REFORM

Working welfare: a radically new approach to sickness and disability benefits

Charlotte Pickles
Ed Holmes
Hannah Titley
Ben Dobson

February 2016

#reformwelfare

Working welfare: a radically new approach to sickness and disability benefits

Charlotte Pickles
Ed Holmes
Hannah Titley
Ben Dobson

February 2016

Acknowledgements

The authors would like to thank James Bolton; Stephen Evans, Learning and Work Institute; William Mosseri-Marlio, *Reform*; and Professor Roy Sainsbury, University of York for their comments. The argument and any errors are the authors' and the authors' alone.

Reform

Reform is an independent, non-party think tank whose mission is to set out a better way to deliver public services and economic prosperity. Our aim is to produce research of outstanding quality on the core issues of the economy, health, education, welfare, and criminal justice, and on the right balance between government and the individual. We are determinedly independent and strictly non-party in our approach.

Contents

Executive summary

The out-of-work benefits system for people with a health condition or disability is broken. In 2006 the then Labour Government saw the need for reform and announced its intention to tackle the "passive" system of Incapacity Benefit (IB) by introducing Employment and Support Allowance (ESA), believing that within a decade there could be a million fewer claimants.[1] Instead, ESA replicated many of the problems of IB and has failed to achieve its objective of moving more disabled people into work. When ESA was introduced there were around 2.6 million people dependent on sickness benefits, today there are 2.5 million.[2] In the quarter to May 2015, just 1 per cent of claimants in the ESA Work Related Activity Group (WRAG) – those deemed able to carry out activity to help them move towards work – left the benefit.[3] The employment rate for disabled people in the UK is just 48 per cent, compared to 81 per cent for the rest of the working-age population.[4]

Governments across developed nations are facing the same challenge and looking at ways of redesigning their systems to deliver better outcomes.[5] Evidence shows that work is good for people's health and wellbeing and being out of work is detrimental to it, including for many people with mental and physical disabilities.[6] In the UK many disabled people want to work but are trapped on what remains a broadly passive system – almost three quarters of claimants who have had their Work Capability Assessment (WCA) are in the support group with no requirement to engage with, and little access to, support services.[7] As the Organisation for Economic Cooperation and Development has argued: "what is needed is to bring the disability benefit scheme closer in all its aspects to existing unemployment benefit schemes".[8]

Shortly after becoming Secretary of State for Work and Pensions in 2010, Iain Duncan Smith announced his ambition to create "[a] welfare system that is fit for the 21st Century."[9] In 2015 he argued that Universal Credit (UC) "opens the way for us to re-think the relationship between sickness benefits and work."[10] This paper outlines the structural reforms that would maximise UC's impact for people with health conditions. The package of reforms cover the benefit rate, gateway and conditionality. They are not about cost-saving, but building a more coherent, effective and personalised benefit system.

The difference in the benefit level for unemployed people compared to that for people with significant health conditions is sizeable – and under UC the gap will widen. For claimants with severely limiting health conditions the level of payment will not affect their chance of moving into work; for others non-financial incentives may be more powerful. Nonetheless, international evidence does show that the rate at which sickness benefits are set can have behavioural effects – particularly on claim duration.[11] The Government should therefore set a single rate for out-of-work benefit. The savings from this rate reduction

1 John Hutton. Commons debate on "Welfare Reform Green Paper", HC Deb 24 January 2006, c1305.
2 Department for Work and Pensions, 'Benefit Expenditure and Caseload Tables 2015.' Accessed January 2016. These figures are the number of people claiming out-of-work incapacity-related benefits; Employment and Support Allowance, Incapacity Benefit, Severe Disablement Allowance, and the incapacity-related element of Income Support.
3 Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015.' Accessed January 2016. At the end of May 2015 there were 476,500 ESA WRAG claimants. During the period 1 March 2015 to 31 May 2015 there were 16,940 exits from the WRAG. This means that around 1 per cent of WRAG claimants per month flowed off the benefit, for the time period March to May 2015.
4 Office for National Statistics, 'Labour Market Statistics, January 2016', (20 January 2016). For July-September 2015, 47.6 per cent of respondents aged 16-64 who were classified as Equality Act core disabled and/or work-limiting disabled were in employment. 80.5 per cent of those not classified in this way were in employment (excluding those who did not state their health condition).
5 OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries*.
6 Gordon Waddell and A Kim Burton, *Is Work Good for Your Health and Well-Being?*, 2006.; OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries*.
7 Department for Work and Pensions, 'Benefit Expenditure and Caseload Tables 2015'.
8 OECD, *Sickness, Disability and Work: Breaking the Barriers* (Paris: OECD Publishing, 2010), 103.
9 Iain Duncan Smith, 'Welfare for the 21st Century', Speech, (May 2010).
10 Iain Duncan Smith, Speech to *Reform*, (24 August 2015).
11 David Autor, Mark Duggan, and Jonathan Gruber, *Moral Hazard and Claims Deterrence in Private Disability Insurance* (National Bureau of Economic Research, 2012); Magnus Henrekson and Mats Persson, 'The Effects on Sick Leave of Changes in the Sickness Insurance System,' *Journal of Labor Economics* 22, no. 1 (2004); Elisabeth Fevang, Ines Hardoy, and Knut Roed, *Getting Disabled Workers Back to Work: How Important Are Economic Incentives?* (The Institute for the Study of Labor, 2013).

should be reinvested into Personal Independence Payment – which contributes to the additional costs incurred by someone with a long-term condition – and into support services.

Moving to a single out-of-work allowance is also a key precursor to a more personalised system focused on what a claimant can do. The current WCA combines an assessment of eligibility for benefits with an assessment of a claimant's capacity for work. This much criticised model inadvertently encourages claimants to focus on demonstrating how sick they are, rather than engaging in an open conversation about what they might do with support. A single allowance enables the separation of these two things. Building on UC, the Government should implement a single online application for the benefit, including a 'Proximity to the Labour Market Diagnostic' to determine a claimant's distance from work and a health questionnaire.

This questionnaire should determine whether a separate occupational health assessment is needed. If it is, this should be carried out by an appropriate health professional, with oversight from an occupational health specialist. Unlike the 'pass/fail' WCA model, the assessment should take a broad view of a claimant's multiple health-related barriers to work, including 'biopsychosocial' factors. The claimant and health adviser should, where appropriate, jointly produce a rehabilitation plan, and this should come with a personal budget. Those with mild or moderate health conditions that, with support, could be managed should be expected to take reasonable rehabilitative steps – some level of conditionality should therefore be applied. Employment advisers must be appropriately trained to support those claimants, and given a high degree of discretion in how they apply that conditionality.

Achieving the radically different employment outcomes desired by the Government demands a radically different approach. The model proposed in this paper provides just that.

Working welfare / Executive summary

Recommendations

1. A single out-of-work allowance should be established, removing all out-of-work disability-related premiums.
   - Time-limited transitional protection should be provided for current Employment and Support Allowance support group claimants.
   - The single out-of-work allowance should be uprated by a more generous mechanism that better reflects the inflation experience of beneficiaries.
2. The savings from moving to a single out-of-work allowance should be reinvested into increased rates for Disability Living Allowance and Personal Independence Payment and increased provision of support programmes to help claimants move back into work.
3. Universal Credit should be assessed through a single, online gateway, made up of three components: an administrative assessment, Proximity to the Labour Market Diagnostic and health questionnaire. There should be transparent, plain language making it clear to the claimant the discrete purpose of each component, and that although mandatory, each element operates independently of the other.
4. The current requirement to provide a 'fit note' from a GP should be scrapped. Claimants should be able to submit evidence from the most appropriate healthcare professional. The Occupational Health Assessment should also be undertaken by the most appropriate healthcare professional, ensuring the assessment is focused on a claimant's capacity to work.
5. An ongoing assessment process should also be performed by a specialist employment adviser – the claimant's caseworker. This should include the ability to flex employment support and conditionality, as well as refer a claimant back to the Proximity to the Labour Market Diagnostic or Occupational Health Assessment, to account for changing circumstances.
6. As part of the Occupational Health Assessment, where appropriate claimants should co-produce an occupational health plan with their health adviser. This should be accompanied by a personal budget that is unlocked by a 'dual key' of claimant and specialist employment adviser. This should facilitate implementation of the plan to assist the claimant in moving closer to the labour market by treating or managing their condition.
7. The Department for Work and Pensions should pilot how best to apply conditionality to ensure compliance with an agreed occupational health plan. This should be targeted at claimants with mild to moderate conditions.

Introduction

Shortly after becoming Secretary of State for Work and Pensions in 2010, Iain Duncan Smith announced his ambition to create "[a] welfare system that is fit for the 21st century."[12] Over the course of the Parliament, the Coalition Government embarked on a radical programme of change aimed at building a fair and sustainable social security system. The reforms have not, however, had the desired impact for people with a disability or health condition.

The previous paper in this series, *Employment and Support Allowance: the case for change*, showed how little progress has been made in supporting disabled people back to work.[13] In 2006, when the then Labour Government announced its intention to introduce Employment and Support Allowance (ESA), it argued that "[r]adically changing incapacity benefit is critical to giving more opportunity to those trapped by the current system".[14] Presenting his green paper[15] to Parliament, then Secretary of State for Work and Pensions John Hutton stated that the reforms would result, within a decade, in a million fewer claimants.[16] Today there are 2.5 million people claiming out-of-work incapacity-related benefits – in 2007-08 there were 2.6 million.[17]

The challenge of long-term dependency and low off-flow rates is characteristic of developed nations across the world – caseloads are high and each year just 1-2 per cent of claimants leave sickness benefits for reasons other than retirement or death.[18] The employment rate for disabled people in the UK is just 48 per cent, compared to 81 per cent for the rest of the working-age population.[19] When ESA was introduced it was expected that "the vast majority" of claimants would be subject to "a clear framework of rights and…responsibilities" – a minority of claimants would be in the support group.[20] Instead, almost three quarters of claimants who have had their assessment are in the support group and subject to no conditionality, with very little support to return to work.[21] This will have to change if the Government is to achieve its ambitious pledge to halve the disability employment gap.[22]

Evidence shows that work is good for people's health and wellbeing and being out of work is detrimental to it, including for many people with mental and physical disabilities.[23] Moreover, the longer someone is out of work, the more detached from the labour market they become.[24] Improving the employment prospects of disabled people must be the focus of welfare reform in this Parliament.

Universal Credit (UC) provides the ideal platform. Replacing six in- and out-of-work benefits with a single monthly payment, UC is designed to simplify the benefit system, reduce the risk of moving into work and to increase the reward of doing so.[25] It represents the biggest reform to the welfare state since Beveridge, but the Government should go further with it.

12 Iain Duncan Smith, 'Welfare for the 21st Century', Speech, (May 2010).
13 Ed Holmes, Hannah Titley, and Charlotte Pickles, *Employment and Support Allowance: The Case for Change* (Reform, 2015).
14 John Hutton, 'The Active Welfare State: Matching Rights with Responsibilities', Speech, (16 January 2006).
15 Department for Work and Pensions, *A New Deal for Welfare: Empowering People to Work*, 2006.
16 John Hutton. Commons debate on "Welfare Reform Green Paper", HC Deb 24 January 2006, c1305.
17 Department for Work and Pensions, 'Benefit Expenditure and Caseload Tables 2015.' Accessed January 2016.
18 OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries*. On average, for the time period March to May 2015, around 1 per cent of WRAG claimants per month flow off the benefit. Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015.'
19 Office for National Statistics, 'Labour Market Statistics, January 2016'. For July-September 2015, 47.6 per cent of respondents aged 16-64 who were classified as Equality Act core disabled and/or work-limiting disabled were in employment. 80.5 per cent of those not classified in this way were in employment (excluding those who did not state their health condition).
20 John Hutton. Commons debate on "Welfare Reform Green Paper", HC Deb 24 January 2006, c1305.
21 Department for Work and Pensions, 'Benefit Expenditure and Caseload Tables 2015'. This excludes claimants whose group is unknown.
22 Priti Patel. Written Answer 17167, 30 November 2015, cw.
23 Gordon Waddell and A Kim Burton, *Is Work Good for Your Health and Well-Being?*, 2006.; OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries*.
24 Carol Black and David Frost, *Health at Work – an Independent Review of Sickness Absence* (Department for Work and Pensions, 2011).
25 Department for Work and Pensions, *Universal Credit: Welfare That Works*, 2010.

This paper proposes structural reforms covering the gateway to, rate of and conditionality for out-of-work incapacity-related benefits. The package of financial and non-financial reforms detailed in this report collectively create a vision for a simpler and more effective out-of-work benefit system for people with health conditions. This is not about savings, but about creating a better system. These structural reforms must be matched by an equally effective system of employment support services, and *Reform's* vision for this will be the subject of a third and final report in this series.

Achieving the radically different employment outcomes desired by the Government demands a radically different approach – piecemeal changes to the current system will not work. In Summer 2013 Lord Freud said "[t]his is just the beginning…. Universal Credit will roll and roll."[26] The following report outlines the direction towards which future reforms should "roll".

26 Roy Sainsbury, 'Talking Universal Credit: In Conversation with Lord Freud', *Journal of Poverty and Social Justice* 22, no. 1 (2014).

1
The rate

1.1 A broken benefit

The UK working-age benefits system is complex and confusing. Successive governments have made piecemeal reforms which have left a complicated picture of multiple benefits, each with different eligibility criteria, application processes and interactions with the labour market. This complexity is unhelpful for administrative purposes and for the benefit claimants themselves: it makes it hard for claimants to understand their benefit eligibility, rights and responsibilities, and hard for staff to help people access appropriate support.[27]

UC sought to address these issues by replacing six in- and out-of-work benefits with a single monthly payment. As well as simplifying the system, UC aims to reduce the risk of moving into work and to increase the reward of doing so.[28] This represents the biggest reform to the welfare state since Beveridge. Nonetheless, it does not go far enough. To maximise the impact of UC and tackle one of the UK’s key unmet welfare challenges, the Government must be even bolder.

The retention of some of the existing out-of-work benefits system behind the wrapper of UC preserves the unnecessary complexities and perverse incentives of the current system. Moving to a single out-of-work allowance in UC would help the Government achieve its aim of helping claimants “who remain trapped and isolated on welfare to move from dependence to independence”, and end the situation where “too many sick and disabled people [are] languishing in a life without work, when work is actually possible for them.”[29]

1.1.1 Streamlining and simplification

1.1.1.1 Purpose: mixed messages

Currently, the level of out-of-work benefit a claimant receives is linked to their health. Depending primarily on the severity of any health conditions, claimants receive either Jobseeker’s Allowance (JSA), Income Support (IS), ESA Work Related Activity Group (WRAG) or ESA support group. Under UC, the Standard Allowance is the equivalent of JSA and IS, and, following the Summer Budget, ESA WRAG. The Limited Capability for Work and Work Related Activity (LCWRA) element is the equivalent of the ESA support group. Separately, claimants who experience additional costs due to substantial care and/or mobility problems resulting from a long-term health condition can claim Personal Independence Payment (PIP), previously Disability Living Allowance (DLA).[30] The extent to which an individual’s health condition limits their ability to carry out everyday activities determines their PIP payment, which ranges from £21.80 to £139.75 a week. Eligibility for this extra costs benefit is unrelated to a person’s employment status, meaning they can claim the benefit both in and out of work.[31]

The use of different out-of-work benefit rates adds complexity to the benefit system. Two principal arguments have been put forward as the grounds for a higher rate payment for those out-of-work and suffering ill health. Firstly, these claimants are likely to be dependent on the benefit for a significant period of time.[32] For those in the current ESA support group, there is in fact no expectation that they will move into work – which, given the growing number of people assigned to this inactive benefit, is a significant concern in itself. Secondly, people with health conditions have higher living costs due to their condition.[33]

27 Department for Work and Pensions, *21st Century Welfare*, 2010.
28 Department for Work and Pensions, *Universal Credit: Welfare That Works*, 2010.
29 Iain Duncan Smith, Speech to *Reform*, (24 August 2015).
30 Department for Work and Pensions, ‘Personal Independence Payment (PIP) - GOV.UK,’ accessed 11 January 2016.
31 Ibid.
32 Department for Work and Pensions, *Time Limiting Contributory Employment and Support Allowance to One Year for Those in the Work-Related Activity Group*, 2011.
33 Disability Rights UK, *Holes in the Safety Net: The Impact of the Universal Credit on Working Disabled People, Report 3*, 2012.

Whilst these arguments undoubtedly have some merit, they are also problematic. Firstly, other groups can be dependent on out-of-work benefits for significant periods of time, although permanent dependency is highly unlikely. For example, the current IS regime for lone parents allows them to claim with no conditionality until their youngest child is aged one and then just participate in work-focused interviews until their children are five. This is being lowered to three in 2017.[34] As of February 2015, almost 70 per cent of lone parents with a child aged under five had been claiming IS for over 12 months, and nearly half had been claiming for more than two years.[35] Lone parents, despite the likelihood of them spending several years on out-of-work benefits, receive the same benefit rate as jobseekers: £73.10 a week.[36] They do, however, receive substantial top-ups via other benefits in recognition of the extra costs incurred as a result of caring for children: Child Benefit and Child Tax Credits.

In addition, the design of the benefit system and its associated support services may be contributing to the length of time claimants spend on out-of-work benefits. The lack of activation (support programmes and corresponding conditionality) combined with the higher rate and fear that should a claimant try a job that does not work out they may then be moved onto a lower rate benefit, is trapping people.[37] Whilst clearly this will not apply to everyone it is an important public policy consideration. Reforming the benefit may actually help reduce the time spent on it – realising the original objective of ESA to substantially reduce the caseload.[38]

Secondly, as in the case of lone parents, clearly distinguishing between income-replacement benefits (in this case ESA) and benefits designed to contribute to additional costs (PIP/DLA) is vital in clarifying their respective roles. The distinction between these two types of benefits has been blurred in the current system. Simplicity is a core aim of UC, and clearly separating payments for income replacement from those contributing to extra costs would aid this.

1.1.1.2 Administration: high costs and complicated processes

The retention of multiple out-of-work benefits has attendant administrative problems. It wastes resources on different procedures and assessments, while movement between benefits creates further costs.

