

“For disabled people,
cuts to welfare will have
a deep and lasting
impact...”

DESTINATION UNKNOWN

Claudia Wood
Eugene Grant

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Claudia Wood
Eugene Grant
October 2010

Foreword

The new coalition government is embracing its 'fair and progressive' welfare reform with zeal. Their ambition is laudable, who wouldn't vote for a more streamlined benefits system that improves disabled people's opportunities and standard of living, while simultaneously reducing dependency on welfare?

As a charity with nearly six decades of experience working directly with disabled people, Scope also strives for a society rooted in fairness; a society which ensures disabled people have the same opportunities as every other citizen to fulfil their potential.

But, ambitious reform cannot succeed unless it is also grounded in reality. Sustainable employment is key to the success of the coalition's plans for revolutionising welfare. Removing disincentives to work is one aspect of this, but in a climate of public sector job losses, marked regional variations in unemployment, and fierce competition for few jobs, the assumption that disabled people will make a smooth and painless transition into sustainable work is both naive and dangerous.

Every day we speak to people who are struggling to make ends meet, trapped in a cycle of dependency that was not of their making and increasingly vilified by claims that an existence on benefits is a 'lifestyle choice'. Without a clear understanding of the real reasons disabled people are dependent on benefits, reform brings with it the very real risk that disabled people will move further into the economic, social and cultural shadows of our society.

This research attempts to shine a bright and searching light on the assumptions that underpin the government's radical programme of reform, on both the intended and unintended consequences for disabled people. In doing so, this report separates the good intentions from the economic reality of cuts.

It also sets out how reform of welfare and employment support, done in the right way, could make a long-lasting and meaningful difference to the lives of millions of disabled people.

Destination Unknown is a timely reminder of the impact that these reforms could have on disabled people's lives and the human cost of not getting them right.

Richard Hawkes
Chief Executive, Scope

Executive summary

Overview and analysis

The UK is facing a period of unprecedented fiscal constraint. The new government came to office on a platform which promised to repay the country's debt, and reduce the deficit, more quickly than the incumbent Labour government. But in doing so, David Cameron warned the cuts to welfare and public services would change 'our whole way of life'.¹ Since the emergency budget in June 2010, when many of these proposed cuts were outlined, there has been much analysis and commentary in the press and policy circles on the impact of these cuts on those on low incomes. The impact on more specific groups – such as disabled people – has remained a debate held primarily among lobby groups and the third sector. Yet disabled people are particularly vulnerable to cuts in services and benefits – they are disproportionately reliant on health, social care, housing and transport services, and also, as a result of low employment rates and the additional costs associated with living with an impairment, more likely to live in poverty and/or rely on benefits for a large proportion of their incomes. They are therefore likely to be directly and disproportionately affected when, on 20 October 2010, the government presents its spending review and announces the full range of departmental and welfare cuts.

It should be recognised, however, that welfare reform is a fast moving area, and there may well be changes to the way that benefits are organised in future. Most significantly, the government recently announced that a new 'universal credit' system is to be in place by the end of 2013. This universal credit will replace many of the existing available benefits, including Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Housing Benefit (HB). The new credit is designed to reduce incidences of fraud and error, as well as

administrative costs, but does not specify reductions to any specific components (eg family, housing and out-of-work elements).² Although the detailed workings of the universal credit are at this point yet to be revealed, we can assume that those cuts to individual benefits already announced will still stand – potentially when these benefits then become components of the universal credit itself. These cuts include a change in indexation of uprating benefits from the higher Retail Price Index (RPI) or Rossi to the lower Consumer Price Index (CPI), said to save £6 billion a year by 2015,³ the reassessment of claimants of Disability Living Allowance (DLA) to drive a 20 per cent reduction in costs; and the reassessment of Incapacity Benefit (IB) claimants to move more onto JSA – a plan first proposed by the previous government and intended to save £1.5 billion,⁴ and which the current government believes will see 23 per cent of IB claimants moved to JSA.⁵

