **replace self-isolation for exposed contacts** with daily testing could reduce the number of people claiming benefit. The costs could, of course, also become much larger if we see another exponential rise in cases; however, the intention is that this policy will help reduce the spread of Covid-19 and prevent this from happening. With this additional spend, the government would help remove a major barrier to self-isolation and protect the value of its Test and Trace investment – and not to mention lead to the very real benefits of averting cases, deaths and further restrictions, as alluded to earlier.

**Table 2: A costed proposal for replacing incomes for those self-isolating (cost per month)**

All daily infections	Source/assumption	Number of close contacts for every infected person	Source/assumption	100% replacement, capped at £500 for a 10-day isolation period	100% replacement, capped at £822 for a 10-day isolation period
2,418	Total <b>number</b> of people transferred to NHS Test and Trace each day, 1 to 7 April 2021	1.7	Average number of close contacts reached and asked to self-isolate for every case to date	£21 million	£30 million
<b>2,418</b>		<b>3.2</b>		<b>£27 million</b>	<b>£39 million</b>
9,000	SAGE's March 2021 <b>estimate</b> of between 6,000 and 12,000 new infections each day in England	3.2	Average number of close contacts reached and asked to self-isolate for every case between July and August 2020	£101 million	£146 million

Notes: Figures assume that two-thirds of cases are among the working-age population (aged 20–64), and that workers are as affected as non-workers in contracting Covid-19. All confirmed cases would get paid for 10 days, in line with current self-isolation protocols. Close contacts are assumed to have to isolate for six days (the cut-off point, after which they will be a confirmed positive or negative case with testing), and only receive payment if they are unable to work from home. We included a predicted probability of workers' ability to work from home (43%). Our base-case costings assume 71,000 weekly cases of infections and close contacts. These costs allow for the fact that the government is currently compensating small and medium-sized organisations for the cost of statutory sick pay for self-isolating employees. These estimates differ **from previous work** by the Resolution Foundation from November 2020, which assumed 431,000 cases and close contacts each week, and hence a higher price tag for adapting the furlough scheme for self-isolation support.

This approach would require changes to be made to both the Job Retention Scheme and the Self-Employment Income Support Scheme, including:

- extending both schemes beyond September 2021
- allowing Self-Employment Income Support Scheme claims to be made for periods of less than three months
- changes to the amount payable under the Job Retention Scheme in cases where employees are self-isolating
- the removal of the employer contributions to the Job Retention Scheme that are **planned to begin in July**.

But one of the advantages of this approach is that it would be administratively simpler than expanding the existing self-isolation payment scheme. The job retention and self-employment income support mechanisms provide a built-in system for knowing people's wages, so allowing payments to be linked easily to the level of lost earnings. They also have a built-in mechanism for knowing whether or not individuals claiming the benefit have received other forms of sick pay. However, one drawback is that access to the Job Retention Scheme relies on cooperation from employers, which could be applied unevenly. This is why discretionary support payments must be adequately funded and maintained through local councils as a fall-back system for people who still require additional financial support and other resources in order to self-isolate.

Another option would be to reform statutory sick pay so that it removes the need for individuals to have earned more than £120 a week to qualify for it, and in cases of Covid-19, it fully recovers people's lost wages (perhaps subject to a cap). This would have benefits not only for managing the pandemic and its aftermath, but also more broadly if it meant fewer people suffered financial consequences for illness. However, despite repeated calls for this to happen, it seems there is little governmental appetite for reform (even if there are some hints that **this may be changing**). Moreover, self-employed workers are not entitled to statutory sick pay, so a separate solution would still need to be established to cover their lost earnings. Over the long term, reforming statutory sick pay so that mandatory rates are higher and more people qualify for it should be taken seriously **given the inadequacies** of the current system. But as doing so is unlikely to happen quickly enough to help curb

the transmission of Covid-19, we think the proposal offered here provides a pragmatic interim solution that can be implemented with relative ease.

## **Self-isolation support requires investment, but the costs pale in comparison to the alternative**

Positive steps have been taken to make it easier for people to self-isolate, but none have gone far enough to ensure that people who need to self-isolate do not face financial hardship and lose income for doing the right thing. Increasing income support will come at a cost but, compared to other schemes the government has committed to, these costs appear affordable – and the potential financial and health consequences of inaction are very grave indeed. As the health of each of us depends on people’s ability to self-isolate, the government should protect people’s livelihoods for doing so.

There is little point spending so much money on NHS Test and Trace if it has little impact on who actually self-isolates – if people are not requesting a test in the first place, declining to share contacts or not isolating when required. As well as wasting money, a failure to manage future outbreaks may prolong the pandemic and undermine our exit strategy from the crisis.

Test, trace and isolate strategies work best at containing Covid-19 during periods of relatively low incidence and when the system has the capacity to keep up with spread. As we ease out of lockdown and case numbers are still controlled, now is the time to fix the gaps in our self-isolation policy. We have different options for doing so. The only option we must avoid at all costs is doing too little too late.

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