At present, there are separate application processes, assessments and follow-up requirements for out-of-work benefit claimants, depending on whether they have applied for JSA or ESA. UC offers a simpler application for claimants, allowing most people to apply through a single online application form. In terms of the back-end administration, however, little has changed. Claimants applying for JSA and ESA are subject to different assessments, each with separate infrastructure. In addition, UC does not change the WCA, which has been plagued with problems since its inception (see Chapter 2). The disjointed, multiple out-of-work assessment processes will continue to be an expensive administrative burden under UC unless these processes are streamlined to align with the front-end.

The existence of multiple out-of-work benefits also means movement between benefits. Under the current system, this comes at an administrative and personal cost to the claimant who has to be re-assessed for eligibility. As well as this, some claimants make repeat claims to ESA and are awarded benefit at the assessment rate having had a

34 HM Treasury, *Summer Budget 2015*, 2015.
35 Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015', accessed 11 January 2016.
36 Lone parents with a disability may also be entitled to one or more disability premiums. Disability premium is an extra amount automatically added to their Income Support. Department for Work and Pensions, 'Disability Premiums (Income Support) - GOV.UK,' accessed 13 January 2016; Ian Greaves, *Disability Rights Handbook Edition 40 - 2015-16* (Disability Rights UK, 2015).
37 Department for Work and Pensions, *A New Deal for Welfare: Empowering People to Work*; Department for Work and Pensions, *Universal Credit: Welfare That Works*.
38 Department for Work and Pensions, *A New Deal for Welfare: Empowering People to Work*.

previous award terminated because they had been found to be fit for work.[39] At present, around 25 per cent of ESA applicants are already in receipt of another out-of-work benefit: JSA.[40] Citizens Advice have estimated the administrative cost to the taxpayer of moving a JSA claimant to ESA (or vice versa), following an appeal, at £162.76.[41]

UC will go some way to reducing the costs of transferring claimants between benefits by collecting claimant details through an online application form. However, these costs cannot be properly minimised whilst the eligibility assessment for the higher rate ESA includes a WCA and generates a high volume of appeals. Under a single UC out-of-work allowance, people would not have to move between out-of-work benefits and therefore these costs would be removed.

1.1.2 Signalling: labelling claimants as 'cannot do'

The use of different out-of-work benefits has to date created a binary split between claimants who are 'disabled' or 'sick' and those who are 'unemployed'. This labelling, and the starkly different conditionality regimes accompanying them, creates an unhelpful association between being disabled and unable to work, in contrast to being unemployed and able to work. This runs contrary to the reality that many disabled people can and do work, and many people who are unemployed and looking for work (claiming JSA) have long-standing health conditions. In 2014, 46 per cent of working-age disabled people were in employment, with the rates for specific conditions ranging from 43 to 74 per cent.[42] Analysis in 2011 found that 59 per cent of those with a long-term health condition were in work.[43] In 2014 around one in five JSA claimants were registered as having a disability.[44]

In health, several academic studies have noted the negative impact that classifying individuals with diagnostic labels can have.[45] For people with poor mental health, there is evidence that the stigma associated with a clinical label can exacerbate their negative experience of the illness.[46] Furthermore, evidence shows that labelling children with a learning disability designation leads to reduced or negative expectations, as well as negative attitudes and stereotypes. At school, lower expectations can translate into reduced effort and lower attainment.[47]

Evidence suggests that the disability label has an impact on a person's self-perceived work readiness. Corrigan and Watson describe how some people that have been diagnosed with a mental illness start to accept social stigmas around mental ill health, suffering reduced self-esteem and self-efficacy as a result.[48] Corrigan, Larson and Rusch highlight that:

> *...lack of confidence may reflect doubts thrown up by agreeing with specific stereotypes and defining one's self in terms of those stereotypes. "Why should I even try to get a job? Someone like me – someone who is incompetent because of mental illness – could not successfully accomplish work demands."*[49]

39 HM Government, *Employment and Support Allowance (Repeat Assessments and Pending Appeal Awards) (Amendment) Regulations 2015*, 2015.
40 Paul Sissons and Helen Barnes, 'Getting back to Work? Claim Trajectories and Destinations of Employment and Support Allowance Claimants,' *Journal of Poverty and Social Justice* 21, no. 3 (2013).
41 Citizens Advice, *Mandatory Reconsideration in Employment and Support Allowance*, 2014.
42 Department for Work and Pensions, *Labour Force Survey Analysis of Disabled People by Region and Main Health Problem*, 2015, 3–4.
43 Carol Black and David Frost, *Health at Work – an Independent Review of Sickness Absence* (Department for Work and Pensions, 2011), 17. These employment rates are for Q4 (October-December) 2014.
44 Freedom of Information Disclosure, Department for Work and Pensions, 3 March 2015, 2015-447.
45 Linda Garand et al., 'Diagnostic Labels, Stigma, and Participation in Research Related to Dementia and Mild Cognitive Impairment', *Research in Gerontological Nursing* 2, no. 2 (2009).
46 Patrick Corrigan, 'How Clinical Diagnosis Might Exacerbate the Stigma of Mental Illness,' *Social Work* 52, no. 1 (2007).
47 Karen Osterholm, William Nash, and William Allan Kritsonis, 'Effects of Labeling Students "Learning Disabled": Emergent Themes in the Research Literature 1970 Through 2000,' *FOCUS on Colleges, Universities, and Schools* 6, no. 1 (2011).
48 Patrick Corrigan and Amy Watson, 'The Paradox of Self-Stigma and Mental Illness,' *Clinical Psychology* 9, no. 1 (2002).
49 Patrick Corrigan, Jonathon Larson, and Nicolas Rusch, 'Self-Stigma and the "Why Try" Effect: Impact on Life Goals and Evidence-Based Practices,' *World Psychiatry* 8, no. 2 (2009): 76.

A study looking at multiple return-to-work rehabilitation programmes for people with mental health conditions recommended limiting discourses that promote diagnostic labelling.[50]

Although the introduction of a WRAG was intended to tackle this by recognising an individual's remaining work capacity, in the quarter up to May 2015, only around one per cent of WRAG claimants left the benefit.[51] In addition, the majority (almost 75 per cent) of post-assessment ESA claimants are assigned to the support group where the absence of any work expectation reinforces the negative messaging that they cannot work.[52]

In removing the labels JSA and ESA, UC is a very positive step in the right direction. Nonetheless, by maintaining an incapacity related payment (the LCWRA element) some negative messaging remains – a standard allowance would remove this.

New Zealand's 2013 working-age benefit reforms

New Zealand is one country that has recognised the negative effects of diagnostic labelling. Introduced in 2013, New Zealand's working-age benefit reforms have relabelled those on sickness benefits as 'Jobseekers'.[53] As of 15 July 2013, people claiming Sickness Benefit were automatically transferred to Jobseeker Support, together with those in receipt of Unemployment Benefit.[54] Those eligible for Jobseeker Support include: people not in employment and looking for a job, not in work, or working less than full time due to a health condition, injury or disability.[55] This set of reforms introduced three key changes for those with some remaining capacity for work:

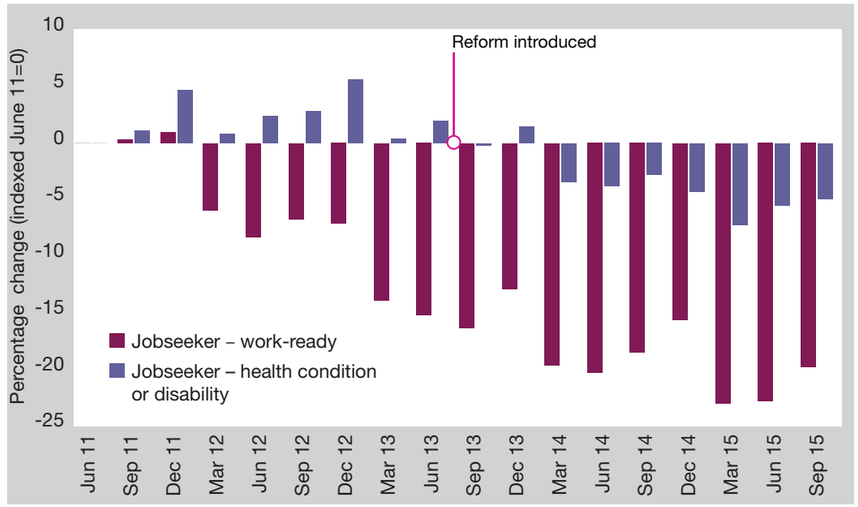
- automatic requirement to reapply for financial support every 52 weeks;
- a self-assessment form, for the person to explain the sort of work they think they can do now or in the future, and greater obligations to engage in work-related activity;[56] and
- it relabelled those claiming Sickness Benefits as 'unemployed', shifting the focus towards work and away from their barriers to work.

Following these reforms, the number of people claiming Sickness Benefit dropped significantly. In the two years before the changes were introduced, the number of people claiming Sickness Benefit increased by 2 per cent. Following the reforms, the caseload of jobseekers with a health condition decreased compared to previous records – by 4.7 per cent. As shown in Figure 1, this contrasts both with the pattern of 'work ready' jobseekers, for which the two-year off-flow rate was lower than those with a health condition, and the two years preceding the reforms.[57]

This indicates that non-financial incentives, as well as the rate, impact the labour market behaviour of people with a health condition. It is not possible to quantify the effect of each individual change in helping more people move into work. However, taken together, New Zealand's reforms led to an increased focus on work for people with some remaining work capacity.[58]

50 Catherine Briand et al., 'Work and Mental Health: Learning from Return-to-Work Rehabilitation Programs Designed for Workers with Musculoskeletal Disorders,' *International Journal of Law and Psychiatry* 30 (2007).
51 Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015.' Accessed January 2016. At the end of May 2015 there were 476,500 ESA WRAG claimants. During the period 1 March 2015 to 31 May 2015 there were 16,940 exits from the WRAG. This means that around 1 per cent of WRAG claimants per month flowed off the benefit, for the time period March to May 2015.
52 Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015'. Excludes 500,000 people who were in the assessment phase and those whose group is unknown.
53 New Zealand Government, *Overview of Welfare Reform July 2013 Changes*, 2013.
54 New Zealand Ministry of Social Development, 'Welfare Reform: Changes in July 2013,' accessed 11 January 2016.
55 New Zealand Ministry of Social Development, 'Jobseeker Support - March 2015 Quarter,' accessed 11 January 2016.
56 New Zealand Government, *Overview of Welfare Reform July 2013 Changes;* Ministry of Social Development, 'Obligations to Look for and Prepare for Work,' accessed 11 January 2016.
57 New Zealand Ministry of Social Development, 'Jobseeker Support Fact Sheet,' accessed 11 January 2016.
58 Ibid.

Figure 1: Caseload change of work-ready jobseekers and jobseekers with a health condition before and after reform.



Note: 100 per cent caseload is taken as the caseload two years before reforms were introduced (June 2011).

Source: New Zealand Government, Ministry of Social Development (2015), *Jobseeker Support Fact Sheet,* National level data tables, September 2015.

1.1.3 Financial incentives

The sensitive nature of differential benefit rates means that the scope for randomised control trials is limited. This explains the scarcity of robust UK studies on the role of economic incentives for people with a health condition. Nonetheless, the then government highlighted the issue in designing ESA: John Hutton argued that there were "perverse incentives to stay on the benefit [IB] – you get paid more the longer you claim".[59] For some people with severely limiting health conditions, the financial rate is unlikely to have any impact on their chances of moving into work. Nevertheless, there have been several studies internationally which, whilst referring to different systems, demonstrate that for some people with a health condition the rate does affect how long it takes for them to move back into work.[60]

In the US, insurance spells were found to become longer as the level of compensation increased, including for people with a health condition.[61] A separate study on US Social Security Disability Insurance (SSDI) benefits found that a rise in the after-tax disability insurance income-replacement rate (i.e. the ratio of disability income to former labour earnings) between 1960 and 1980 strengthened the incentives for workers to seek benefits.[62] During this period, the income-replacement rate increased by 50 per cent. Due to this and other factors, the number of people claiming SSDI benefits rose from 450,000 to 2.9 million.[63] Responses associated with unemployment insurance and workers' compensation benefits were found to be greater than those associated with disability insurance and social security.[64] Nonetheless, analysis of a private long-term disability

59 Department for Work and Pensions, *A New Deal for Welfare: Empowering People to Work*, 4.
60 Elisabeth Fevang, Ines Hardoy, and Knut Roed, *Getting Disabled Workers Back to Work: How Important Are Economic Incentives?* (The Institute for the Study of Labor, 2013).
61 Richard Butler and John Worrall, 'Work Injury Compensation and the Duration of Nonwork Spells,' *The Economic Journal* 95, no. 379 (1985).; Bruce Meyer and William Viscusi, 'Workers' Compensation and Injury Duration: Evidence from a Natural Experiment.', *American Economic Review* 85, no. 3 (1995).; Alan Krueger and Bruce Meyer, *Labor Supply Effects of Social Insurance in the Handbook of Public Economics*, 2002.
62 Robert Haveman and Barbara Wolfe, 'The Economics of Disability and Disability Policy,' in *The Handbook of Health Economics*, ed. Anthony J. Culyer, Joseph P. Newhouse (Madison, United States: Elsevier, 2000).
63 Ibid., 1023.
64 Andrew Balls, 'Social Insurance Programs Have Large Labor Supply Effects.' in *The National Bureau of Economic Research,* December 2002.

(LTD) scheme in the US also showed that a higher replacement rate "significantly increases the likelihood that a person claims" and may impact claim duration.[65] These responses were largest for LTD claimants with less severe disabilities, and who are most likely to return to work.[66]

Evidence from reforms of the Swedish sick-pay system indicates that the level of absenteeism increases with the compensation level.[67] Henrekson and Persson identify numerous correlations between changes in sick-leave behaviour and the sickness pay compensation level, using long-run time series data over the period 1955-99. When the compensation level was made more generous, the aggregate number of sick days increased, and when the system was made less generous, the number fell.[68]

Behavioural effects for individuals with a health condition are also evident in France. In the early 1990s, individuals who were out of work due to poor health were entitled to benefits at a wage-related rate for around 14 months. After this period, the benefit rate fell to a lower level. The pattern of re-employment was strongly linked to the benefit level with the majority of claimants moving into work in the three months prior to the rate decrease.[69] Reform in 1992 replaced the financial cliff edge with an incremental reduction in the rate. As a result, the amount of time people spent on the benefit was much more varied.[70]

Excluding the various disability-related premia, the current weekly ESA WRAG and support group rates are respectively 40 and 50 per cent higher than that of JSA. As discussed in *Reform*'s *How to run a country: The Spending Review 2015*, both financial and non-financial elements contribute to claimant behaviour, and different people will respond to different incentives, but the significant difference between the rates has introduced a monetary incentive for claimants to 'fail' the WCA and move onto ESA.[71]

In the 2015 Summer Budget, the Chancellor acknowledged the unintended consequences of the system:

> *The Employment and Support Allowance was supposed to end some of the perverse incentives in the old Incapacity Benefit. Instead it has introduced new ones. One of these is that those who are placed in the work-related activity group receive more money a week than those on Job Seekers [sic] Allowance, but get nothing like the help to find suitable employment.*[72]

He announced that, from April 2017 and for new claimants, the ESA WRAG component and the UC equivalent Limited Capability for Work (LCW) element would be aligned to that of JSA. This contrasts with the support group which retains the relevant ESA component, and in UC the LCWRA element. Once UC is rolled out, this means that those on the UC standard allowance (around £73 a week) will receive half the payment that those on the standard allowance plus the LCWRA element will get (around £146 a week).[73] As well as this, from April 2016, a four-year freeze is being applied to all out-of-work benefits excluding ESA support group, which continues to be uprated by the Consumer Price Index, further expanding the differential.[74]

65 David Autor, Mark Duggan, and Jonathan Gruber, *Moral Hazard and Claims Deterrence in Private Disability Insurance*, 2012, 3.
66 Autor, Duggan, and Gruber, *Moral Hazard and Claims Deterrence in Private Disability Insurance*.
67 Magnus Henrekson and Mats Persson, 'The Effects on Sick Leave of Changes in the Sickness Insurance System,' *Journal of Labor Economics* 22, no. 1 (2004).; Per Johansson and Marten Palme, *Assessing the Effect of a Compulsory Sickness Insurance on Worker Absenteeism*, 1998.
68 Henrekson and Persson, 'The Effects on Sick Leave of Changes in the Sickness Insurance System,' 27.
69 OECD, *OECD Employment Outlook* (Paris: OECD Publishing, 2005), 179.
70 Brigitte Dormont, Denis Fougere, and Ana Prieto, 'L'effet de L'allocation Unique Dégressive Sur La Reprise D'emploi,' *ÉCONOMIE ET STATISTIQUE* 343, no. 3 (2001).
71 Charlotte Pickles and Hannah Titley, *How to Run a Country: Working Age Welfare* (Reform, 2015).
72 George Osborne, 'Summer Budget 2015 Speech,' Speech, (8 July 2015).
73 HM Government, *The Universal Credit Regulations 2013*, 2013.; HM Treasury, *Summer Budget 2015*.
74 Alexander Hitchcock et al., *Updating Uprating: Towards a Fairer System* (Reform, 2015).

1 Working welfare / The rate

This represents a growing incentive for people to be assigned to the support group. Dr Paul Litchfield raised concerns about making the support group more attractive in relation to time-limiting contributory ESA WRAG. In his year five independent review of the WCA he argued:

> *Time limiting applies only to those placed in the WRAG and therefore increases the existing financial incentive for individuals to be placed in the support group, if they need to remain on the benefit beyond 12 months.*[75]

With limited access to employment support and no work-related conditionality, people in the support group are completely detached from the labour market. This is particularly concerning given that, according to one survey of ESA recipients, 52 per cent of support group claimants said they "currently want to work."[76] Whilst for claimants with the most severe disabilities and health conditions the presence or absence of financial incentives will have no impact, Litchfield is right to be concerned about the impact of policy on incentives. The more than 1.3 million people currently in the ESA support group have been completely written off. This is bad for the individuals, society and the wider economy.

Norway's Temporary Disability Insurance programme

In Norway, the Temporary Disability Insurance (TDI) programme provides financial support for workers who have exhausted one year of statutory sick pay, but who have not yet been defined as permanently disabled. TDI is a temporary benefit with periods of medical and vocational rehabilitation. In January 2002, the Norwegian Government introduced a reform which resulted in increased benefit levels for some people and reduced levels for others.[77] Elisabeth Fevang et al. analysed the impact of these rate changes on the duration and destination outcomes of TDI claimants assessed as 100 per cent disabled (i.e. deemed to have no remaining earnings ability).[78] Specifically, the authors looked at new entrants to TDI between 1999 and 2004 and assessed outcomes for "winners" and "losers" using a model that controlled for other factors.