It is very difficult to be so precise regarding the savings made from these steps. The limitations of the test being used to drive reductions in IB and DLA make it a very blunt instrument with which to achieve such specific percentage reductions in caseload and expenditure. Moreover, savings based on indexation changes will vary over time. According to *Budget 2010 Policy Costings*, the Treasury calculated that the shift in indexation will result in a 1.5 percentage point reduction in the value of those benefits and tax credits affected – 1.5 percentage points being the then difference between the higher RPI and lower CPI at the time of estimation (September 2009).⁶ However, during this project, the difference in value between RPI and CPI has ranged from 1.7 to 1.4 percentage points, resulting in a greater or lesser reduction in benefits' value.⁷ Our analysis shows what this can do to a common benefit, like DLA's care component. At its higher rate, the weekly amount a person would receive would increase from £74.40 in 2011/12 to £84.55 by 2015/16, if it remained pegged to RPI. Subtracting 1.5 percentage points – the difference between RPI and CPI as calculated September 2009 – from these values revealed that the same benefit at the same rate increased less and from a lower starting point: from £73.33 in 2011/12 to £78.60 in 2015/16. However, applying a 1.7 percentage

point difference would mean the same benefit at the same rate would increase from £73.19 in 2011/12 to £77.83 in 2015/16. Just this small (0.2 percentage point) difference constitutes a difference of 77p a week – around £40 a year – less.

By the time re-indexation of benefits comes into effect in April 2011, the gap between the two price indexes may well be back at 1.5, delivering the savings the government has stated. However, the unpredictable nature of inflation rates means it is almost impossible to estimate the amount saved by uprating benefits to CPI both in 2011, when the policy is introduced, and over the subsequent five-year period. It also generates financial uncertainty for disabled people.

Uncertainties aside, cuts of this magnitude may well be necessary. However, there are four concerning aspects to the nature of the reforms which are accompanying them. The first is that the government believes cutting benefits will inevitably incentivise work. This takes no account of those who may be unable to work (those with complex needs as well as carers) or those who can only work with personalised support. For these groups, cutting benefits will undermine their quality of life and little else. The second is that DLA, the only benefit which compensates for the additional costs of living with a disability and is non-means tested, is increasingly mis-represented as an ‘out of work’ benefit and so subject to the same cuts as other benefits to ‘incentivise work’. Again, this is most likely to increase disability poverty rather than incentivise work. The third is an increasing focus on the medical aspect of disability, to the detriment of the social model – that is, a recognition that social and practical factors have a role to play in a person’s disability, not just their medical impairment. This is leading to the adoption of exclusively medical testing to assess eligibility for incapacity benefits and even DLA – which can only feasibly be based on a calculation of additional living costs. The fourth and final problem is the government’s exclusive focus on people’s *economic* contribution to society. Finding employment is seen as the only successful outcome for welfare-to-work providers to achieve. This creates perverse incentives only to help those who are easiest to employ; it overlooks those who may not be

able to engage in formal employment but who can contribute to society in other ways (eg volunteering, building social capital), and it also leads to work programmes that do not build people's capabilities or recognise distance travelled towards employability. This is particularly inappropriate in the current economic climate, where jobs are harder to come by.

These four issues combined create an inflexible and punitive welfare-to-work system, which cannot accurately measure the true distance of disabled people from the labour market. Yet if the complex interaction of medical, psychological, social and practical barriers to work are not understood, it is likely that the subsequent support programmes will not be adequately targeted to address these specific issues – leading to more costly and less effective support.

Case studies

The impact of these cuts and welfare reforms in 'real life' terms are striking. We can also assume that when they come to form components of a new universal credit, the cuts would be of similar magnitude. For the time being, however, we can model the level of benefits income over five years in four typical disabled households, based on their current benefits streams:

- a disabled young person (L) and his parents as carers
- a disabled man (P) and his wife, who is his carer and has moderate disabilities herself
- a single disabled man (E) on ESA
- a single disabled woman (C) on IB

It is clear that losses are cumulative over time, as disabled households tend to claim a variety of benefits, so the cuts to these benefits accumulate to create significant losses in income.

