Group protection briefing, Q2 2025
Disability benefit cuts and group income protection

In the Spring Budget, the Government outlined plans to reduce some disability benefits and freeze others, sparking concern among employers, employees, and vulnerable individuals alike.

In this briefing, we outline the proposed changes and explain how group income protection can help employers mitigate at least some of the impact.

The proposed changes include:

- Tightening eligibility criteria for disability benefits
- Limiting increases in line with inflation
- Reassessing long-term claimants.

These reforms are positioned as part of broader welfare savings, but outcomes for individuals who rely on state support during periods of illness or disability could be stark. They face reduced financial support at a time of vulnerability, putting pressure on personal savings and any employer-funded aid.

For organisations with a duty of care to staff, this development adds urgency to conversations around financial and mental wellbeing.

The role of group income protection

The proposed changes make group income protection more important than ever.

Income protection policies provide a safety net for employees unable to work due to illness or injury. They deliver a percentage of salary – typically up to 75% – after a predetermined waiting period. This is significantly higher than state provision, and can give peace of mind to those facing a difficult chapter in their lives.

Crucially, this benefit can continue until the employee either returns to work or reaches retirement age, depending on the policy terms.

Beyond the financial benefits, income protection also unlocks a range of additional services that can provide significant support to both employees and employers.

Early intervention and rehabilitation support

Many providers offer extensive early intervention and rehabilitation services as part of their income protection offering – at no additional cost. These includes access to:

- Occupational health professionals
- Vocational rehabilitation
- Physiotherapy
- Counselling
- Cognitive behavioural therapy.

The services are designed to support employees, helping them recover faster and return to work when they are able. They reduce lengths of absence and minimise the impact on productivity and the team. And ultimately, they alleviate the stress experienced by employees during times of need.

Presenteeism and income protection

Presenteeism – where employees continue working despite ill health, often due to fear of income loss or job insecurity – is a problem that more and more of us are aware of. While it may seem preferable to absence, it often leads to lower productivity, errors, and in many cases, longer-term absence as health conditions worsen.

Income protection policies play a pivotal role here too. With a clear, supportive framework in place for recovery – including phased returns, workplace adjustments and financial reassurance – employees are more likely to seek help early, and employers can respond proactively rather than reactively.

Evidence of the impact of income protection

According to industry data:

- 96% individuals receiving mental health support who returned to work, did so within the waiting period. (Source: Aviva)
- Employers who actively engaged with their insurer's vocational rehabilitation support saw a reduction in absence length by up to 35%. (Source: Legal & General).

And group protection insurers we speak to agree that over 90% of long-term absent employees who participate in structured return-to-work plans are successfully reintegrated into the workforce.

These findings highlight the significant value of early support, not just in economic terms but in improved staff morale and retention.

What can employers do?

As an employer or organisation supporting staff, now is the time to review your protection strategies.

Important questions to ask include:

- Are your staff aware of what financial support is available to them if they're unable to work?
- Do you have robust policies in place to support health and wellbeing during absence?
- Are you making full use of all the services provided by your income protection insurer?

Group income protection is more than just a benefit. It's a foundation for resilience in an increasingly unstable landscape.

For organisations that pride themselves on being caring employers, income protection is an investment in people that pays dividends in stability, morale and long-term sustainability.

Get in touch

We are here to help you review your employee benefits arrangements and ensure your organisation - and your people - are prepared for what lies ahead.

Get in touch with our specialist team to discuss how income protection and complimentary services can help your organisation.

Or **find out more about group protection policies** such as income protection.

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