They conclude that "higher benefits significantly reduce the exit rates from TDI", with a 10 per cent reduction in benefit resulting in a 3 per cent increase in the hazard rate to regular employment.[79] Outcome data also indicated this increased movement into employment was mirrored by a comparable increase in claimants moving into regular unemployment (though from a very low level) or on to permanent disability benefits.[80]

The authors also note that, whilst the impact of benefit rates on claimant behaviour is stronger for unemployed jobseekers, "[g]iven that the persons included in our analyses were considered to be 100 % disabled at the time of entry to the program, we nevertheless consider the identified responses substantial."[81]

While there are differences between the Norwegian and UK social security systems, the TDI experience clearly shows that financial incentives do affect the behaviour of some people with health conditions.

75 Dr Paul Litchfield, *An Independent Review of the Work Capability Assessment - Year Five*, 2014, 18.
76 Department for Work and Pensions, *A Survey of Disabled Working Age Benefit Claimants*, 2013, 38.
77 Fevang, Hardoy, and Roed, *Getting Disabled Workers Back to Work: How Important Are Economic Incentives?,* 5.
78 Ibid.
79 Ibid., 18.
80 Ibid.
81 Ibid., 27.

1.1.4 A history of calls for reform

It is for the above reasons that a single rate of benefit has been proposed at several points over the past decade.[82] Professor Roy Sainsbury has consistently argued the case for a single working-age income-replacement benefit. A 2007 paper jointly authored with Kate Stanley succinctly summarises the advantages:

> *There would be no risk to a person's benefit if they tried going to work because the benefit would be the same before and after a period in work. There would therefore be no need for the little understood 'linking rules', which currently allow people to return to their former rate of benefit if they cease working. It could also be expected that the stigma and possibility of subsequent discrimination that have been associated with the notion of disability benefits would be reduced. Importantly, there would be no financial gain of claiming one benefit over another or of remaining on benefit for a long period. Overall, a single working-age benefit would not only be less complex and easier to understand than the current array of working-age benefits, it would be easier to administer, too.*[83]

This idea was discussed by the House of Commons Work and Pensions Committee in an inquiry into benefit simplification later the same year. The Committee put forward an outline proposal for a "Single Working Age Benefit (SWAB) for those both in work on a low salary and those out of work for whatever reason", with a single rate and marginal deduction rate.[84]

The (now) Rt Hon Lord Freud proposed three options for a simplified working-age benefit system in his 2007 independent report for the Department for Work and Pensions (DWP).[85] This included the option of a single benefit with a single rate (though if appropriate retaining some premiums). The rationale was that it "would be straightforward for the State and the individual, would send clear messages about entitlement and would remove incentives to move between benefits."[86]

The idea was raised again by Professor Paul Gregg in 2008 in *Realising Potential: A Vision for Personalised Conditionality and Support*, an independent report for the DWP.[87] Gregg argued that effectively delivering a personalised conditionality regime would be made easier if a single working-age benefit was put in place: "[b]y having a single benefit, payable at the same flat rate for all, there is the potential for a much more sophisticated and individualised approach to identifying which of the three different groups claimants should be allocated to."[88]

In a public consultation paper in 2008, the DWP even included a section on "Simplifying and streamlining the benefits system". This laid out steps towards the "creation, in the longer-term, of a system based on a single working-age benefit."[89] This was followed in 2010 by a piece of qualitative research on a single working-age benefit.[90] In this study commissioned by the Department, the single benefit was introduced to participants as having two components: a basic income-replacement component and an 'extra needs' component to contribute to the additional expenses of some claimants. The needs component would be available to benefit claimants with caring responsibilities, suffering ill

82 Roy Sainsbury, 'Long-Term Benefits Reform – Should a Single Working-Age Benefit Be the Aim?', *Disability Rights Bulletin*, February 2006.; Roy Sainsbury and Kate Stanley, *One for All: Active Welfare and the Single Working-Age Benefit* (Institute for Public Policy Research, 2007).; Roy Sainsbury and Robert Stephens, 'A Single Core Benefit: Lessons from New Zealand', *Journal of Social Security Law* 16, no. 1 (2009).; Roy Sainsbury and Katherine Weston, *Exploratory Qualitative Research on the 'Single Working Age Benefit'* (Department for Work and Pensions, 2010).
83 Sainsbury and Stanley, *One for All: Active Welfare and the Single Working-Age Benefit*, 7.
84 House of Commons Work and Pensions Select Committee: Seventh Report of Session 2006-07, *Work and Pensions - Seventh Report*, HC 463 (London: The Stationery Office, 2007).
85 David Freud, *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work* (Department for Work and Pensions, 2007).
86 Ibid., 101.
87 Paul Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support* (Department for Work and Pensions, 2008).
88 Ibid., 98–99.
89 Department for Work and Pensions, *No One Written off: Reforming Welfare to Reward Responsibility*, 2008, 32.
90 Sainsbury and Weston, *Exploratory Qualitative Research on the 'Single Working Age Benefit'*.

health or disability, or with a low income from work. Overall, the study reported positive support for the concept of a single rate benefit:

> *There were some immediate positive reactions to a basic component that would meet everyday living expenses, and that was a consistent amount regardless of age, length of time on benefit and reason for being out of work. In this respect the single working age benefit appeared to meet people's desire for stability, certainty, transparency and fairness.*[91]

It concluded that "the idea of a single working age benefit, as an example of radical simplification, attracted interest and support."[92]

As this short history of calls for reform demonstrates, the case for a single out-of-work benefit is a strong one. The challenge, as New Zealand has found, is ensuring the political will to implement such a radical change.

New Zealand core benefit

A single core benefit was proposed in New Zealand more than two decades ago.[93] The rationale for change is reminiscent of problems in the existing UK system; an overly complex working-age benefit system, recognition that many disabled people wanted to work and were not getting the support they needed,[94] and a Government objective to move towards a work-focused social security system.[95] Announcing the plans for a single core benefit in 2005, the then Minister of Social Development and Employment, the Hon Steve Maharey, said "the challenge is to design the rules to support outcomes, instead of achieving the outcomes despite the rules."[96]

A decision was taken that a lack of income, rather than assigning someone to a category likely to be in need of income assistance, was less stigmatising. The term "disabled" would no longer be equated with "unable to work". New claimants would instead be identified by their distance from the labour market and assigned to one of the following groups:

- "work support" group, for claimants closest to employment. The support is focused on job search activities;
- "work-transition" group, for claimants in need of intermediate support, such as caring responsibilities;
- "community support" group, for people furthest from the labour market requiring substantial support, including health and social services related support.[97]

Instead of identifying claimants as, for example, disabled or lone parents, and paying them different levels of benefit, the new approach shifted the focus to claimants' potential, rather than their barriers to work. The single benefit idea served the dual purpose of getting people to see themselves primarily as jobseekers and of stopping benefits acting as barriers to moving towards and into work.[98]

91 Ibid., 3.
92 Ibid., 52.
93 Sainsbury and Stephens, 'A Single Core Benefit: Lessons from New Zealand.'
94 Office for Disability Issues, *Towards a Fully Inclusive New Zealand (Briefing to the Incoming Minister for Disability Issues)*, 2002.
95 Steve Maharey, 'Work Opportunities for All New Zealanders' Speech, (15 March 2005).
96 New Zealand Cabinet Policy Committee, Extending Opportunities to Work, 2005.
97 Sainsbury and Stephens, 'A Single Core Benefit: Lessons from New Zealand'.
98 New Zealand Parliament, 'Work and Income – Communication with Beneficiaries', Q&A, (6 August 2008).

The New Zealand Government presented this reform as a "no losers" policy.[99] Paid at the rate of Unemployment Benefit, the single core benefit would act as an income-replacement for all eligible working-age claimants. A second benefit, available to those in and out of work, would be paid at a rate equalling the difference between unemployment benefit and the higher incapacity-related benefits.[100] People would be assessed for this benefit on the basis of need, in a similar way to assessing claimants for the UK benefit, PIP. The single core benefit was due for roll out in 2007-08.[101]

Progress on implementing the policy was slow, to the frustration of other members of the House: "After 20 years of 'theming', 7 years of reporting, and the passing of two definite roll-out dates – 2002 and 2007 – [why] is there still no single core benefit as promised in the Cabinet paper, which was approved in 2005?"[102] Implementation came to a stop in 2008 with the election of a new Government who abandoned the proposal.[103]

New Zealand is the country that has come closest to the radical simplification of a working-age benefits system advocated in this report. There is no recent evidence of a renewed commitment to a single core benefit. However, successive governments' longstanding interest in the concept indicates its desirability and potential. The UK should learn from New Zealand's difficulties in practical implementation, ensuring the support of all major political parties.

1.2 The final frontier of welfare reform: a single out-of-work allowance

UC has gone a long way towards this vision, but it will not be realised without an accompanying single rate. Under a single rate, a claimant's reason for being out of the labour market (unemployment, sickness or disability, caring) would not affect benefit eligibility. Introducing a single out-of-work allowance would therefore remove some of the barriers that currently can disincentivise work.

The implementation of a single UC out-of-work allowance would also enable a much more personalised approach to support services. Separating eligibility for income-replacement benefits and work capability is a key precursor to ensuring that claimants are categorised not by the benefit they claim but by their distance from the labour market – in which, as Chapter 2 discusses, health is just one factor. As Gregg argued in his 2008 report, this facilitates a "more sophisticated approach" towards identifying who should be in what conditionality regime.[104] For the taxpayer, the system would offer better value for money – administrative processes would be streamlined and more people with remaining work capacity would be supported to move from welfare to work.

Crucially, this is not about cost reduction – savings should be reinvested elsewhere – and the rate is just one element of a broader package of reform. Together the reforms are about delivering a more effective system, with the right incentives and funding targeted at those with the greatest need.

99 New Zealand Parliament, 'Working for Families Package – Family Assistance', Q&A, (15 June 2004).
100 Sainsbury and Stephens, 'A Single Core Benefit: Lessons from New Zealand'.
101 New Zealand Ministry of Social Development, *Working towards a Single Core Benefit*, 2005.
102 New Zealand Parliament, 'Benefits – Single Core Benefit', Q&A, (18 July 2007).
103 Sainsbury and Weston, Exploratory Qualitative Research on the 'Single Working Age Benefit', 50.
104 Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, 98.

Key advantages of a single working-age benefit

- It would remove considerable complexity and administrative cost from the system
  - There would be one application process and people would not be moving between benefits
  - It would also reduce costly errors and appeals
- It would create a clear distinction between income-replacement benefits and benefits designed to contribute to additional costs
- It would disaggregate benefit eligibility and work capability
  - Claimants would no longer be categorised as disabled versus unemployed, and employment support and conditionality would no longer depend on the benefit an individual was claiming
- There would be no financial incentive for people to move onto one benefit over another
- It would reduce the risk of moving into employment and, if it was not sustained, having to claim a lower rate benefit when returning to welfare

1.2.1 The vision for a single allowance

In practical terms, a single out-of-work allowance would mean removing the support group component, or in UC, the LCWRA element. Significant additional costs resulting from a health condition or disability would continue to be supported through PIP (or DLA if a claimant has not yet been migrated to PIP).

1.2.1.1 The rate

All out-of-work disability-related premiums should be removed from the current system, along with the LCWRA component in UC. This would leave a single out-of-work allowance. The level at which this allowance is set must balance multiple and often competing objectives. These include poverty alleviation, fairness, sustainability and incentivising work. Ultimately, the precise rate will be a political judgement, but maintaining work incentives will likely mean a rate that is not that dissimilar to the current JSA/UC standard allowance rate.

Absent any transitional protection or reinvestment in other benefits, this would mean sizeable loses for those currently in receipt of the premiums, and 'notional losses' for future claimants. The average weekly payment for those in the ESA support group, which includes the ESA component and disability-related premiums, is around £131.[105] Under UC, anyone in the support group will receive the LCWRA element in addition to standard allowance, taking their weekly payment to around £146. This means a loss, on average, of around £58 per week under the current system and a loss of around £73 under UC. For those receiving the maximum possible amount of disability-related premiums under the current system, the loss will be higher.

1.2.1.2 Transitional protection

Implementing a single out-of-work rate would require some form of transitional protection to avoid a 'cliff-edge' effect. One option would be to create a time-limited support group cash payment – replacing the existing component and disability premiums – to be withdrawn over that set time period. For example, over three years a £60 a week payment (roughly the average loss) could be reduced by £20 each year. A more complicated and

105 Freedom of Information Disclosure, Department for Work and Pensions, 26 January 2016, 90. £131 is the average weekly amount paid to single people in the ESA support group.

therefore less attractive option would be to replicate, in part, the approach taken in UC: the actual amount lost by each individual claimant as a result of the reform could be frozen in cash terms (as per UC losers), but unlike UC also reduced over time (i.e. not just left to erode naturally with inflation). That time period could vary according to the size of the loss, for example by a set amount, say £20 a week, each year until it was fully removed. This would not only add complication, but also take longer to reach the new system, and thus longer to release the savings for reinvestment. The former is therefore the preferred option.

1.2.1.3 Maintaining benefit value

Successive uprating decisions that have applied below inflation increases to many working-age benefits have eroded their value. Without the caps of the last Parliament and the freeze which will be applied in April 2016 for four years, JSA and the UC standard allowance would have been almost £80 a week in 2019-20 – 8.5 per cent a week higher than they will actually be.[106] In *Updating uprating: towards a fairer system*, *Reform* argued that the Government should scrap the benefits freeze and look to implement a fairer uprating mechanism for income-replacement benefits that better reflects their inflation experience.[107] This, in short, would mean a more generous uprating policy: one that would track more closely rises in beneficiary living costs.

Recommendation 1

A single out-of-work allowance should be established, removing all out-of-work disability-related premiums.

- Time-limited transitional protection should be provided for current Employment and Support Allowance support group claimants.
- The single out-of-work allowance should be uprated by a more generous mechanism that better reflects the inflation experience of beneficiaries.

1.2.2 Reinvesting the savings

The move to a single out-of-work benefit is not about saving money but about creating a simpler, more coherent system. As such, the savings resulting from removing the disability-related additions to the standard allowance should be reinvested into extra costs benefits (PIP) and support services. Determining how best to split the savings between these areas is also a political decision.

1.2.2.1 Investing in extra cost benefits

DLA and its working-age replacement benefit, PIP, are designed to contribute to extra costs incurred by someone with a long-term health condition. Eligibility is not based on a specific condition or disability, but the impact it has on the individual. It is paid both in and out of work and is not means-tested or taxed. PIP has two components, daily living and mobility, and each has two rates, standard and enhanced. In replacing DLA, the then Minister for Disabled People, Maria Miller, argued that PIP would "create a new, more active and enabling benefit."[108] The Coalition Government argued that PIP would be "easier to understand, more efficient and will support disabled people who face the greatest challenges to remaining independent and leading full and active lives."[109] By introducing an objective assessment, and removing the lower rates of DLA, the Coalition expected to reduce the caseload – focusing the new benefit on those with the greatest need.

106 *Reform* calculation. Department for Work and Pensions, *The Annual Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings*, 2015.; Office for National Statistics, *Consumer Price Inflation, November 2015*, 2015.; Office for Budget Responsibility, *Economic and Fiscal Outlook*, 2015.
107 Alexander Hitchcock et al., *Updating Uprating: Towards a Fairer System* (Reform, 2015).
108 Department for Work and Pensions, *Disability Living Allowance Reform* (Department for Work and Pensions, 2010), 1.
109 Ibid., 3.

The migration of DLA claimants to PIP is ongoing, and it is therefore difficult to know exactly who, and how many people, will ultimately be in receipt of it. DWP forecasts estimate that in 2019-20 the caseload for working-age PIP claimants will be almost two million, and therefore higher than the pre-reform DLA caseload.[110] This caseload projection is significantly higher than the support group caseload forecast for that year of 1.6 million.[111] Increasing DLA or PIP payments would therefore also benefit claimants outside of the support group – including people currently on JSA, IS, ESA WRAG and the UC standard allowance, as well as people in employment. For example, in May 2015 there were 31,400 JSA and 154,400 IS claimants receiving disability-related premiums, for which receipt of DLA or PIP is one of the qualifying benefits.[112] This focus on individual need rather than the benefit claimed is one of the strengths of PIP, as is the fact that it can be claimed in work.

Conversely, some of the 1.3 million people currently in the support group would not benefit from the reinvestment.[113] It is difficult to understand the current overlap between the support group and DLA and PIP caseloads, but a Freedom of Information request submitted for this report ascertained that in May 2015 940,000 claimants, equivalent to 72 per cent of the support group caseload, were in receipt of PIP or DLA.[114] The remaining 28 per cent of claimants (380,000 people) were not.[115] Unfortunately it is not possible to determine whether this is because they are not eligible or have not applied, but for those who do not meet the criteria, the reinvestment into extra cost benefits would not compensate them for any losses under a single-rate system. It is beyond the scope of this paper to consider whether PIP is appropriately targeted.

Support group claimants with the health condition 'mental and behavioural disorder' make up the largest group who do not also receive DLA or PIP – 223,820 of the 380,000 people fall into this category.[116] As of October 2015 about a third of PIP recipients received the extra-costs benefit for a 'psychiatric disease', with conditions ranging from personality disorders and stress reactions to eating disorders and learning disabilities.[117] If a support group claimant does not qualify for PIP then, according to the eligibility criteria, either they do not have a long-term condition, do not experience substantial difficulties with daily living or mobility or do not meet residency tests.[118] It may therefore be the case that they will become eligible, or alternatively they have a lower severity condition and therefore their chances of returning to work with suitable support is higher.