Our data shows, for example, that the parents of L will see cuts to their benefits and those their son is entitled to. As full-time carers for their son, who has a range of complex needs, L's parents will be £20 worse off per week by the time of the next parliament in 2015. Between 2011 when these reforms are

introduced up to 2015, the family will have lost out on £3,043 in income just through the change in uprating their benefits from the RPI or Rossi to the CPI. We know there are 170,830 people on the same combination of benefits as this family, facing the same level of cuts.

Having had a stroke at age 46, P relies on his wife to care for him, though she has arthritis. Just through the change to indexation, this couple will be £5.80 per week worse off in 2011, £19.52 worse off per week by 2015, and over the next five years will have lost out on £3,143 of income. There are 516,450 people receiving the same benefits as P, losing out on £2,436.92 each over the next five years. This equates to £1.25 billion lost in this group.

E worked all his life until his epilepsy deteriorated two years ago, when he had to stop working. Unable to adapt to a loss of earning income, E now has significant debts. Through re-indexing his benefits, E will lose £414.96 in 2015. Over the five years 2011–15, E will be £1,295.32 worse off. Moreover, E tells us his DLA is currently being reassessed – the government hopes this national reassessment will lead to a 20 per cent reduction in costs for this benefit. It is highly possible, therefore, that E will have his DLA reduced to a lower rate, or stopped altogether. There are 98,170 people on E's combination of benefits. Over the next five years this group will be £127 million worse off.

C has been a wheelchair user from childhood. Although she has worked in the past, she is now unemployed and cannot find an employer willing to give her a job. Through the change in indexation to her benefits, C will lose out on £548.60 in 2015 alone. Over the next five years, C will lose out on £1,688. Yet C is not only vulnerable to the change in indexation – she may also be transferred to JSA when the government reassesses all IB claimants from October.⁸ If she is reassessed and moved to JSA in 2013, she will lose £2937.48 in income in 2015. Between 2011 and 2015, through re-indexing and a shift to JSA, C will be £8,714.68 worse off over the next five years. In addition, were C to be claiming HB, and could not find a job within a year of moving onto JSA, she would be at risk of a 10 per cent reduction in HB as a penalty. All these changes combined (a shift to JSA,

re-indexation and HB penalty) would result in C being £9,461.40 worse off over the next five years.

There are 114,066 people with C's combination of benefits who risk being reassessed and moved onto JSA. If we scale up C's losses to all of this group, we can see that, as a whole, they will be £904,165 worse off a week in 2011, but once reassessment of incapacity benefit is rolled out, their losses as a group will reach £6.4 million per week by 2015 – or £335 million in that one year. Over the five years (2011–15), this group will lose £994 million in benefits income.

Recommendations

We recognise that the government is facing an unprecedented deficit, which needs to be paid off through a series of radical welfare and departmental cuts. We are not, therefore, suggesting that disabled people should be exempt from these cuts – we must as a society all bear the burden of the recovery from recession. However, it is clear from these four case studies that a one-size-fits-all welfare reform programme cannot reflect the diversity of the disabled population and disability benefit claimants, and the barriers that prevent them from working. Nor does it recognise the unintended consequences that may arise from this approach – namely, an increase in social and financial exclusion, an increase in 'low pay no pay' employment cycles, and entrenchment of benefits dependency. Based on our analysis and the findings from our case studies, we have developed a series of recommendations, which seek to introduce a greater focus on capability-building, a greater recognition of the social model of disability, and a more flexible interpretation of 'contribution' away from narrow economic terms. As the government drives unprecedented reforms to the benefits system, in the form of a universal credit, these proposals are even more important, as together they could render the government's welfare reform strategy more inclusive and appropriate for a larger number of disabled people; more effective in achieving sustainable employment and social engagement; and mitigate some of the very worst effects these reforms will have on this

cohort. When, in time, the benefits involved in this report are re-named or become components of a universal credit, the conclusions of this report and the recommendation on which they are based still stand:

- 1 *Abandon plans to use the Work Capability Assessment as a model on which to base DLA reassessments.* In its place, research and develop an accurate tool to measure and calculate the additional costs of living with a disability. Such a tool is not only vital to the assessment of DLA, it may also help quantify the true level of disability poverty.
- 2 *Reform the Work Capability Assessment for claimants of ESA and those who will go on to claim the incapacity component of the universal credit to assess a range of capabilities.* A holistic and personalised test is needed, which identifies the physical, psychological, social and practical barriers to employment that a person may have. Such an assessment would improve the effectiveness of welfare to work support programmes and allow for more targeted support.
- 3 *Establish a 'work ready' ESA group for the majority of reassessed Incapacity Benefit claimants found fit to work before the introduction of the universal credit, rather than moving them on to Jobseeker's Allowance.* The work ready group would claim the same level of benefit as JSA, but would not be subject to the same conditionality and penalty regime to recognise the practical difficulties facing many disabled people in attending two-weekly assessment interviews, for example. Following the introduction of the universal credit in 2013, 'work ready' and 'work able' groups should remain part of the credit's incapacity component.
- 4 *Make 'work able' and 'work ready' claimants automatically eligible for appropriate elements for the Work Choice support scheme and Access to Work.* Although participation in Work Choice is currently voluntary, it is a promising scheme based on a holistic and personalised support programme aimed at building a person's capabilities and re-ablement. Access to Work is proven to be highly successful and for every £1 spent, returns £1.48 in tax and National Insurance contributions of employed disabled people, but relies on people knowing to apply for it. Both should be provided automatically.

- 5 *Capitalise Housing Benefit to help more disabled people own their own home.* Some disabled people will spend a lifetime on HB (or indeed, the housing component of a future universal credit) and have no opportunity to build assets. Allowing them to take a lump sum of HB will enable them to purchase a house. While the risks associated with this – not least people being unable to repay mortgages – are high, there are some disabled groups for whom this could be highly effective in providing stable and suitable accommodation. Moreover, the government would make significant savings through reduced benefits payments and claim a stake in any resale income.

On balance, these proposals will prove relatively cost neutral – some of the costs will be reduced by savings elsewhere (for example, through rendering welfare-to-work support more targeted and cost effective, reducing administrative and appeals costs). Moreover, the government is likely to reap greater financial returns over a longer period of time in place of ‘quick-win’ reductions – for example, in enabling disabled people to secure *and maintain* employment over time rather than engage in a costly low-pay no-pay cycle, and in building disabled people’s capabilities to harness their potential to contribute to society outside formal employment. Given the scale of the cuts required, and the radical reform most recently being put forth in the form of a universal credit, the government must consider how to implement welfare reform strategically rather than in a one-size-fits-all manner if it hopes to maximise savings while minimising unnecessary long-term social and economic costs.⁹

1 Introduction

Box 1

Disability and disabled people

In this report, we use the Disability Discrimination Act (DDA) definition of a disabled person: ‘someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day-to-day activities’.¹⁰

The DDA considers how a medical condition would affect a person if they did not take any medication to treat it, and so manageable conditions like bi-polar disorder and epilepsy still count as disabilities.¹¹ The DDA 2005 amended the definition to ensure those people with cancer, HIV infection or multiple sclerosis would also be included.

The key points in this definition are that the effects of the impairment in question (whether physical or mental) are both substantial and long term. Consequently, people with short-term injuries and mild conditions or impairments would not be considered disabled, and we do not consider the impact of welfare cuts on such groups or make recommendations on how to mitigate these.

A portrait of disability inequality

The price of disability

Statistics show there are 7 million disabled people in the UK of working age (though not all are entitled to or are claiming disability benefits). This represents 19 per cent of the working population. Yet only half of disabled people of working age are in work, compared with 80 per cent of non-disabled people. There are said to be 1.3 million disabled people who say they are available for and want to work.¹²

This inequality was entrenched long before the onset of the recent economic crisis. In summer 2003, only 49 per cent of

working age disabled people were in employment, as opposed to 81 per cent of their non-disabled counterparts.¹³ Statistics for the same year showed almost half the working age disabled population but only 15 per cent of non-disabled people to be economically inactive.¹⁴ To put the disability employment gap into better perspective, research from the Social Market Foundation suggests that if disabled people's employment were increased to levels comparable with non-disabled people, Britain's GDP would receive a boost of around £13 billion.¹⁵