There are a number of ways that the Government could reinvest in DLA or PIP, and each will involve trade-offs. For example, increasing both the lower and higher level components would mean spreading the reinvestment more broadly, whereas increasing just the higher components would mean much more generous rates, but fewer people would benefit – potentially meaning higher losses for some support group claimants. Currently, for both the mobility and daily living awards in PIP, around half of those receiving a payment get the standard level and half the enhanced.[119] Different options could include:

- a flat rate increase to each component at each level;
- a flat rate increase but exclude the lowest care and lower mobility components in DLA;

110 Department for Work and Pensions, 'Outturn and Forecast: Autumn Statement 2015,' 2015.
111 Ibid.
112 Freedom of Information Disclosure, Department for Work and Pensions, 6 January 2016, 2015-5188.
113 Department for Work and Pensions, 'Tabulation tool, Data to May 2015.' Accessed January 2016. In May 2015, there were 1,316,180 ESA support group claimants.
114 Freedom of Information Disclosure, Department for Work and Pensions, 10 December 2015, 2015-4724. In May 2015, there were 938,400 ESA support group claimants who were also in receipt of PIP or DLA. There were 379,760 people in the support group who were not in receipt of PIP or DLA.
115 Ibid.
116 Ibid.
117 Department for Work and Pensions, 'Stat-Xplore: Personal Independence Payment Claims by Main Disability Type', Accessed January 2016.
118 Department for Work and Pensions, 'Personal Independence Payment (PIP) - GOV.UK'.
119 Department for Work and Pensions, 'Department for Work and Pensions Stat-Xplore', January 2016.

- a higher increase to the higher/enhanced components;
- an increase only to the highest rates in both DLA and PIP; or
- an increase only to the care/daily living component (which is the qualifying part for the current Enhanced and Severe Disability Premiums).[120]

Given the Government's desire to focus expenditure on those most in need, and the precedent set by the current disability-related premiums, this latter option might make most sense. However, without information on the profile of ESA claimants' DLA and PIP awards, the full implications of this and the other options – both to the Exchequer and the various types of ESA claimants – cannot be spelled out. The DWP should, therefore, model the impact of the above approaches.

1.2.2.2 Investing in support services

Existing government spending on employment support is modest relative to the scale of benefit expenditure. DWP is projected to spend £14.2 billion on ESA benefits in 2015-16.[121] Between 2010-11 and 2014-15 it spent £52.3 billion on ESA and its predecessor IB.[122] In contrast, the Government's main welfare-to-work support programme, the Work Programme, has been funded by around £500-£600 million each year[123] – or £2 billion between June 2011 and June 2015 – which is less than five per cent of ESA/IB spending on benefits.[124]

Existing policy will see this spend reduced further. From April 2017, the Work Programme, along with Work Choice, a voluntary employment programme for disabled people costing around £80 million a year,[125] will be merged into a new Health and Work Programme. This will cater for claimants with health conditions or disabilities and those who have been unemployed for over two years, with estimated funding of just £130 million a year.[126] This represents a cut in the main components of employment support spend of around 80 per cent.[127]

Whilst additional employment support funding for ESA claimants was announced in the 2015 Summer Budget, forecast to reach £100 million a year by 2020-21,[128] the saving from removing the ESA WRAG component and UC LCW element for new claims from April 2017 is projected to be £640 million a year.[129] Less than one sixth of the ongoing saving will be reinvested in support programmes.

Given the barriers to work faced by claimants with health conditions, the relatively low level of spending on such support is worrying and greater investment is needed, including in identifying the most effective means of support. In his independent review, the now Minister of State for Welfare Reform, Rt Hon Lord Freud, argued that:

> *...there is a close link between effective expenditure on employment programmes and expenditure on working age benefits. Effective spending by the Department on labour market policies or administration can result in real reductions in benefit expenditure (and vice versa).*[130]

The next paper in this series, examining the employment support available to benefit claimants, will explore how this money might best be spent. Part of the investment should, however, be in the personal budgets recommended in Chapter 3 to support people in managing, or even recovering from, their health condition.

120 Ian Greaves, *Disability Rights Handbook Edition 40 - 2015-16*.
121 Department for Work and Pensions, 'Outturn and Forecast: Autumn Statement 2015'.
122 Department for Work and Pensions, 'Benefit Expenditure and Caseload Tables 2015'.
123 'DWP Employment Programme Funding Set for 80% Cut', Centre for Economic and Social Inclusion, 12 December 2015.
124 Aliyah Dar, *Work Programme: Background and Statistics* (House of Commons Library, 2015).
125 Esther McVey. Written Answer, HC Deb 24 February 2014, c5w.
126 'DWP Employment Programme Funding Set for 80% Cut', Centre for Economic and Social Inclusion.
127 Ibid.
128 HM Government, *Welfare Reform and Work Bill: Impact Assessment for the Benefit Cap*, 2015.
129 HM Treasury, *Summer Budget 2015*.
130 David Freud, *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*, 67.

1 Working welfare / The rate

Recommendation 2

The savings from moving to a single out-of-work allowance should be reinvested into increased rates for Disability Living Allowance and Personal Independence Payment and increased provision of support programmes to help claimants move back into work.

1.3 Conclusion

The introduction of UC provides an opportunity to radically overhaul the current working-age out-of-work benefits system. The Government's report *Universal Credit at Work Spring 2015* framed UC as a step not only to simplify the system but to reform the principles on which the welfare state is based:

> *...what Universal Credit is really about is a sweeping cultural change… Universal Credit marks a complete shift in the whole nature of welfare, no longer trapping people in dependency but providing the incentive and support to secure a better future for themselves and their families.*[131]

In an interview about the journey of UC, Lord Freud described it as "a system that doesn't act as a barrier to people in being independent and running their own lives." In this interview, he made it clear that UC would develop and change in response to an increasing understanding about its effects. Lord Freud concluded the interview with his view of the future: "This is just the beginning…. Universal Credit will roll and roll."[132]
A single out-of-work allowance is the obvious next step in this journey.

131 Department for Work and Pensions, *Universal Credit at Work*, 2015, 3.
132 Roy Sainsbury, 'Talking Universal Credit: In Conversation with Lord Freud', 8.

2
The Gateway

The existing ‘gateway’ to ESA is the WCA, which assesses an individual’s capacity for work.[133] It is simultaneously intended to be a benefit eligibility test and functional health assessment. Blurring these two functions is profoundly unhelpful and has resulted in claimants needing to ‘fail’ the WCA in order to receive ESA payments. Rather than being an open conversation about what the claimant can do and how best they can be supported to fulfil that work capability, it is an adversarial diagnostic that focuses, despite significant efforts to the contrary, on what the claimant cannot do. Under the single out-of-work allowance system advocated in the previous chapter, however, there will no longer be a need for a separate eligibility assessment for ESA. This chapter explores how a new, more effective benefit and work capability system could function under UC.

2.1 Context

To begin the process of claiming ESA, a person must first obtain a ‘fit note’ from their General Practitioner (GP) – a certificate stating they are not fully able to work. They can then contact Jobcentre Plus (JCP), usually by telephone. A JCP adviser may refer them to the support group immediately if they are terminally ill. Otherwise, they will be asked to fill out a questionnaire (the ESA50 claim form, or UC50 under UC). This can result in a referral to the support group if there is sufficient evidence they are not able to work. Otherwise, they will be referred to an external healthcare provider to undertake a WCA, usually at an assessment centre.[134]

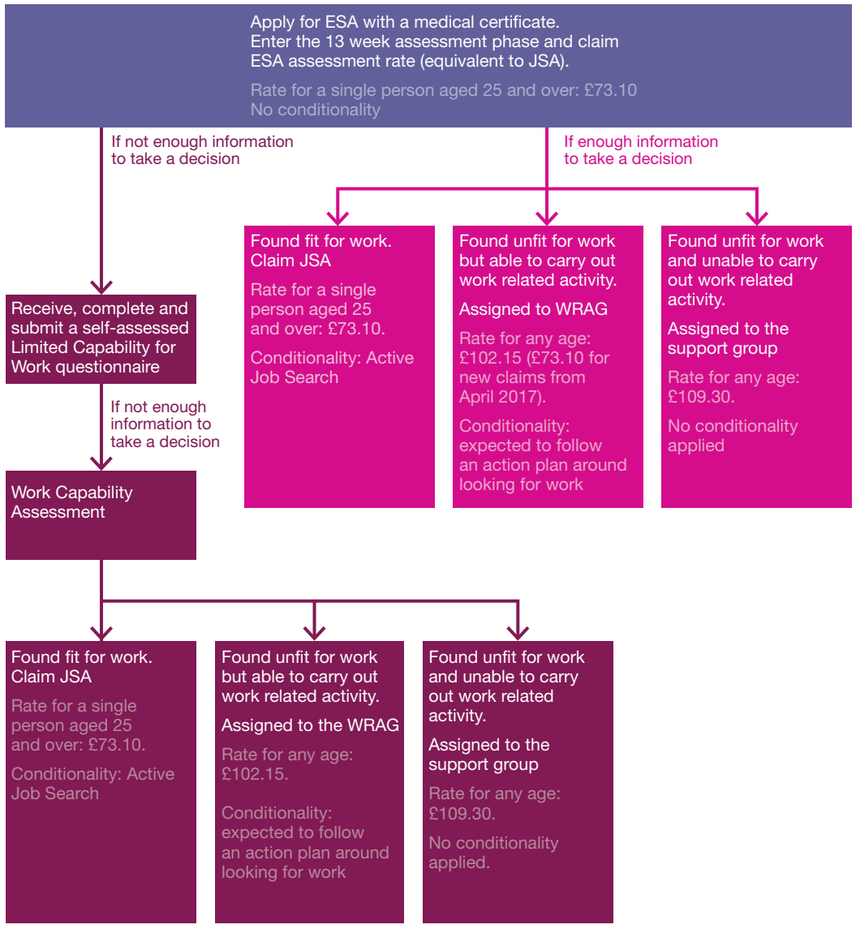
The assessment consists of two elements: a ‘Limited Capability for Work’ test to determine benefit entitlement and if the claimant is capable of either work or work-related activity, and a ‘Limited Capability for Work-Related Activity’ test to determine if the claimant is also incapable of work-related activity.

For the ‘Limited Capability for Work’ element, each activity has ‘descriptors’ following those on the ESA50 form. Each activity has a ‘score’, with claimants becoming eligible for ESA if they have at least 15 points, based on clinical, occupational health and functional assessment analysis.[135] The ‘Limited Capability for Work-Related Activity’ descriptors only require one to be satisfied for admission to the ESA support group. Subsequent to this face-to-face interview (which may be foregone on the basis of evidence of a severe disability) claimants are then adjudicated by a DWP decision maker, who considers all the available evidence. They will then split claimants into the following three groups and determine the future timing of WCA reassessments (if applicable).

- *The WRAG* for claimants deemed unable to work immediately but who will be able to in the future.
- *The support group* for claimants deemed too severely disabled or who have a condition preventing them from participating in work-related activities, such as a terminal illness or cancer treatment.[136] They receive the higher ESA support group rate.
- *Fit for work* for claimants deemed ineligible for ESA. If eligible, they are then referred to apply for JSA.

133 GOV.UK, ‘Employment and Support Allowance (ESA)’, 6 January 2016.
134 Department for Work and Pensions, ‘Capability for Work Questionnaire’, 2013.
135 Department for Work and Pensions, *Training & Development: Revised WCA Handbook*, 2015.
136 Department for Work and Pensions, *Limited Capability for Work and Work–related Activity*, 2015.

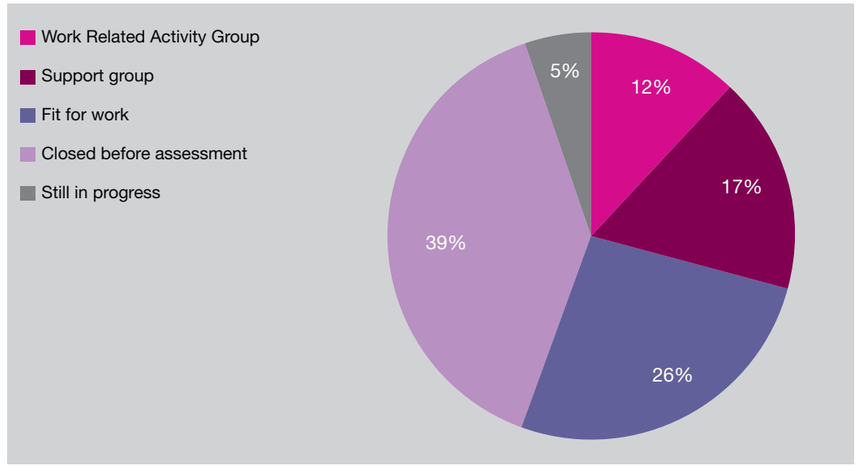
Figure 2: Claimant pathway to ESA



Source: Department for Work and Pensions, *Proposed benefit and pension rates 2016 to 2017*, 2015.

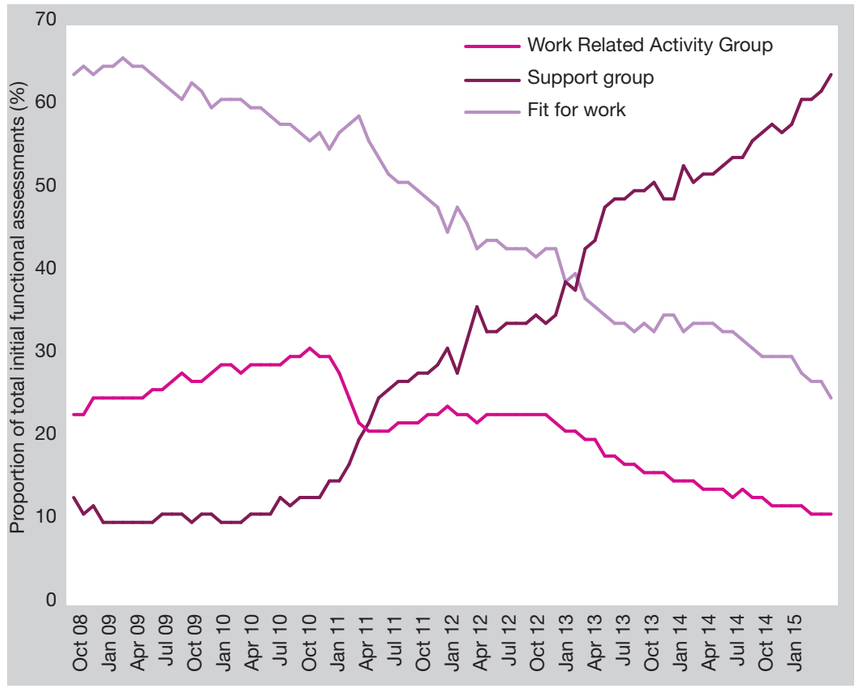
2.1.1 Outcomes

Figure 3: Outcomes of the initial Work Capability Assessments, October 2008 - March 2015



Source: Department for Work and Pensions, *Supplementary Tables of Employment and Support Allowance: outcomes of Work Capability Assessments, Great Britain Quarterly official statistics bulletin*, 2015.

Figure 4: Outcomes of the new ESA functional assessments by month of claim start



Source: Department for Work and Pensions, *Supplementary Tables of Employment and Support Allowance: outcomes of Work Capability Assessments, Great Britain Quarterly official statistics bulletin*, 2015.

Overall, for new ESA claims,[137] the trend has been a declining proportion of cases where the outcome has been 'fit for work' and a rising proportion allocated to the support group – changing from 64 per cent and 13 per cent respectively in October 2008, to 25 per cent and 64 per cent in March 2015.[138] These figures should be treated with caution. In particular, there have been a number of changes in decision making in the WCA and a change in the composition of the caseload.[139] The growing number of cases still in progress, combined with the fact that cases that take longer are less likely to be entitled to ESA, may partially explain the growing proportion of support group outcomes.[140] It is also worth noting that the largest group of cases – some 39 per cent – are those which never reach the WCA at all.[141]

It is not clear why such a large proportion of claimants fail to proceed with their claim. DWP research in 2011 found that "[a]n important reason why ESA claims in this sample were withdrawn or closed before they were fully assessed was because the person recovered and either returned to work, or claimed a benefit more appropriate to their situation."[142] Another study found that, of claimants who withdrew their claim (including post-assessment) and gave a reason for doing so, 47 per cent did so because they became or were found fit for work or were claiming Jobseekers Allowance, 27 per cent because they found or entered work and 8 per cent because they found it too bureaucratic or stressful.[143] The prolonged delays in carrying out WCAs may also be a contributory factor. As of August 2015, there were 280,000 outstanding ESA claims considered backlog.[144] To reduce demand, referrals for routine WCA reassessments were suspended in January 2014[145], resulting in almost a million reassessments being suspended by August 2015.[146]

2.1.2 Appeals

If the claimant is declared fit for work they are able to appeal the decision. Since October 2013, claimants must first refer it back to DWP to reconsider – termed 'mandatory reconsideration'. However, if they still disagree with this decision, they may refer their case to an independent tribunal of HM Courts and Tribunals Service (HMCTS). While their case is being adjudicated the claimant will continue to receive the ESA Assessment Rate (or under UC, the Standard Allowance).[147]

A large proportion of people who are found fit for work appeal. Of a total of 1.2 million people found fit for work since ESA's inception, 38 per cent of these decisions have been appealed against. The proportion of appeals for new claims resulting in an overturned decision declined steadily from 41 per cent in October 2008 to a low of 33 per cent in January 2013, before increasing again to 54 per cent as of September 2014.[148] The introduction of mandatory reconsideration, mentioned earlier, may however render the current figures difficult to compare.

137 This excludes claimants being reassessed for Employment and Support Allowance as part of the migration of Incapacity Benefit claimants.
138 Department for Work and Pensions, 'Supplementary Tables of Employment and Support Allowance Outcomes of Work Capability Assessments, Great Britain', December 10, 2015.
139 This includes reforms implemented after the Department for Work and Pension's Work Capability Assessment review and changes following the first Work Capability Assessment independent review recommendations.
140 Department for Work and Pensions, *Employment and Support Allowance: Outcomes of Work Capability Assessments, Great Britain*, 2015.
141 Department for Work and Pensions, 'Supplementary Tables of Employment and Support Allowance Outcomes of Work Capability Assessments, Great Britain'.
142 Helen Barnes et al., *Unsuccessful Employment and Support Allowance Claims – Qualitative Research* (Department of Work and Pensions, 2011), 5.
143 Michael Harrington, *An Independent Review of the Work Capability Assessment - Year Two*, 2011, 46.
144 Backlog is defined as the difference between the actual and projected outstanding assessments, where the outstanding volume is 1.5 times the claims received in a given month. National Audit Office, *Contracted-out Health and Disability Assessments*, 2016, 7.
145 Department for Work and Pensions, *Government Response to the House of Commons Work and Pensions Select Committee's Report on Employment and Support Allowance and Work Capability Assessment, First Report of Session 2014–15*, 2014.
146 National Audit Office, *Contracted-out Health and Disability Assessments*, 16.
147 HM Government, *The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations 2013*.
148 Department for Work and Pensions, 'Supplementary Tables of Employment and Support Allowance Outcomes of Work Capability Assessments, Great Britain'.

The cost of ESA appeals is hard to determine because costs are split across DWP, the National Health Service and HMCTS.[149] However, the cost to DWP alone of the appeals process was £69.9 million in 2013/14 – £28.7 million in DWP operating costs and £41.2 million paid to HMCTS to pay for the excess volume of appeals above baseline funding.[150] To put this in context, in the same year only £33 million was spent on specialist Disability Employment Advisers and ESA Advisers in JCP to support disabled people back into work – 47 per cent of this cost.[151]

However, the costs of this system are not just financial. Charities report that delays in assessments and the waiting periods associated with appeals creates significant anxiety and distress for claimants.[152] Claimants awaiting prolonged appeals are left in the assessment phase without any conditionality or access to employment support, potentially increasing their distance from the labour market. Until recently, claimants could make another ESA claim six months after the previous one, even after being declared fit for work and without a change of health condition, prolonging this period further.[153] In May 2015, around 474,000 ESA claimants were in the assessment phase, meaning they had not yet had their WCA to determine whether they were eligible for the benefit. Of these, 112,000 had been waiting for a year or more and 2,800 of whom, remarkably, had been waiting for more than five years.

2.1.3 Duration

Figure 5: Employment and Support Allowance caseload and claim duration, May 2015

Phase of ESA claim	Duration							
	Total		Up to 2 years		2-5 years		5 years and over	
	Caseload (thousands)	%	Caseload (thousands)	%	Caseload (thousands)	%	Caseload (thousands)	%
Total Caseload (thousands)	**2,341.4**	**100**	**1,158.2**	**49.4**	**1,064.5**	**45.5**	**118.7**	**5.1**
Assessment phase	**474.1**	100	442	93.2	29.3	6.2	2.8	0.6
WRAG	**476.1**	100	136.6	28.7	303.7	63.8	36.2	7.6
Support group	**1,316.2**	100	531.3	40.4	708.7	53.8	76.2	5.8
Unknown	**74.6**	100	48.3	64.7	22.8	30.6	3.5	4.7

In May 2015, there were an additional 86,490 people claiming Incapacity Benefit.

Source: Office for National Statistics, *Nomis Labour Market Statistics*, accessed December 2015.

149 House of Commons Committee of Public Accounts: Twenty-third Report of Session 2012-13, *Department for Work and Pensions: Contract Management of Medical Services*, HC 744 (London: The Stationery Office, 2008).
150 Parliament.uk, 'Employment and Support Allowance and Work Capability Assessments - Work and Pensions Committee', July 23, 2014.
151 Freedom of Information Disclosure, Department for Work and Pensions, 17 October 2014, 4058.
152 For example, see Shaw Trust, *Shaw Trust Response to the Fifth Independent Review of the Work Capability Assessment, August 2014*, 2014.; Citizens Advice Bureau, *Westminster Hall Debate 'Work of Atos as a Service Provider Citizens Advice' Briefing*, 2014.; Crisis, *Crisis Response to The Work Capability Assessment – A Call for Evidence: Year 3 Independent Review*, 2012.
153 Claimants found fit for work must now demonstrate that their condition has "significantly worsened or a new health condition has developed." HM Government, *Employment and Support Allowance (Repeat Assessments and Pending Appeal Awards) (Amendment) Regulations 2015*.

The majority of claimants who complete a WCA move fully onto ESA, either in the WRAG or support group. The latest data shows that 74 per cent of new claimants whose initial assessment was completed between January and March 2015 fell into one of these groups; for IB claimants being reassessed, this rises to 96 per cent – almost the entire cohort.[154]

Despite a clear objective of ESA being to decrease the incapacity-related benefit caseload, 71 per cent of those in the WRAG and 60 per cent of those in the support group have been on ESA for more than two years.[155] Worryingly, given that ESA is a relatively new benefit, dependency periods are likely to increase. Perhaps more indicative of the failure of ESA to live up to its objectives is therefore the negligible off-flow rate: in the quarter to the end of May 2015, just 1 per cent of claimants in the WRAG moved off the benefit.[156] The latest data for April to June 2015 on repeat WCA assessments undertaken after a re-referral period shows that 80 per cent of claimants continue to claim ESA.[157] Too many people for whom a move into work could improve their health and wellbeing are instead, once again, becoming trapped on sickness benefits. In short, ESA is replicating the problems of IB.

2.2 A broken system

The WCA was introduced to provide a tougher gateway than had been in place for IB, ensuring eligibility for ESA was kept to those without immediate capacity for work. Since its introduction in 2008, however, the WCA has received heavy criticism and, as has been demonstrated, had little impact on caseloads. Multiple independent reviews have led to some reform, and there are clearly lessons to be learnt, but it remains a discredited model. Concerns were raised in the independent Harrington reviews of 2010-12 and Litchfield reviews of 2013-15.

The Work and Pensions Select Committee produced a report in 2014 arguing that: "[t]he WCA itself is flawed in that it frequently fails to provide an accurate assessment of the impact of the claimant's condition on their fitness for work or work-related activity."[158] In short, it fails to achieve its purpose.

154 Department for Work and Pensions, 'Supplementary Tables of Employment and Support Allowance Outcomes of Work Capability Assessments, Great Britain'.
155 Office for National Statistics, 'Nomis Labour Market Statistics', accessed December 2015.
156 Department for Work and Pensions, 'Department for Work and Pensions Tabulation Tool, Data to May 2015'. (Excludes 500,000 people who were in the assessment phase.)
157 Department for Work and Pensions, *Employment and Support Allowance: Outcomes of Work Capability Assessments, Great Britain*.
158 Parliament.uk, 'Employment and Support Allowance and Work Capability Assessments - Work and Pensions Committee.'

2 Working welfare / The Gateway

Problems with the Work Capability Assessment

- *A 'pass/fail' threshold* and *miscategorisation* – the binary nature of the outcome of the WCA – you either can or cannot work – is profoundly unhelpful. In addition to the failure to recognise, as the Work and Pensions Committee has argued, that many disabled people are able to work part-time or with support, it also increases the pressure on claimants.[159] Some claimants may end up on ESA or JSA by only a small margin and thereby not receive the right level of support and conditionality.
- *Failure to account for fluctuating conditions* – since the WCA is based on a single assessment day, it is essentially a 'snapshot' judgement. The prognosis period can vary greatly depending on the expertise of the assessor and the assessment often takes little account of whether conditions are expected to improve or worsen over time.[160]
- *A long record of decisions being overturned* – the high rate of decisions being appealed and overturned indicates substantive flaws in the system.
- *A stressful assessment process* – many claimants have said their WCA caused them difficulties. For example, 87 per cent of MS Society members surveyed found the process of claiming benefits distressing, with 48 per cent agreeing the WCA process had caused their condition to deteriorate or relapse.[161]
- *'Parking' in the support group* – support group ESA claimants do not have to attend work-focused interviews or do any work-related activity. While in some cases this may be appropriate, for others it does not provide adequate support to move back into the labour market.[162]

2.2.1 Eligibility for benefit and work capability aggregated

A key problem with the existing WCA is that it wraps up a claimant's eligibility for benefit with their capacity for work. This encourages claimants to convey to the assessor that they are as 'sick as possible', as this is what is required to access the highest level of benefit. The conversation is largely a mechanistic one based around the functional descriptors.[163] This does not give the opportunity for a positive, open discussion to ascertain what work a claimant might be able to do and what support would help them achieve that. Given the driving requirement to determine which of the three categories a claimant should be placed in, there is little opportunity to discuss individual support needs.[164] As Litchfield argued in his Year 5 independent review of the WCA:

> *…the current twin objectives of determining eligibility for benefit and signposting to employment outcomes may not be compatible. The Department should consider uncoupling these elements so that there are not perceived disincentives to being found fit for work.*[165]

A further consequence of the dual purpose WCA is that subsequent conditionality or employment support is heavily determined by an individual's benefit type, not their individual needs. This leads to a largely 'one size fits all' approach, which in turn means resources are ill targeted.[166] Categorising a claimant by their benefit can lead to

159 House of Commons Work and Pensions Select Committee, 'Employment and Support Allowance and Work Capability Assessments' (Department for Work and Pensions, July 23, 2014).
160 Disability Rights UK, *Disability Rights UK's Response to the Fifth Annual Review of the Work Capability Assessment Led by Dr Paul Litchfield,* 2014.
161 MS Society, 'Enough: Make Welfare Make Sense', 2015.
162 House of Commons Work and Pensions Committee: First Report of Session 2013-14, *Can the Work Programme Work for All User Groups?,* HC 162 (London: The Stationery Office, 2013).
163 Harrington, *An Independent Review of the Work Capability Assessment*, 25.
164 Society of Occupational Medicine, 'Response to Work Capability Assessment Review', November 23, 2010.
165 Litchfield, *An Independent Review of the Work Capability Assessment - Year Five*, 83.
166 National Audit Office, *The Work Programme*, 2014.

inappropriate treatment, such as being 'parked' within a claimant group without adequate support, or having too intense a level of conditionality applied.[167]

2.2.2 The misnomer of a 'Work Capability Assessment'

Of all the problems associated with the WCA, perhaps the most egregious is that it has not been effective enough in positively identifying work capability. It focuses on a medical assessment of a claimant's ability to perform certain functions, based on negative descriptors. The very fact that 'pass' or 'fail' is used to describe the WCA outcome – where the 'good news' of being able to work is termed a failure – is also thought to be contributing to the negative perception and poor outcomes of the process.[168]

This gives little or no opportunity to identify claimants who may be able to perform certain types of jobs or work part-time but not full-time. In addition, the assessment does not account for factors such as working environment, skills, socioeconomic circumstances or in general any 'positive' factors which might assist a claimant's return to work.[169]

All of this has contributed to significant criticism that the medical focus of the WCA frames eligibility for benefits and support services by level of disability rather than capability for work.[170] Critics have called for an assessment which recognises the multiple barriers that claimants can face and which can affect their proximity to the labour market.

Several countries have made significant steps in overcoming these issues and their experiences provide valuable insight for redesigning the UK system. The Dutch and Australian models are particularly informative. Both countries have been able to construct a more effective system than the WCA, which takes into account the multiple barriers to work faced by many out-of-work benefit claimants with a health condition.

167 Dan Finn, *Sub-Contracting in Public Employment Services: The Design and Delivery of Outcome Based and Black Box Contracts* (European Commission: DG Employment, Social Affairs and Inclusion, 2012).
168 Sainsbury and Stanley, *One for All: Active Welfare and the Single Working-Age Benefit*.
169 *Not Working: CAB Evidence on the ESA Work Capability Assessment* (Citizens Advice Bureau, 2010).
170 OECD, *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries.*

2 Working welfare / The Gateway

The Australian Job Seeker Classification Instrument and Employment Services Assessment

What is the Job Seeker Classification Instrument (JSCI)?
The JSCI is a questionnaire used to measure a jobseeker's relative difficulty entering and sustaining employment, gathering information on factors which typically have a significant impact.[171]

How does the JSCI work?
Jobseekers must have a JSCI assessment when they first register for government employment assistance and whenever their circumstances change.[172] The JSCI includes a minimum of 18 and a maximum of 49 questions.[173] The questions collect information about 18 different factors that determine barriers to employment, including: age and gender, educational attainment, proficiency in English, access to transport and disability/ medical conditions.[174]

Each factor is given a numerical weight (number of points) which indicates the average contribution that factor makes. The points are added together to arrive at an overall JSCI score for the jobseeker.[175] The JSCI score dictates the employment support stream within Jobactive – the outsourced employment service network - that the jobseeker is referred to.[176] This, in turn, determines the intensity of the employment assistance a jobseeker is given.[177] The jobseeker's answers to the JSCI may also flag a need for them to have an Employment Services Assessment, or be referred to other programmes.[178]

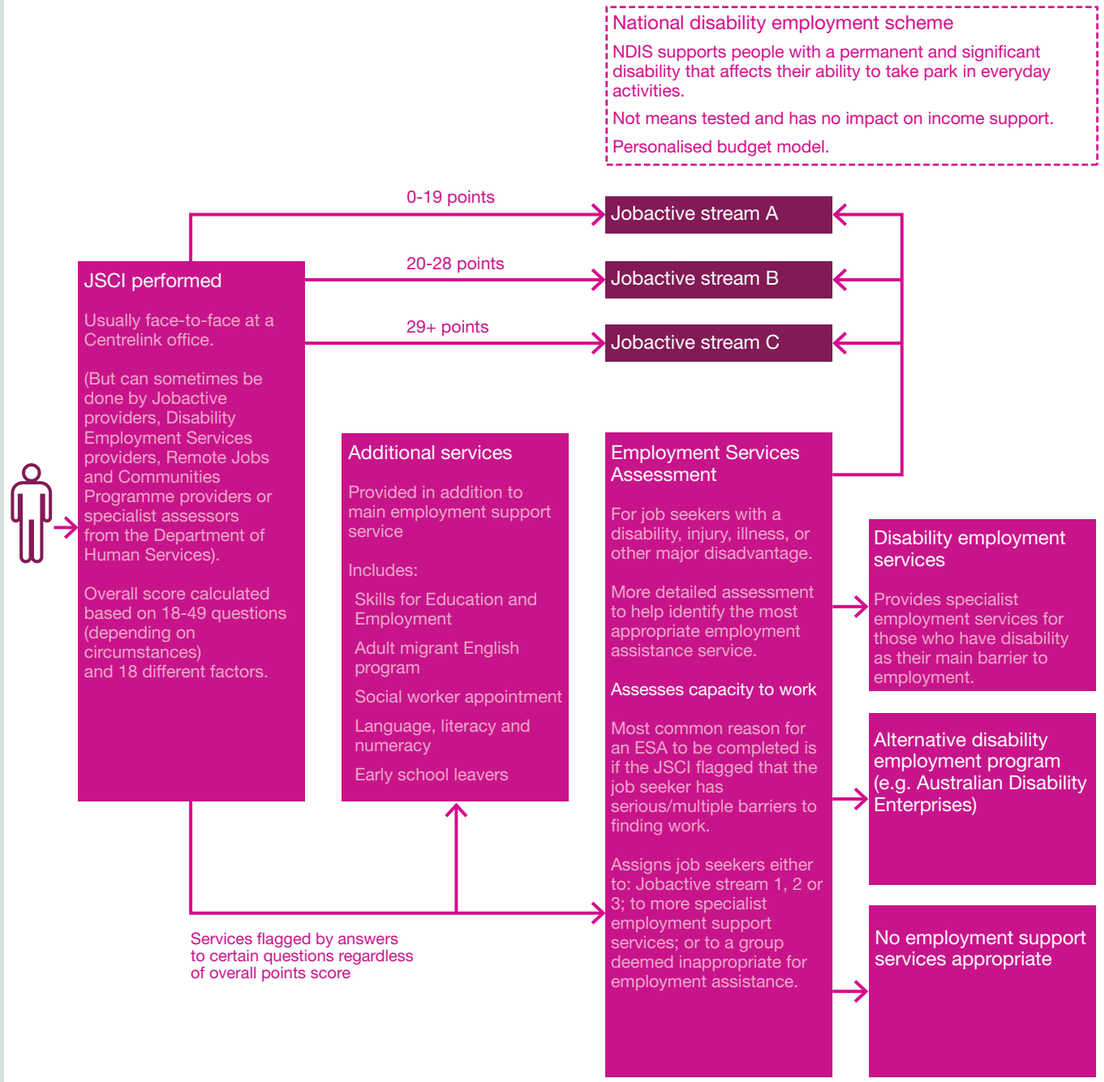
The Employment Services Assessment
These are primarily for jobseekers with a disability or health condition.[179] The main purpose of the assessment is to determine the jobseeker's work capacity in hours per week. It places jobseekers into a capacity category of 0-7, 8-14, 15-22, 23-29 or 30+ hours per week.[180]

Key advantages of the Australian model

- The Employment Services Assessment focuses on remaining work capacity rather than disability.
- In contrast to the binary nature of the WCA in the UK, this assessment has multiple categories relating to the hours someone can work.
- Analysis of the JSCI has consistently shown that it is both cheaper and better performing than the preceding provision segmentation based on benefit type.[181] For example, job outcomes after three months increased from around 30 per cent in 2004 to more than 45 per cent in 2009.[182] The estimated impact of the service showed an improvement in short-term job prospects of between 5 and 10 per cent.[183] It has been found to be accurate in identifying the correct support around 90 per cent of the time.[184]

171 Australian Government Department of Employment, 'Job Seeker Classification Instrument', 1 July 2015.
172 Ibid.
173 Australian Government Department of Employment, 'Components and Results of the Job Seeker Classification Instrument', 21 August 2015.
174 Ibid.
175 Ibid.
176 OECD, *Activating Jobseekers: How Australia Does It* (OECD Publishing, 2012).
177 Australian Government, *Jobactive*, accessed 25 November 2015.
178 Australian Government Department of Employment, 'Components and Results of the Job Seeker Classification Instrument'.
179 Australian Government Department of Employment, 'How Employment Services Assessments Work', 1 July 2015.
180 Australian Government Department of Employment, 'Components and Results of the Job Seeker Classification Instrument'.
181 Parliament of Australia, 'A Review of Developments in the Job Network', Research Paper, (24 December 2007).
182 Peter Davidson, 'Did "Work First" Work? The Role of Employment Assistance Programs in Reducing Long-Term Unemployment in Australia (1990-2008)', Australian Bulletin of Labour 37, no. 4 (December 2011).
183 Dan Finn, *Welfare Markets: Lessons from Contracting out the Delivery of Welfare to Work Programmes in Australia and the Netherlands* (Joseph Rowntree Foundation, 2008), 5.
184 Robert Lipp, *Job Seeker Profiling: The Australian Experience*, 2005, 7.

Figure 6: Customer journey in the Australian system



Source: Australian Government Department of Employment, *Job Seeker Classification Instrument*, accessed December 2015.