Those disabled people who do find work are likely to be paid significantly less than similarly placed non-disabled people. In 2004 disabled men who worked at least 30 hours a week earned £1.10 less per hour than their non-disabled counterparts; disabled women earned 50p less per hour.¹⁶ More recent data shows there has been little progress in narrowing this gap: 2009 data from the Office for National Statistics *Labour Force Survey* showed the average gross hourly pay for disabled employees to be £1.22 less than non-disabled employees.¹⁷

Given this level of unemployment, disabled people are disproportionately likely to live in poverty¹⁸ – the poverty rate for disabled people is double that for non-disabled people.¹⁹ However, this is not simply a question of income. There are also additional costs associated with living with a disability (transport, housing adaptations, specialist food and so on), which means disabled people's incomes simply do not go as far. Amartya Sen described this as a 'conversion' disadvantage. According to his study, 17.9 per cent of individuals in the UK reside in households below the poverty line. This proportion increases to 23.1 per cent among households that includes a disabled individual. This 5 percentage point gap reflects the lower income disabled people receive. However, when the extra costs of living with a disability – the conversion disadvantage – are factored in, the proportion of families with disabled members living in poverty rockets to 47.4 per cent. This additional 24 percentage point gap reveals the extent to which the additional costs of living with a disability impact on disabled people's disposable income.²⁰

The capabilities gap

*There are few things so unfair as having your capability limited through no fault of your own.*²¹

Disability inequality is not just about employment and income. Disabled people are also limited in their *capabilities*. Capability has been defined as the ‘power to do something’²² – abilities and opportunities people have to be autonomous and empowered, to lead the life they value. Without capability, independence can never be fully realised.²³ Capability is made up of personal characteristics, institutions and social arrangements. It includes health, education, skills and financial resources, social capital, and so on.

Education and capability are closely connected. Yet 23 per cent of disabled people have no qualifications, compared with 9 per cent of non-disabled people.²⁴ At age 18, young disabled people are only 40 per cent as likely to enter higher education as non-disabled young people of the same age.²⁵ Furthermore, as the number of non-disabled people participating in higher education has increased year on year, so the gap in participation between disabled and non-disabled people has widened.²⁶

Lack of access to goods and services also has a profound effect on disability inequality.²⁷ A recent report revealed that 40 per cent of disabled people could identify difficulties in accessing goods and services during 2009/10.²⁸ Access to transport is especially important, as there is a direct connection between accessible transport and employment and economic security, as well as maintaining social networks, independence and participation in community life. Almost a quarter of disabled people pursuing employment have had to refuse a job offer and a further 23 per cent had to decline a job interview because transport was inaccessible. Almost half – 48 per cent – have reportedly restricted their choice of jobs because of inaccessible transport.²⁹ Inaccessible transport has meant a fifth of disabled people find it ‘difficult or impossible’ to get the healthcare they need and caused 43 per cent to miss a hospital appointment.³⁰ Around half of disabled people attribute not seeing family and friends as often as they would like to transport being inaccessible.³¹

Housing is also problematic. Disabled people are twice as likely to live in social housing because they are unable to afford to buy their own home or rent privately.³² Yet a report by the Strategy Unit in 2008 concluded: ‘Much of the [social] housing stock is physically unsuitable for people with mobility or other impairments.’ Moreover, adapted and purpose built accessible housing is sometimes not allocated to those it would most benefit because social housing landlords often do not keep a record of such properties.³³ It has been estimated that around a quarter of disabled people in need of adapted accommodation are living in unsuitable housing.³⁴ Those disabled people living in social housing may also find it difficult to save or accumulate assets, which would help build their financial capability and might better enable them to be economically independent.³⁵ Inadequate adaptations or inaccessible accommodation can be to the detriment of people’s independence, as data from 2005 suggests that some 40 per cent of disabled people believed their housing situation made them ‘unnecessarily dependent’ on other people.³⁶

It is perhaps unsurprising, therefore, that as a cohort, disabled people are also disproportionately dependent on state support in the form of benefits.³⁷ But as it stands, the administration of many benefits dis-empowers people who receive them and disconnects them from decision-making processes.³⁸ This runs counter to more progressive ideas of welfare, which believe the welfare benefits system should give people more power, choice and control over their own lives.³⁹ Commentators on both sides of the political spectrum suggest individuals are better served by welfare schemes that promote choice, autonomy and self-reliance,⁴⁰ but while this is central to health and social care services, it has yet to be translated into a benefits context. Even the receipt of benefits, therefore, can contribute to undermining people’s capabilities.