The disability benefit assessment tool in the Netherlands

The Gatekeeper Protocol

This is an approach to working-age sickness and disability support under which employers are mandated to play a significant role in assisting the employee back to work. Employers in the Netherlands are legally required to provide sick pay to employees of at least 70 per cent of their salary for at least the first two years of sickness, and employees are ineligible for government support until this two year period has elapsed.[185] In order to promote a prompt return to work following a period of sickness, the Gatekeeper Protocol also mandates employers to hold the employee's job open for the two-year period, make workplace accommodations, engage a company doctor to help devise a rehabilitation plan and finance medical treatments deemed to be conducive to the rehabilitation plan.[186]

Eligibility for State Disability Pensions/Wage Subsidies

After the initial two-year period of sickness is over, and if the Gatekeeper Protocol has been adhered to, those who remain unable to work because of a health condition are eligible to apply for disability benefits from the Government. In order to establish adherence to the Gatekeeper Protocol, a part of the application process for such benefits involves submitting a 'back to work report' containing details of the original plan and an assessment of why it did not work.[187]

The jobseeker is declared fully disabled at the outset if they are terminally ill or if the occupational health expert cannot find three occupations that they could reasonably perform.[188] The assessment involves the use of a large database that details the requirements of every different type of occupation available in the Netherlands.[189] Reassessment periods are determined by the Social Security Institute adviser on a discretionary basis depending on the claimant's condition.[190]

2.3 The new model

One of the key issues in the disability system has been the misalignment and lack of coordination between different assessment and support programmes. The introduction of UC and the single out-of-work allowance advocated in the previous chapter present the opportunity to address this. A coherent and more personalised gateway better focused on addressing barriers to work will maximise the potential of these reforms to improve claimants' wellbeing.

185 European Commission, *Your Social Security Rights in the Netherlands*, 2013, 11.
186 Elaine Fultz, *Disability Insurance in the Netherlands: A Blueprint for U.S. Reform?* (Center on Budget and Policy Priorities, 2015).
187 European Commission, *Your Social Security Rights in the Netherlands.*
188 Fultz, *Disability Insurance in the Netherlands: A Blueprint for U.S. Reform?*
189 Ibid.
190 Trudie Knijn and Frits Van Wel, 'Better at Work: Activation of Partially Disabled Workers in the Netherlands', *European Journal of Disability Research* 8, 2014.

Figure 7: Proposed UC assessment and support model

2.3.1 Separating assessment for benefit eligibility and capability of work

As has been demonstrated, a fundamental weakness in the current system is the aggregation of benefit eligibility and capability for work. An effective model requires that these two objectives are separated, and the single out-of-work allowance is a key precursor to this.

This would enable the work capability assessment to be a more positive and personalised conversation about what a claimant could do with support. It facilitates a more open, constructive dialogue between claimant and an appropriately trained adviser in which together they can devise a support package tailored to that individual claimant's particular needs and circumstances. This, it has been argued, is key to enhancing the relationship between the claimant and adviser to advance the former's return to work.[191]

2.3.2 A new UC gateway

The administrative assessment (eligibility for the single out-of-work allowance): this will be a simple online assessment to determine whether a claimant is eligible for UC, incorporating the standard factors such as age, whether in education or training, savings and other benefits received. Once this part of the online assessment is completed, the claimant will immediately be informed of whether or not they are eligible for the out-of-work allowance. If they are eligible, it should be made clear that the claimant will receive the single out-of-work allowance regardless of their answers to the following two stages (i.e. their answers will not influence their eligibility), but that they must provide full and honest answers in order to proceed with the claim. This is essential to ensure that the claimant is aware that their capacity for work and their eligibility for the single out-of-work allowance will be treated entirely separately.

191 See Sainsbury, 'One for All: Active Welfare and the Single Working-Age Benefit'.; Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*.

Proximity to the Labour Market Diagnostic: this part of the online application will diagnose a claimant's distance from the labour market, akin to Australia's JSCI. It will be a set of questions on issues known to impact someone's employment chances. For example, their age and employment history over the past five years (ideally prepopulating this via DWP and HM Revenue and Customs data), their postcode and housing type, family circumstances and qualification level. It would also include a psycho-social test to assess a claimant's attitude to employment, confidence and other relevant characteristics. Each response or data point will be weighted and assigned a number of 'points'. This score will be used to determine the claimant's placement in one of four distance from the labour market groups. These in turn will determine the broad degree of employment support and conditionality level they receive.

The health questionnaire: this final part of the application will ask the claimant whether they consider themselves to have a work-limiting health condition and, if so, whether it is confirmed by a health professional. If they answer 'yes' to the first question the claimant will be asked to name their condition/s. If they answer 'yes' to the second question, the claimant will be asked to upload any corroborating evidence (letters from their GP, lead consultant etc.) or to provide the name and contact details of their health professional for DWP staff to contact.

Appropriately trained DWP staff will use this information to determine whether a subsequent Occupational Health Assessment is needed and in what form – for example face to face or by video link. For those with very severe, evidenced conditions, such an assessment is unlikely to be necessary and they will be placed straight into the 'full adviser discretion' group.

Recommendation 3:

UC should be assessed through a single, online gateway, made up of three components: an administrative assessment, Proximity to the Labour Market Diagnostic and health questionnaire. There should be transparent, plain language making it clear to the claimant the discrete purpose of each component, and that although mandatory, each element operates independently of the other.

2.3.3 The Occupational Health Assessment

This assessment is triggered as a result of the health questionnaire component of the initial UC online gateway. It will either be conducted face-to-face or, where possible and appropriate, using a 'telehealth' format.[192]

It will focus specifically on what a claimant can do – unlike the 'cannot do' messaging of the WCA. It will seek to understand the impact of the claimant's health barrier/s on the type of work they could do and the hours they could undertake. The assessment should focus on identifying what the claimant could do with support – not a static assessment of the work capability on that day. Structured answers to interview questions may again add points to the distance from the labour market score.

Unlike the 'pass/fail' WCA model, the assessment will take a broad view of a claimant's multiple health-related barriers to work, including 'biopsychosocial' factors that may not be evident in a primary health condition. This will be used to develop a personalised rehabilitation plan, jointly produced by an appropriately trained health professional and the claimant. This will require sufficient time to develop the plan properly – the assessment should not be rushed – and once agreed would carry a personal budget. The model used for the Fit for Work Service, which uses health professionals working under the supervision of an occupational health specialist, should be considered. The individual budget would specifically be for implementing the plan, and would be unlocked via a 'dual

192 Janet Morrison, *Telehealth Education in Occupational Health* (British Columbia Institute of Technology, School of Health Science, 2015).

key': the claimant and their specialist employment adviser (see Chapter 3). It is therefore vital that both the health and employment advisers have appropriate training.

2.3.4 Reduced use of personal GPs

ESA is problematic right from the start of the claim process with the requirement that claimants provide a medical note from their doctor. As Paul Litchfield highlights in his year five review of the WCA, "defaulting to a GP report" is not appropriate in all cases – in particular for people with learning disabilities.[193] In addition, GPs may be reluctant to provide information which is then used to determine someone's benefit eligibility or future work prospects. They may also struggle to refuse a request for a 'fit note' where they have a personal, ongoing relationship with a patient, or prefer to avoid confrontation by doing so. GPs have struggled to return WCA forms on time[194] and to answer questions on patients they do not often see, or on matters they do not usually record. Consequently, GPs may not be the best people to approach in assessing a claimants' capacity for work.

As such, the new system should accept evidence from the most appropriate healthcare professional, such as an occupational therapist, psychologist or nurse, and likewise the Occupational Health Assessment should be carried out by the most appropriate health professional – with oversight by an occupational health specialist.

Recommendation 4:

The current requirement to provide a 'fit note' from a GP should be scrapped. Claimants should be able to submit evidence from the most appropriate healthcare professional. The Occupational Health Assessment should also be undertaken by the most appropriate healthcare professional, ensuring the assessment is focused on a claimant's capacity to work.

2.3.5 A more iterative assessment process

A significant problem of the current system is the 'snapshot' approach to a claimant's health condition, and the use of a fixed prognosis period to trigger a WCA reassessment.

Several systems which utilise statistical assessment tools, such as the Australian JSCI and Danish Employability Profiling Toolbox,[195] supplement their diagnostic with extensive specialist adviser engagement and discretion to enable a more personalised appraisal of a claimant's progress. This model builds a better picture of a claimant's ongoing needs and capabilities as the relationship develops, as well as allowing more effective monitoring.

Recommendation 5:

An ongoing assessment process should be performed by a specialist employment adviser – the claimant's caseworker. This should include the ability to flex employment support and conditionality, as well as refer a claimant back to the Proximity to the Labour Market Diagnostic or Occupational Health Assessment, to account for changing circumstances.

The Claimant Commitment and any Occupational Health Plan should be updated regularly as a collaborative 'living document' by both claimant and specialist employment adviser. Since, under the proposed single out-of-work allowance system, these updates will solely be used to determine employment support needs and conditionality, not benefit eligibility, it should be easier to create this more open, participatory approach.

193 Litchfield, *An Independent Review of the Work Capability Assessment - Year Five*, 88.
194 Mark Hoban. Commons debate on "Atos Work Capability Assessments", HC Deb 17 January 2013, c1080.
195 Jakob Dam Glynstrup and Michael Rosholm, *Employability Profiling System*, 2005.

2.4 Conclusion

The introduction of a single out-of-work allowance lays the groundwork for implementing a much more effective, personalised support system. The proposed new gateway model enables key data to be collected up-front – via an online Proximity from the Labour Market Diagnostic tool – which in turn enables a much more sophisticated approach to employment support and conditionality. The proposed Occupational Health Assessment moves away from the negative WCA focus on being 'too ill to work' towards a much more motivating emphasis on what a claimant can achieve with support – removing the binary can or cannot work diagnosis and leading to the development of a jointly agreed rehabilitation plan.

3 Conditionality

3.1 Context

In his 2008 independent report, Paul Gregg noted that "[c]onditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions" and is "a central component in the delivery of a range of policy objectives."[196] In short, conditionality is necessary to ensure that claimants take the steps required to move back in to employment. Depending on their distance from the labour market, and the particular barriers they face, this could range from active job search to engagement in intensive, personalised support programmes.

Conditionality is also an important tool in managing benefit caseloads and ensuring that the system is perceived by the public as fair. Combined with effective support it can have substantive behavioural effects, including increased participation and the acquisition of new skills and habits that increase the off-flow from benefits.[197]

The Welfare Reform Act 2012 introduced UC and brought the existing JSA and ESA conditionality regimes substantially in line with those proposed under UC.[198] The UC regime places claimants into one of four main conditionality groups with six labour market regimes depending on their circumstances.[199] These consist of: an intensive work search group, with a 'lighter touch' regime for claimants who could be working more; a work preparation group for those expected to work in the future; a work-focused interview group for claimants expected to plan to move back into work; and two regimes without conditions, either because of their particular circumstances or they are deemed to be working enough.

The introduction of a single out-of-work allowance and reformed gateway, as proposed in the preceding two chapters, enables a revised approach to conditionality. It provides the opportunity to create a more flexible and personalised regime that better supports specific groups.

3.2 Conditionality matters

3.2.1 Impact on outcomes

The evidence of effectiveness is strongest for jobseekers, where there is a history of conditionality increasing the likelihood of claimants moving into work, particularly if combined with more flexible and personalised support programmes.[200] Nonetheless, there is some evidence of effectiveness for claimants with health conditions where conditionality has been applied. For example, in response to the high IB caseload, in 2003 the then Labour Government introduced Pathways to Work. Claimants were mandated to attend a series of Work Focused Interviews (WFI) with a specialist adviser; sanctions were applicable for failure to attend (though these were rarely used).[201] WFIs were supplemented by 'Choices', a package of different support which claimants could volunteer to participate in.[202] A series of evaluations on the pilot areas reported positive effects: Pathways increased employment, slightly reduced IB claims and reduced the proportion of claimants reporting a condition that limited their ability to carry out everyday activities "a great deal".[203] The evaluation of the later, provider-led model of Pathways found a reduction in the proportion of claimants by 2 per cent, but the impact on

196 Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, 10.
197 Ibid.
198 Department for Work and Pensions, *Explanatory Memorandum for the Social Security Advisory Committee*, 2012.
199 Universal Credit, *Work Programme Universal Credit Claimant Provider Guidance*, 2015.
200 See, for example, Ibid.; Richard Dorsett and Stefan Speckesser, *Mandating IAP for Older New Dealers: An Interim Report of the Quantitative Evaluation*, 2006.; Elizabeth Rayner et al., *Evaluating Jobseeker's Allowance: A Summary of the Research Findings* (Department of Social Security, 2000).; Daniel Klepinger, Terry Johnson, and Jutta Joesch, 'Effects of Unemployment Insurance Work-Search Requirements: The Maryland Experiment', *Industrial Relations and Labor Review* 56, no. 1 (2002).
201 Richard Dorsett, *Pathways to Work for New and Repeat Incapacity Benefits Claimants: Evaluation Synthesis Report* (Department for Work and Pensions, 2008).
202 Ibid.
203 Ibid., 68.

employment outcomes was less clear due to measurement issues.[204] The Organisation for Economic Cooperation and Development (OECD) cites Pathways, amongst other international models, in support of its 2010 assertion that "what is needed is to bring the disability benefit scheme closer in all its aspects to existing unemployment benefit schemes".[205]

Aside from its potential to assist claimants in moving into employment and thereby improving their wellbeing, conditionality plays an important role in managing demand and ensuring welfare spend is sustainable. As a 2005 OECD report argued: "[i]n general, in the absence of effective activation programmes, benefit schemes for the long-term unemployed become unsustainable or excessively costly in the long term."[206] This is because, without conditionality, the economic effect of benefits is to "[r]educe the cost of being unemployed, resulting in an increase in the reservation wage and longer spells of unemployment."[207]

This is both as a result of the increased likelihood of someone moving into work and the deterrent effect of activation regimes.[208] In terms of jobseekers, the stronger conditionality associated with the introduction of JSA in 1996 caused an estimated off-flow from benefit of between 8 and 9 percentage points.[209] DWP research has concluded that there is "clear evidence that fortnightly signing and face-to-face contact with Personal Advisers improve off-flow rates."[210] As noted above, the Pathways activation regime resulted in a decrease in the number of claimants.[211] It has been found that, for unemployed claimants, a requirement to report job search activities and a regular interview regime increases the probability of benefit off-flow by between 15 and 30 per cent.[212] The introduction of compulsory WFIs in the New Deal for Lone Parents (NDLP) was associated with increased take-up of the NDLP[213] and the scheme overall "significantly increased the chances of participants to enter work."[214]

It is also clear that effective sanctions (i.e. the consequences for claimants of non-compliance with their conditions, such as temporary loss of benefit) encourage claimants to actively seek work. For example, around 83 per cent of ESA WRAG claimants surveyed agreed that the compulsory nature of work-focused interviews made them more likely to participate.[215] Over half of JSA claimants say that they are more likely to look for work because of the threat of sanctions, while only around one in seven of those who enter the programme are sanctioned – of these, three quarters are only sanctioned once and most say that they would not repeat the behaviour that led them to being sanctioned.[216] However, it is also important that sanctions are appropriately targeted, proportionate and clearly communicated to ensure that claimants are not unfairly sanctioned or face disproportionate hardship.[217]

204 Genevieve Knight et al., *Provider-Led Pathways to Work: Net Impacts on Employment and Benefits* (Department for Work and Pensions, 2013).
205 OECD, *Sickness, Disability and Work: Breaking the Barriers*, 103.
206 OECD, *OECD Employment Outlook*, 174.
207 Klepinger, Johnson, and Joesch, 'Effects of Unemployment Insurance Work-Search Requirements: The Maryland Experiment', 3.
208 OECD, *OECD Employment Outlook*.
209 Alan Manning, *You Can't Always Get What You Want: The Impact of the UK Jobseeker's Allowance*, 2005, 20.
210 Judith Eccles and Richard Lloyd, *The Qualitative Evaluation of the JSA Intervention Regime Pilots* (Department for Work and Pensions, 2005).
211 Dorsett, *Pathways to Work for New and Repeat Incapacity Benefits Claimants: Evaluation Synthesis Report*.
212 John Martin and David Grubb, 'What Works for Whom: A Review of OECD Countries Experience with Active Labour Market Policies', *Swedish Economic Policy Review* 8 (2001): 44.
213 Genevieve Knight and Stephen Lissenburgh, 'Evaluation of Lone Parent Work Focused Interviews: Final Findings from Administrative Data Analysis', 2004.
214 Jane Millar and Martin Evans, *Lone Parents and Employment: International Comparisons of What Works* (Department for Work and Pensions, 2003), cited in Kate Stanley, Liane Asta Lohde, and Stuart White, *Sanctions and Sweetners* (IPPR, 2004), 34.
215 Helen Barnes, Paul Sissons, and Helen Stevens, *Employment and Support Allowance: Findings from a Follow up Survey with Customers* (Department for Work and Pensions, 2011), 27.
216 Mark Peters and Lucy Joyce, *A Review of the JSA Sanctions Regime: Summary Research Findings* (Department for Work and Pensions, 2006), 49.
217 For example, see: Matthew Oakley, *Independent Review of the Operation of Jobseeker's Allowance Sanctions Validated by the Jobseekers Act 2013* (Department for Work and Pensions, 2014).

3.2.2 Perceptions of fairness

In addition to its impact on employment outcomes, conditionality is an important component of a 'something for something' system. The British Social Attitudes survey clearly shows that support for the welfare state has been declining, and in 2014 fewer than one in five people believed that the current welfare system "effectively encourages recipients to move off benefits."[218] A ComRes poll in November 2012 found that whilst people saw the welfare state as a proud achievement, 84 per cent of respondents believed that "people who are able to work should be required to do so in order to receive benefits".[219] 60 per cent of respondents to a 2010 poll by Ipsos Mori agreed that "people who refuse the offer of a job should not be allowed state benefits, regardless of their personal circumstances"; just 29 per cent disagreed.[220] Striking the right balance between rights and responsibilities, conditionality and support is key to ensuring the welfare state remains legitimate in the eyes of those who fund it.

3.3 Why change is needed

3.3.1 Minimal conditionality

As highlighted, the introduction of ESA has not achieved the objectives originally laid out.[221] Having peaked in the early 2000s, the out-of-work incapacity-related benefit caseload has remained largely unchanged.[222] As of May 2015, there were 2.3 million working age people claiming ESA, of which around 1.3 million were in the support group and half a million in each of the assessment phase and WRAG.[223] Rates of return to work from the ESA WRAG remain very low, despite the high proportion of claimants reporting a desire to work.[224] The OECD strongly advocated increased conditionality and support for people on sickness benefits in its 2010 report, *Sickness, disability and work: breaking the barriers*:

> *The logic to make every effort to activate an unemployment benefit recipient should also be applied to the disability benefit system; for instance, benefit payments should be linked to the willingness of the beneficiary to co-operate with the responsible authority and engage in employability-enhancing and, where appropriate, job-search activities.*[225]

Building a transparent and effective conditionality regime to ensure that claimants engage with programmes which can improve their employment outcomes is key.

3.3.2 An impersonal and inflexible conditionality system

Concerns have repeatedly been raised about the appropriateness, effectiveness and proportionality of the existing conditionality system. It has been criticised as arbitrary, with poor communication as to what is expected of claimants and why sanctions have been applied.[226] Where conditionality has been extended to people on incapacity-related benefits before this has resulted in criticism from some quarters, particularly amongst disability charities.[227] It is undoubtedly the case that misapplied, conditionality runs the risk of worsening the position of the most vulnerable claimants – regardless of the benefit they are claiming.[228]

218 NatCen Social Research, 'Benefits and Welfare: Long-Term Trends or Short-Term Reactions?', *British Social Attitudes*, no. 32 (2015): 13.
219 ComRes, *BBC Radio 4 Welfare Poll*, 2012, 37.
220 Ipsos MORI, *Employment, Welfare, Skills and the Economy: Public Perceptions and Expectations*, 2010, 46.
221 Ed Holmes, Charlotte Pickles and Hannah Titley, *Employment and Support Allowance: The Case for Change* (Reform, 2015).
222 In 2005-06 there were 2.5 million ESA and IB claimants; this fell to 2.4 million in 2015-16. Department for Work and Pensions, Outturn and Forecast Summer Budget 2015.
223 Department for Work and Pensions, 'Tabulation tool', Accessed December 2015.
224 Department for Work and Pensions, *A Survey of Disabled Working Age Benefit Claimants*.
225 OECD, *Sickness, Disability and Work: Breaking the Barriers*, 13.
226 Oakley, *Independent Review of the Operation of Jobseeker's Allowance Sanctions Validated by the Jobseekers Act 2013*.
227 Peter Dwyer, Jenny McNeill, and Lisa Scullion, *Conditionality Briefing: Disabled People*, 2014.
228 Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*.

The importance of effective communication surrounding systems of conditionality and sanctions is well-documented in the international literature.[229] As Gregg argued in his conditionality review: "[t]he system works best where the claimant believes the process is intended to be supportive and has co-ownership of the return to work process."[230] This is best facilitated by building an effective relationship with an employment specialist able to communicate responsibilities clearly. The Claimant Commitment introduced under the Coalition Government sought to do this:

> *The Commitment will set out our general expectations of recipients, and the requirements placed upon them; it will also be clear about the consequences for the recipient of failing to meet these agreed standards.*[231]

In his 2008 review, Gregg argued that an effective benefits sanction system should:

- "Increase compliance with labour market requirements, particularly attending meetings with advisers;
- Be clear and easy to understand;
- Be fair, timely, and consistent in the way it is imposed, and
- Be proportionate and not create excessive hardship."[232]

It is vital that these principles are built into the conditionality regime accompanying the new out-of-work benefits model proposed in this paper.

Out-of-work incapacity-related benefit conditionality: international examples

The UK is far from unique in having a high out-of-work incapacity-related benefit caseload. The number of claimants has increased steadily in many OECD countries in the last 20 to 25 years.[233] Some have also seen similar changes in the composition of these claimants, particularly the rising proportion of mental health disorders. Several countries have responded by tightening eligibility criteria and introducing stronger conditionality for claimants with health conditions. While differences in social security systems make direct comparisons difficult, these experiences suggest lessons for the implementation of similar reforms in the UK.

229 OECD, *Sickness, Disability and Work: Breaking the Barriers*.
230 Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, 38.
231 Department for Work and Pensions, *Universal Credit: Welfare That Works*, 28.
232 Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, 69.
233 OECD, *Mental Health and Work: Austria* (Paris: OECD Publishing, 2015), 40.

Austria's 2014 vocational rehabilitation reforms

In the last two decades, major issues have arisen in Austria's disability benefit caseload. First, a rising proportion of the caseload was due to mental health disorders, increasing from around 20 per cent of the total in 2003 to 35 per cent in 2013.[234] Second, disability benefits were increased used as a pathway to retirement, with around 30 to 40 percent of the workforce retiring on grounds of disability.[235] This led to calls for major reforms and stronger activation and intervention policies.

A new regime was introduced in January 2014. First, it abolished existing disability benefits, limiting payment of an invalidity pension to claimants permanently unable to work. The rest were segmented either into a rehabilitation benefit[236], for claimants temporarily not able to work, or retraining benefit for claimants expected to recover and be able to work in a field other than their own profession.[237] They were then given tailored vocational or medical rehabilitation programmes, with sanctions up to withdrawal of the benefit if they did not comply with mandated rehabilitation measures.

Initial results are promising, with the Government projecting a 16 per cent fall in total new disability benefit claims for 2014.[238]

Switzerland's binding rehabilitation plans

Switzerland had a steady rise in disability benefit claimants over a decade, from 160,000 in 1995 to just over 250,000 in 2005.[239] A large proportion of this was due to mental health disorders, more than doubling from 38,000 to 82,000 in the same period.[240]

To tackle this, Switzerland adopted two major rounds of reform to disability conditionality in 2004 and 2008. It introduced a "shift from an administration-based to an intervention-based philosophy"[241], creating a series of early activation measures to improve employment outcomes, including a comprehensive assessment and rehabilitation plan created jointly by multidisciplinary specialists, the treating physician and the claimant. Once the plan was specified, it was binding on claimants. They involved activities, such as educational courses; making workplace adaptations to help claimants enter work; an active job placement programme, vocational counselling, vocational rehabilitation and activation measures. An emphasis was placed on putting the plan in place quickly to ensure the claimant focused on return to work, rather than adopting a disability benefit perspective which would hinder rehabilitation.[242]

Subsequent to the reforms, the disability benefit caseload started to decline, falling to less than 234,000 by 2012. The success of these reforms has been credited to the strong power of local institutions to enforce rigorous reactivation measures.[243]

3.4 Delivering more effective conditionality

In *How to run a country: Working age welfare*, *Reform* argued that out-of-work benefit conditionality for people with a health condition does not go far enough to support people back to work.[244] A robust but flexible regime should, combined with increased support, lead to more claimants moving into employment. As part of this, it is not unreasonable to

234 Ibid., 36.
235 Ibid., 41.
236 European Commission, 'Austria - Sickness Cash Benefits', accessed 14 January 2016.
237 European Commission, 'Austria – Retraining Allowance', accessed 14 January 2016.
238 OECD, *Mental Health and Work: Austria*.
239 OECD, *Mental Health and Work: Switzerland* (Paris: OECD Publishing, 2014).
240 Ibid.
241 Ibid., 56.
242 Ibid.
243 John Martin, *Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on Their Effectiveness*, 2014.
244 Pickles and Titley, *How to Run a Country: Working Age Welfare* (*Reform*, 2015).

ask some claimants to take steps to improve or manage a health condition so that they are better placed to participate in work-related activity and enter work.

3.4.1 The Occupational Health Plan and personal budget

As described in Chapter two, the online assessment gateway to UC should consist of an Administrative Assessment, Proximity to the Labour Market Diagnostic and health questionnaire. The Proximity to the Labour Market Diagnostic will result in a score which will determine which of four broad employment support and conditionality regimes the claimant will be placed in. If the health questionnaire triggers an Occupational Health Assessment, the results of this may supplement the score and thereby help ensure the claimant is placed in the most appropriate regime. The assessment will also be used to develop an Occupational Health Plan, which would be accompanied by a personal budget to facilitate implementation.

This rehabilitative programme will be co-created by the health professional and the claimant, and the personal budget will be unlocked via a 'dual key' – the claimant and their employment adviser – to increase choice and control. For example, a plan might include talking therapies and recreational activities for suffers of mental health conditions. Those with muscular skeletal conditions might receive a course of physiotherapy. Once the plan is agreed, it becomes subject to conditionality.

3.4.1.1 Personal budgets

Personal budgets can play a key role in supporting claimants' wellbeing, as in UK adult social care.[245] There are however, few robust, longitudinal studies on their effectiveness.[246] Nonetheless, a report commissioned by the Department of Health (DH) found studies of personal health budgets consistently yield positive outcomes in terms of wellbeing, and that these effects were amplified for those with mental health conditions and in cases where there were minimal constraints on how the budget could be spent.[247] The most recent National Personal Budget Survey found personal budgets give service users a greater sense of control over their life, improve their mental health, and increase their quality of life.[248] A study of those using self-directed funding in Michigan found participants experienced improvements in all 15 quality of life dimensions measured.[249]

Personalisation is also widely supported by service users. A survey of patients using HealthUnblocked, Europe's largest social network for health, found those with personalised care plans were more likely to be satisfied, while a majority of those who offered a view were in favour of personal health budgets.[250] These preferences are reflected by the stance of representative bodies. Mind, MenCap and Disability Rights UK all see personalisation as a way to improve services and the quality of life of service users.[251]

Evidence that personal budgets have a positive impact on health outcomes is more mixed. The DH's summary of evidence cautions that while it is possible personal health budgets will lead to better health, "there is no evidence, nationally or internationally, to confirm they have done so."[252] A longitudinal study of consumer-directed programmes supporting adults with development disabilities did, however, find improved outcomes for

245 Think Local Act Personal, 'Personal Budgets - Checking the Results', 2010.
246 The Health Foundation, *Evidence Scan: Personal Health Budgets*, 2010.
247 Dr Erica Wirmann Gadsby, *Personal Budgets and Health: A Review of the Evidence* (Policy Research Unit in Commissioning and the Healthcare System, 2013).
248 John Waters and Chris Hatton, *Third National Personal Budget Survey* (Think Local Act Personal, 2014).
249 Australian Government Productivity Commission, *Disability Care and Support: Productivity Commission Inquiry Report – Appendix E*, 2011.
250 Catherine McDonald, *Patients in Control: Why People with Long-Term Conditions Must Be Empowered* (IPPR, 2014).
251 Mencap, 'Legislation, Research and Good Practice in Personalisation', Policy notice, accessed 14 December 2015.; Disability Rights UK, 'DR UK Response to Right to Control Pilots | Disability Rights UK', Press release, accessed 14 December 2015.; Mind, *Personal Health Budgets in England - Making Them Work in Mental Health* (Mind), accessed 14 December 2015.
252 Gadsby, *Personal Budgets and Health: A Review of the Evidence*, 13.

physical disability, intellectual disability and mental illness – and crucially, these benefits were sustained over the long term.[253]

Where self-directed funding has been used to help claimants back into work there has also been success. In the 1990s, a voucher system in Holland was launched for disabled people and recipients of unemployment benefit with health restrictions to aid their return to work. Those who received the vouchers, worth up to €4,500, had a higher rate of return to employment than those using traditional services – 37 per cent compared to 30 per cent.[254] The above case study on Switzerland provides further evidence of the efficacy of such an approach.

Recommendation 6:

As part of the Occupational Health Assessment, where appropriate, claimants should co-produce an Occupational Health Plan with their health adviser. This should be accompanied by a personal budget that is unlocked by a 'dual key' of the claimant and specialist employment adviser. This should facilitate implementation of the plan to assist the claimant in moving closer to the labour market by treating or managing their condition.

3.4.2 Occupational Health Plan conditionality

Behavioural economics suggests that co-produced plans exploit a claimant's desire to be consistent and make good on promises.[255] These psychological biases will drive positive behaviours, but alone they may not ensure sufficient participation. Some form of conditionality should therefore be applied.

The Government is now considering whether claimants who are unable to participate in the labour market due to ill-health might also be subject to greater conditionality relating to that condition. In February 2015 the Prime Minister announced that he had asked Dame Carol Black to undertake a review to "consider how best to support those suffering from long-term yet treatable conditions back into work or to remain in work",[256] including "consider[ing] whether people should face the threat of a reduction in benefits if they refuse to engage with a recommended treatment plan."[257]

To a large degree, mandating health plans for claimants suffering mild or moderate conditions – such as back pain – is simply an extension of the existing system. It is a continuation of the 'no rights without responsibilities' framework that has been pursued in welfare policy since the late 1990s. Indeed, this was central to Labour's introduction of ESA, with Hutton arguing that the reform would help ensure "an active welfare state that balances rights with responsibilities".[258] The legislative framework for this already exists. Jobcentre Plus staff can require JSA claimants to seek "specialist advice, following referral by an employment officer, on how to improve the prospects of securing employment having regard to that person's need and in particular in relation to any mental or physical limitations of that person."[259] The creation of a single out-of-work allowance presents the opportunity to extend this approach to all claimants.

Attaching conditionality to Occupational Health Plans will not be appropriate in all instances and will have to be targeted carefully to avoid unintended consequences, with significant scope for discretion on the part of the employment adviser. This is particularly

253 Australian Government Productivity Commission, *Disability Care and Support: Productivity Commission Inquiry Report – Appendix E*.
254 Hans Bosselaar and Rienk Prins, 'Personal Return to Work Budgets for Persons with Disabilities: Demand-Based Delivery of Re-Integration Services in the Netherlands', *European Journal of Social Security* 9, no. 2 (2007): 7.
255 David Halpern et al., *Personal Responsibility and Changing Behaviour: The State of Knowledge and Its Implications for Public Policy*, 2004.
256 Professor Dame Carol Black, *An Independent Review into the Impact on Employment Outcomes of Drug or Alcohol Addiction, and Obesity* (Department for Work and Pensions, 2015), 4.
257 Rowena Mason, 'David Cameron Calls on Obese to Accept Help or Risk Losing Benefits', *The Guardian*, 14 February 2015.
258 John Hutton, Commons debate on "Welfare Reform Green Paper", HC Deb 24 January 2006, c1305.
259 HM Government, *The Jobseeker's Allowance Regulations 1996*, 1996.

the case for claimants with mental health conditions. It is important that conditionality is applied on a personalised basis to ensure that high sanction rates do not result from claimants unintentionally not fulfilling their obligations. The principle of sanctioning for non-compliance with a mutually agreed action plan, not sanctioning for failure to achieve a particular outcome (e.g. recovery), must remain central to the conditionality regime. The requirement would simply be that individuals claiming out-of-work benefits due to a mild or moderate health condition which with support could be treated or managed should be expected to take reasonable rehabilitative steps. It is equally important that employment advisers are specialists who are appropriately trained to support claimants with health conditions.

The Government should pilot this approach to ensure it is applied sensitively and appropriately, before rolling it out as part of the UC model. Conditionality should not be applied to claimants with more severe conditions or those who require invasive interventions.

The trials should focus on two questions:

- The *depth* of conditionality – is the prospect of losing the personal budget for the Occupational Health Plan sufficient to drive behaviour, or would a stronger level of conditionality be required, such as withdrawing part of the out-of-work allowance?
- The *breadth* of conditionality – which subgroups within the cohort respond positively to conditionality, and which do not?

These trials will also need to address some more practical challenges. For example, while some potential steps in a treatment plan may be easy to determine (such as attendance at an appointment), others may be too difficult, subjective or too expensive to monitor (such as a change in diet). As previously outlined, care will have to be taken to ensure that conditionality is not applied inappropriately. However, as it is estimated that two-thirds of sickness absence and long-term incapacity is the result of mild to moderate conditions, and the benefits of work for most claimants is well evidenced, it is vital that policymakers build a better understanding of the effect of conditionality on the likelihood of claimants with health conditions (re)entering the labour market.[260]

Recommendation 7:

The Department for Work and Pensions should pilot how best to apply conditionality to ensure compliance with an agreed Occupational Health Plan. This should be targeted at claimants with mild to moderate conditions.

3.5 Conclusion

The new out-of-work benefit model laid out in the previous two chapters allows a more personalised approach to conditionality for benefit recipients with a health condition. Effective conditionality helps to ensure claimants are taking the necessary steps to move off benefits and into work, thereby improving their health and wellbeing. By ending the link between the diagnosis of a claimant's work capability and their benefit eligibility, a more open and positive interaction between a claimant and their employment adviser can be built, allowing conditions to be flexed as a claimants' health condition changes to assist them to enter, stay and progress in work.

260 Gordon Waddell and A Kim Burton, *Is Work Good for Your Health and Well-Being?*, 2006.

Bibliography

Australian Government. *Jobactive*. Accessed 25 November 2015.

Australian Government Department of Employment. 'Components and Results of the Job Seeker Classification Instrument', 21 August 2015.

———. 'How Employment Services Assessments Work', 1 July 2015.

———. 'Job Seeker Classification Instrument', 1 July 2015.

Australian Government Productivity Commission. *Disability Care and Support: Productivity Commission Inquiry Report – Appendix E*, 2011.

Autor, David, Mark Duggan, and Jonathan Gruber. *Moral Hazard and Claims Deterrence in Private Disability Insurance*, 2012.

Balls, Andrew. 'Social Insurance Programs Have Large Labor Supply Effects.' *The National Bureau of Economic Research*, December 2002.

Barnes, Helen, Joy Oakley, Helen Stevens, and Paul Sissons. *Unsuccessful Employment and Support Allowance Claims – Qualitative Research*. Department of Work and Pensions, 2011.

Barnes, Helen, Paul Sissons, and Helen Stevens. *Employment and Support Allowance: Findings from a Follow up Survey with Customers*. Department for Work and Pensions, 2011.

Black, Carol, and David Frost. *Health at Work – an Independent Review of Sickness Absence*. Department for Work and Pensions, 2011.

Black, Professor Dame Carol. *An Independent Review into the Impact on Employment Outcomes of Drug or Alcohol Addiction, and Obesity*. Department for Work and Pensions, 2015.

Bosselaar, Hans, and Rienk Prins. 'Personal Return to Work Budgets for Persons with Disabilities: Demand-Based Delivery of Re-Integration Services in the Netherlands.' *European Journal of Social Security* 9, no. 2 (2007).

Briand, Catherine, Marie-Jose Durand, Louise St-Arnaud, and Marc Corbiere. 'Work and Mental Health: Learning from Return-to-Work Rehabilitation Programs Designed for Workers with Musculoskeletal Disorders.' *International Journal of Law and Psychiatry* 30 (2007).