Inequality due to external factors

Disabled people are disadvantaged on several fronts, not just economically, but through a range of limited capabilities. It is

important to bear in mind however that these do not arise simply through a person's medical impairment – inequality can be driven by a range of external factors, from inaccessible transport to discrimination in the workplace and society more widely. Recognising that social and environmental arrangements can exacerbate the disabling qualities of an impairment is central to a 'social model' of disability. According to Barnes et al, "The social model" does not deny the significance of impairment in people's lives but concentrates on those social barriers which are constructed "on top of" impairment.⁴¹ This can be contrasted to the medical model, which defines disability as an individual's medical impairment. These concepts have important implications when applied to policy design – the social model, for example, is said to have influenced the Disability Discrimination Act 1995 and 2005 and direct payments in social care. It is also the underlying principle behind Disability Living Allowance (DLA), an important source of income for disabled people which we discuss in detail in the following sections.

The effects and aftermath of the recession

The crash

The recession has had a profoundly negative impact on disabled people – including their income, savings and general financial security; employment prospects; and access to goods and services. A 2009 study from Leonard Cheshire Disability, which compares data from 2007 with data from 2009, shows that the number of disabled people with no savings increased by 6 per cent and the number of disabled people who found it 'difficult to manage on their present income' rose by nearly 10 per cent.⁴² Data for last year shows more than half of the disabled population but only 20 per cent of the entire population had no savings whatsoever.⁴³ Last year, some 15 per cent of disabled people were reported as being unable to pay a utility bill on time; 22 per cent had sought financial assistance or advice of some sort.⁴⁴ The results of the research also suggest the downturn exacerbated social exclusion and perpetuated discrimination. More than half the respondents – 52 per cent –

reported experiencing discrimination in the workplace, an increase of 11 per cent from 2007. Of those respondents who were out of work at the time of the research, 12 per cent had lost their job within the last year. Nearly half of all employed respondents reported that they were less confident about the future than they were 12 months ago. The study concluded that the economic crisis ‘has exacerbated the already high levels of disability poverty’ and ‘has undoubtedly compounded underlying problems’.⁴⁵

The cuts

The run-up to the general election earlier this year witnessed all three main political parties proposing ‘swingeing’ cuts in public spending.⁴⁶ Following his election as prime minister, David Cameron sent out a stark warning to the nation: that the coalition’s plans for social and economic change would affect ‘our whole way of life’.⁴⁷ Speaking before the general election, Richard Hawkes, chief executive of disability organisation Scope, asserted: ‘Our fears are that public sector cuts will affect disabled people disproportionately, further rationing vital services and leaving many disabled people with inadequate support or reliant on charities where public services fail.’⁴⁸

On 22 June 2010 Chancellor George Osborne announced the emergency budget. The proposals were declared to be ‘tough but fair’; the effects would be wide ranging. ‘We’re all in this together,’ said Osborne, in what has now become an oft-cited quote.⁴⁹ The summer’s emergency budget put forth a wide range of initial cuts, but details of many more will be given in the forthcoming spending review set out by the government as part of its efforts to tackle Britain’s £156 billion deficit.⁵⁰

Responses to the budget were invariably mixed: the *Guardian* described the proposals as ‘brutal’ and predicted the cuts were ‘likely to fall disproportionately on the poor families that rely most on public services’.⁵¹ The cuts, announced *The Times*, were ‘the most savage’ since Margaret Thatcher.⁵² Jeremy Warner at the *Daily Telegraph* described the proposals as ‘encouraging stuff’ and claimed the chancellor had hit the ground ‘not so much running as sprinting’.⁵³