Butler, Richard, and John Worrall. 'Work Injury Compensation and the Duration of Nonwork Spells.' *The Economic Journal* 95, no. 379 (1985).

Centre for Economic and Social Inclusion. 'DWP Employment Programme Funding Set for 80% Cut.' 12 December 2015.

Citizens Advice. *Mandatory Reconsideration in Employment and Support Allowance*, 2014.

Citizens Advice Bureau. *Not Working: CAB Evidence on the ESA Work Capability Assessment*, 2010.

———. *Westminster Hall Debate 'Work of Atos as a Service Provider Citizens Advice' Briefing*, 2014.

ComRes. *BBC Radio 4 Welfare Poll*, 2012.

Corrigan, Patrick, Jonathon Larson, and Nicolas Rusch. 'Self-Stigma and the "Why Try" Effect: Impact on Life Goals and Evidence-Based Practices.' *World Psychiatry* 8, no. 2 (2009).

Corrigan, Patrick, and Amy Watson. 'The Paradox of Self-Stigma and Mental Illness.' *Clinical Psychology* 9, no. 1 (2002).

Corrigan, Patrick. 'How Clinical Diagnosis Might Exacerbate the Stigma of Mental Illness.' *Social Work* 52, no. 1 (2007).

Crisis. *Crisis Response to The Work Capability Assessment – A Call for Evidence: Year 3 Independent Review*, 2012.

Dam Glynstrup, Jakob, and Michael Rosholm. *Employability Profiling System*, 2005.

Dar, Aliyah. *Work Programme: Background and Statistics*. House of Commons Library, 2015.

David Freud. *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*. Department for Work and Pensions, 2007.

Davidson, Peter. 'Did "Work First" Work? The Role of Employment Assistance Programs in Reducing Long-Term Unemployment in Australia (1990-2008).' *Australian Bulletin of Labour* 37, no. 4 (December 2011).

Department for Work and Pensions. *21st Century Welfare*, 2010.

———. *A New Deal for Welfare: Empowering People to Work*, 2006.

———. *A Survey of Disabled Working Age Benefit Claimants*, 2013.

———. 'Benefit Expenditure and Caseload Tables 2015', 2015.

———. 'Capability for Work Questionnaire', 2013.

———. 'Department for Work and Pensions Tabulation Tool, Data to May 2015.' Accessed 11 January 2016.

———. *Disability Living Allowance Reform*, 2010.

———. 'Disability Premiums (Income Support) – GOV.UK.' Accessed 13 January 2016.

———. *Employment and Support Allowance: Outcomes of Work Capability Assessments, Great Britain*, 2015.

———. *Explanatory Memorandum for the Social Security Advisory Committee*, 2012.

———. Freedom of Information Disclosure, 2015-447, 3 March 2015.

———. Freedom of Information Disclosure, 2015-5188, 6 January 2016.

———. Freedom of Information Disclosure, 2015-4724, 10 December 2015.

———. Freedom of Information Disclosure, 4058, 17 October 2014.

———. Freedom of Information Disclosure, 90, 26 January 2016.

———. *Government Response to the House of Commons Work and Pensions Select Committee's Report on Employment and Support Allowance and Work Capability Assessment, First Report of Session 2014–15*, 2014.

———. *Labour Force Survey Analysis of Disabled People by Region and Main Health Problem*, 2015.

———. *Limited Capability for Work and Work–related Activity*, 2015.

———. *No One Written off: Reforming Welfare to Reward Responsibility*, 2008.

———. 'Outturn and Forecast: Autumn Statement 2015', 2015.

———. 'Personal Independence Payment (PIP) - GOV.UK.' Accessed 11 January 2016.

———. 'Stat-Xplore: ESA Sanction Decisions: Pre and Post 3 December 2012 Sanctions Regime.'

———. 'Supplementary Tables of Employment and Support Allowance Outcomes of Work Capability Assessments, Great Britain', 10 December 2015.

———. *The Annual Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings*, 2015.

———. *Time Limiting Contributory Employment and Support Allowance to One Year for Those in the Work-Related Activity Group*, 2011.

———. *Training & Development: Revised WCA Handbook*, 2015.

———. *Universal Credit at Work*, 2015.

———. *Universal Credit: Welfare That Works*, 2010.

———. *WS017 Initial Work Search Interview*, 2014.

Disability Rights UK. *Disability Rights UK's Response to the Fifth Annual Review of the Work Capability Assessment Led by Dr Paul Litchfield*, 2014.

———. 'DR UK Response to Right to Control Pilots | Disability Rights UK.' Press release. Accessed 14 December 2015.

———. *Holes in the Safety Net: The Impact of the Universal Credit on Working Disabled People, Report 3*, 2012.

Dormont, Brigitte, Denis Fougere, and Ana Prieto. 'L'effet de L'allocation Unique Dégressive Sur La Reprise D'emploi.' *ÉCONOMIE ET STATISTIQUE* 343, no. 3 (2001).

Dorsett, Richard. *Pathways to Work for New and Repeat Incapacity Benefits Claimants: Evaluation Synthesis Report*. Department for Work and Pensions, 2008.

Dorsett, Richard, and Stefan Speckesser. *Mandating IAP for Older New Dealers: An Interim Report of the Quantitative Evaluation*, 2006.

Duncan Smith, Iain. 'Work, health and disability', 24 August 2015.

———. 'Welfare for the 21st Century', May 2010.

Dwyer, Peter, Jenny McNeill, and Lisa Scullion. *Conditionality Briefing: Disabled People*, 2014.

Eccles, Judith, and Richard Lloyd. *The Qualitative Evaluation of the JSA Intervention Regime Pilots*. Department for Work and Pensions, 2005.

European Commission. 'Austria – Retraining Allowance.'

———. 'Austria - Sickness Cash Benefits.'

———. *Your Social Security Rights in the Netherlands*, 2013.

Fevang, Elisabeth, Ines Hardoy, and Knut Roed. *Getting Disabled Workers Back to Work: How Important Are Economic Incentives?* The Institute for the Study of Labor, 2013.

Finn, Dan. *Sub-Contracting in Public Employment Services: The Design and Delivery of Outcome Based and Black Box Contracts*. European Commission: DG Employment, Social Affairs and Inclusion, 2012.

———. *Welfare Markets: Lessons from Contracting out the Delivery of Welfare to Work Programmes in Australia and the Netherlands*. Joseph Rowntree Foundation, 2008.

Fultz, Elaine. *Disability Insurance in the Netherlands: A Blueprint for U.S. Reform?* Center on Budget and Policy Priorities, 2015.

Gadsby, Dr Erica Wirmann. *Personal Budgets and Health: A Review of the Evidence*. Policy Research Unit in Commissioning and the Healthcare System, 2013.

Garand, Linda, Jennifer Lingler, Kyaien O.Conner, and Amanda Dew. 'Diagnostic Labels, Stigma, and Participation in Research Related to Dementia and Mild Cognitive Impairment.' *Research in Gerontological Nursing* 2, no. 2 (2009).

GOV.UK. 'Employment and Support Allowance (ESA)'. 6 January 2016.

Greaves, Ian. *Disability Rights Handbook Edition 40 - 2015-16*. Disability Rights UK, 2015.

Gregg, Paul. *Realising Potential: A Vision for Personalised Conditionality and Support*. Department for Work and Pensions, 2008.

Halpern, David, Clive Bates, Geoff Mulgan, Stephen Aldridge, Greg Beales, and Adam Heathfield. *Personal Responsibility and Changing Behaviour: The State of Knowledge and Its Implications for Public Policy*, 2004.

Harrington, Michael. *An Independent Review of the Work Capability Assessment*, 2010.

———. *An Independent Review of the Work Capability Assessment – Year Two*, 2011.

Haveman, Robert, and Barbara Wolfe. 'The Economics of Disability and Disability Policy.' In *The Handbook of Health Economics*, Ed. Anthony J. Culyer, Joseph P. Newhouse. Madison, United States: Elsevier, 2000.

Henrekson, Magnus, and Mats Persson. 'The Effects on Sick Leave of Changes in the Sickness Insurance System.' *Journal of Labor Economics* 22, no. 1 (2004).

Hitchcock, Alexander, William Mosseri-Marlio, Charlotte Pickles, and James Zuccollo. *Updating Uprating: Towards a Fairer System*. *Reform*, 2015.

HM Government. *Employment and Support Allowance (Repeat Assessments and Pending Appeal Awards) (Amendment) Regulations 2015*, 2015.

———. *The Employment and Support Allowance (Sanctions) (Amendment) Regulations 2012*, 2012.

———. *The Jobseeker's Allowance Regulations 1996*, 1996.

———. *The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment Support Allowance (Decisions and Appeals) Regulations 2013*, 2013.

———. *The Universal Credit Regulations 2013*, 2013.

———. *Welfare Reform and Work Bill: Impact Assessment for the Benefit Cap*, 2015.

HM Treasury. *Summer Budget 2015*, 2015.

Hoban, Mark. Commons debate on "Atos Work Capability Assessments", HC Deb 17 January 2013, c1080.

Holmes, Ed, Hannah Titley, and Charlotte Pickles. *Employment and Support Allowance: The Case for Change*. *Reform*, 2015.

House of Commons Committee of Public Accounts. *Department for Work and Pensions: Contract Management of Medical Services, Twenty-third Report of Session 2012–13.* HC 744. London: The Stationery Office, 2008.

House of Commons Work and Pensions Committee. *Employment and Support Allowance and Work Capability Assessments, First Report of Session 2014–15.* HC 302. London: The Stationery Office, 2014.

House of Commons Work and Pensions Committee. *Can the Work Programme Work for All User Groups? First Report of Session 2013–14.* HC 162. London: The Stationery Office, 2013.

House of Commons Work and Pensions Committee. *Benefits Simplification, Seventh Report of Session 2006–07. Volume I.* HC 463. London: The Stationery Office, 2007.

Hutton, John. Commons debate on "Welfare Reform Green Paper", HC Deb 24 January 2006, c1305.

———. 'The Active Welfare State: Matching Rights with Responsibilities', 16 January 2006.

Ipsos MORI. *Employment, Welfare, Skills and the Economy: Public Perceptions and Expectations*, 2010.

Johansson, Per, and Marten Palme. *Assessing the Effect of a Compulsory Sickness Insurance on Worker Absenteeism*, 1998.

Klepinger, Daniel, Terry Johnson, and Jutta Joesch. 'Effects of Unemployment Insurance Work-Search Requirements: The Maryland Experiment.' *Industrial Relations and Labor Review* 56, no. 1 (2002).

Knight, Genevieve, and Stephen Lissenburgh. 'Evaluation of Lone Parent Work Focused Interviews: Final Findings from Administrative Data Analysis.' 2004.

Knight, Genevieve, Sergio Salis, Francesca Francavilla, Dragos Radu, Debra Hevenstone, Elisabetta Mocca, and Brittainy Tousley. *Provider-Led Pathways to Work: Net Impacts on Employment and Benefits*. Department for Work and Pensions, 2013.

Knijn, Trudie, and Frits Van Wel. 'Better at Work: Activation of Partially Disabled Workers in the Netherlands.' *European Journal of Disability Research 8*, 2014.

Krueger, Alan, and Bruce Meyer. *Labor Supply Effects of Social Insurance in the Handbook of Public Economics*, 2002.

Lipp, Robert. *Job Seeker Profiling: The Australian Experience*, 2005.

Litchfield, Dr Paul. *An Independent Review of the Work Capability Assessment – Year Five*, 2014.

Maharey, Steve, 'Work Opportunities for All New Zealanders', 15 March, 2005.

Manning, Alan. *You Can't Always Get What You Want: The Impact of the UK Jobseeker's Allowance*, 2005.

Martin, John. *Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on Their Effectiveness*, 2014.

Martin, John, and David Grubb. 'What Works for Whom: A Review of OECD Countries Experience with Active Labour Market Policies.' *Swedish Economic Policy Review* 8 (2001).

Mason, Rowena. 'David Cameron Calls on Obese to Accept Help or Risk Losing Benefits.' *The Guardian*, 14 February 2015.

McDonald, Catherine. *Patients in Control: Why People with Long-Term Conditions Must Be Empowered*. IPPR, 2014.

McVey, Esther. Written Answer, HC Deb 24 February 2014, c5w.

Mencap. ‘Legislation, Research and Good Practice in Personalisation.’ Policy notice. Accessed 14 December 2015.

Meyer, Bruce, and William Viscusi. ‘Workers’ Compensation and Injury Duration: Evidence from a Natural Experiment.’ *American Economic Review* 85, no. 3 (1995).

Millar, Jane, and Martin Evans. *Lone Parents and Employment: International Comparisons of What Works*. Department for Work and Pensions, 2003.

Mind. *Personal Health Budgets in England – Making Them Work in Mental Health*. Accessed 14 December 2015.

Ministry of Social Development. ‘Obligations to Look for and Prepare for Work.’ Accessed 11 January 2016.

Morrison, Janet. *Telehealth Education in Occupational Health*. British Columbia Institute of Technology, School of Health Science, 2015.

MS Society. ‘Enough: Make Welfare Make Sense’. 2015.

NatCen Social Research. ‘Benefits and Welfare: Long-Term Trends or Short-Term Reactions?’ *British Social Attitudes*, no. 32 (2015).

National Audit Office. *Contracted-out Health and Disability Assessments*, 2016.

———. *The Work Programme*, 2014.

New Zealand Cabinet Policy Committee. *Extending Opportunities to Work*, 2005.

New Zealand Government. *Overview of Welfare Reform July 2013 Changes*, 2013.

New Zealand Ministry of Social Development. ‘Jobseeker Support Fact Sheet.’ Accessed 11 January 2016.

———. ‘Jobseeker Support - March 2015 Quarter.’ Accessed 11 January 2016.

———. ‘Welfare Reform: Changes in July 2013.’ Accessed 11 January 2016.

———. *Working towards a Single Core Benefit*, 2005.

New Zealand Parliament. ‘Benefits - Single Core Benefit.’ Q&A, 18 July 2007.

———. ‘Work and Income - Communication with Beneficiaries.’ Q&A, 6 August, 2008.

———. ‘Working for Families Package - Family Assistance.’ Q&A, 15 June 2004.

Oakley, Matthew. *Independent Review of the Operation of Jobseeker’s Allowance Sanctions Validated by the Jobseekers Act 2013*. Department for Work and Pensions, 2014.

OECD. *Activating Jobseekers: How Australia Does It*. OECD Publishing, 2012.

———. *Mental Health and Work: Austria*. Paris: OECD Publishing, 2015.

———. *Mental Health and Work: Switzerland*. Paris: OECD Publishing, 2014.

———. *OECD Employment Outlook*. Paris: OECD Publishing, 2005.

———. *Sickness, Disability and Work: Breaking the Barriers*. Paris: OECD Publishing, 2010.

———. *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings Across OECD Countries*. Paris: OECD Publishing, 2010.

Office for Budget Responsibility. *Economic and Fiscal Outlook*, 2015.

Office for Disability Issues. *Towards a Fully Inclusive New Zealand (Briefing to the Incoming Minister for Disability Issues)*, 2002.

Office for National Statistics. Consumer Price Inflation, November 2015, 2015.

———. *Labour Market Statistics, January 2016,* 2016.

Osborne, George. ‘Summer Budget 2015 Speech’, 8 July 2015.

Osterholm, Karen, William Nash, and William Allan Kritsonis. ‘Effects of Labeling Students “Learning Disabled”: Emergent Themes in the Research Literature 1970 Through 2000.’ *FOCUS on Colleges, Universities, and Schools* 6, no. 1 (2011).

Parliament of Australia. ‘A Review of Developments in the Job Network.’ Research Paper, 24 December 2007.

Patel, Priti. Written Answer 17167, 30 November 2015, cw.

Peters, Mark, and Lucy Joyce. *A Review of the JSA Sanctions Regime: Summary Research Findings*. Department for Work and Pensions, 2006.

Pickles, Charlotte, and Hannah Titley. *How to Run a Country: Working Age Welfare*. *Reform*, 2015.

Rayner, Elizabeth, Shah Sohagini, Richard White, Len Dawes, and Kevin Tinsley. *Evaluating Jobseeker’s Allowance: A Summary of the Research Findings*. Department of Social Security, 2000.

Sainsbury, Roy. ‘Talking Universal Credit: In Conversation with Lord Freud.’ *Journal of Poverty and Social Justice* 22, no. 1 (2014).

———. ‘Long-Term Benefits Reform – Should a Single Working-Age Benefit Be the Aim?’ *Disability Rights Bulletin*, February 2006.

Sainsbury, Roy, and Kate Stanley. *One for All: Active Welfare and the Single Working-Age Benefit*. Institute for Public Policy Research, 2007.

Sainsbury, Roy, and Robert Stephens. ‘A Single Core Benefit: Lessons from New Zealand.’ *Journal of Social Security Law* 16, no. 1 (2009).

Sainsbury, Roy, and Katherine Weston. *Exploratory Qualitative Research on the ‘single Working Age Benefit’.* Department for Work and Pensions, 2010.

Shaw Trust. *Shaw Trust Response to the Fifth Independent Review of the Work Capability Assessment, August 2014*, 2014.

Sissons, Paul, and Helen Barnes. ‘Getting back to Work? Claim Trajectories and Destinations of Employment and Support Allowance Claimants.’ *Journal of Poverty and Social Justice* 21, no. 3 (2013).

Society of Occupational Medicine. ‘Response to Work Capability Assessment Review’. 23 November 2010.

Stanley, Kate, Liane Asta Lohde, and Stuart White. *Sanctions and Sweetners*. IPPR, 2004.

The Health Foundation. *Evidence Scan: Personal Health Budgets*, 2010.

Think Local Act Personal. ‘Personal Budgets – Checking the Results’, 2010.

Universal Credit. ‘Work Preparation Activity.’ Accessed 3 December 2015.

———. *Work Programme Universal Credit Claimant Provider Guidance*, 2015.

Waddell, Gordon and A Kim Burton. *Is Work Good for Your Health and Well-Being?*, 2006.

Waters, John, and Chris Hatton. *Third National Personal Budget Survey*. Think Local Act Personal, 2014.

Reform
45 Great Peter Street
London
SW1P 3LT

T 020 7799 6699
info@reform.uk
www.reform.uk

ISBN 978-1-909505-77-3