However, evaluation from the Institute for Fiscal Studies concluded that the overall impact of the emergency budget was ‘regressive’.⁵⁴ Even then, the cuts to disability (and housing) benefits had not been included in the calculations. Including them, as the *Guardian* pointed out, ‘would have made the budget even more regressive’.⁵⁵

It is for this reason that many disability organisations expressed deep concerns about the impact of the cuts. Responding to the government’s proposals, the Disability Alliance claimed that disabled people were ‘being forced to pay for the financial crisis’ and that cuts would ‘raise the spectre of grinding poverty and increased social isolation for disabled people and their families’.⁵⁶ Within 24 hours of the budget being announced, many commentators concluded that disabled people and families with children would be hit hardest.⁵⁷ Interestingly, challenges to the fairness of the budget also came from inside the government, with Home Secretary Theresa May writing to warn the chancellor that disabled people among other groups would be ‘disproportionately affected’.⁵⁸

Services

Disabled people are disproportionately reliant on public services such as health and social care and public transport,⁵⁹ because of their low incomes and care and support needs.

With the exception of the NHS and foreign aid, cuts are cross-departmental, with each service looking to make 25 per cent cuts. However, adult social care departmental directors are predicting there will be a reduction of as much as 40 per cent over three years in social care budgets, in part to maintain the NHS exemption from cuts.⁶⁰ Yet as pointed out by the King’s Fund, social care budgets ‘would require real terms annual increases of 3.5 per cent’ over the next few years to keep up with ongoing demographic pressures, and it warns of a £6 billion funding gap by 2026.⁶¹ Instead, the government has cut grants to local authorities by as much as £1.165 billion, while proposing to freeze council tax for at least a year.⁶² Both of these measures will exert further pressure on social care budgets, which had already

been under pressure for a number of years before the recession, causing many local authorities to tighten eligibility criteria for state-funded social care provision and leading to a growing dependence on informal care from friends and family. Indeed, in some parts of the country the likely effects of tightening eligibility are already becoming apparent. While three out of four councils already restrict service eligibility for people assessed as in ‘substantial’ or ‘critical’ need, others intend to raise the threshold for eligibility even further,⁶³ with some estimates suggesting 81 per cent of councils will reserve services to ‘substantial’ or ‘critical’ need this coming year.⁶⁴ Meanwhile, funding cuts have left charities that provide social care services facing a 20 per cent shortfall.⁶⁵

The majority of people, disabled and non-disabled alike, will use (ring fenced) NHS services at some point— for example, by visiting their GP. However, there is by default likely to be a higher proportion of disabled people relying on social care and support to help them maintain an independent and good quality of life. It is this group, therefore, which will be disproportionately affected by the imminent cuts to social care budgets and resulting restrictions to eligibility. A survey conducted by Leonard Cheshire back in 2008 illustrated the devastating impact such cuts could have: 59 per cent of respondents whose social care package had been reduced following a reassessment could not pay for their own care and 82 per cent said reductions had affected their well-being and mental health.⁶⁶ Of those who did then pay for their own care, 35 per cent had gone into some sort of debt to do so, and half reported that paying for care had meant that they had trouble paying for other necessities, such as utilities and food.⁶⁷

Welfare

As disabled people are more likely to be out of work and receiving benefits, cuts to the budget of the Department for Work and Pensions (DWP) will also certainly have a significant impact on them. Indeed, the welfare bill will be made to bear the brunt of broader budget cuts. Speaking in June 2010, Chancellor George Osborne remarked:

*If over the coming months we can find further savings in the welfare budget, then we can bring that 25 per cent number [departmental cuts] down. In the end, that is the trade-off, not just between departments but also between the very large welfare bill and the departmental expenditure bill.*⁶⁸

Central to the government's programme of welfare reform is a strong desire to move people off benefits and into work. In his budget speech, Osborne pledged to 'increase the incentives to work, and reduce the incentives to stay out of work'.⁶⁹ Improving 'incentives to work' underlies the government's reforms and disability benefits – among other forms of state support – are also a key target.⁷⁰

Recently the new government has proposed an overall cap on the total amount of benefits a family can receive. The limit is to be levelled at around £500 per week, in line with the median earned income (after tax and National Insurance have been deducted) for working families.⁷¹ However, should a member of the house be claiming DLA, the household will be exempt from this cap.⁷² The government has also proposed a new universal credit to replace several incapacity benefits and housing benefit.⁷³ This universal credit will replace many of the existing available benefits, including Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA) and Housing Benefit (HB). The new credit is designed to reduce incidences of fraud and error, as well as administrative costs, but does not specify reductions to any specific components (eg family, housing, out-of-work elements, etc). Although the detailed workings of the universal credit are at this point yet to be released, we can assume that those cuts to individual benefits already announced will still stand – potentially when these benefits then become components of the universal credit itself. Moreover, although there will be changes to the way in which benefits are organised in future, the principles on which they are founded remain secure.

Yet it is clear how the logic that links benefits cuts exclusively to increasing incentives to work can be problematic in a disability context. This does not take into account the alternative forms of contribution households dependent on

benefits that are *unable* to work could make: a situation many disabled people are likely to find themselves in, as well as many carers whose level of caring responsibility precludes employment. It also overlooks those who cannot find and maintain employment without ongoing support.

The cumulative effect of a reduction in the value of benefits (Incapacity Benefit, Disability Living Allowance, Carer's Allowance and Housing Allowance, as well as Employment and Support Allowance and Jobseeker's Allowance – all of which will be affected) for these families may serve to undermine their quality of life, without actually increasing their chances of finding work.

Similarly, the availability of suitable jobs also seems to have been overlooked. In 2010 jobs are scarcer than in the past and the unemployment rate is just below 8 per cent, the highest since 1996.⁷⁴ In such an environment, disabled people are likely to find it even harder to gain employment, regardless of the financial penalties imposed on them to make them keener to work.

Finally, the concept of incentivising work overlooks those with the most complex needs who may be unable to engage in paid or full-time employment. These disabled people are often placed in the current ESA 'support group', and deemed 'dependent' to all extents and purposes. This was most recently demonstrated by Work and Pensions Minister Iain Duncan Smith who in describing a 'welfare contract' between the government and those individuals 'genuinely' sick or disabled and unable to work 'have nothing to fear'.⁷⁵ Rather than a contract, this statement seems to indicate unconditional dependency, with no mention of the opportunities that could be provided to enable this group to build their capabilities and contribute to society by other means. Although it is true that many jobs may be unsuitable for those with very complex needs, it is not impossible for many of this group to work if jobs were made suitable for them. Moreover, framing contribution to society solely in terms of employment and economic return undermines other ways in which disabled people may participate – be that working part time, volunteering, and so on.

The fact that 'contribution' is often framed in direct economic terms in welfare-to-work programmes is evident from

the rules regarding part-time work, which is set at 16 hours per week (working more than this renders you ineligible for JSA and ESA, for example). Conversely, if someone cannot meet this part-time work (16 hour) quota, they are deemed ‘incapable of work’ – a rule which rejects the capabilities approach of promoting contribution and involvement at whatever level is possible. A second example of the focus on formal work is in the practice of ‘parking’.⁷⁶ Individuals thought to be the hardest to reach in the labour market are not offered the support they need to find and sustain work, but are ‘parked’ by providers of welfare services, while focus turns to individuals who are easier to employ.⁷⁷ An alternative capabilities approach would not focus on a person’s limitations, but instead identify what a disabled person *can* do, even if this does not extend to formal employment, and cultivate their capabilities to enable them to do this. This approach would represent a shift from a narrow, economic interpretation of contribution and participation to a more inclusive and personalised one, which recognised the full diversity of the disabled population’s potential skills and capabilities in volunteering, forming social networks, providing peer support, and so on.

In summary, disabled people are entering an age of austerity from a starting point well behind that of the majority of their non-disabled counterparts. As a result of these wide ranging inequalities, cuts to benefits and services are likely to have a disproportionate effect on disabled people. Most concerning is that the entire narrative around benefits cuts is framed as an ‘incentive to work’, but this may prove inappropriate for disabled people. If the government wants to incentivise work, it must also ensure there are suitable jobs for disabled people to fill, or, if this is simply not viable in the current economic climate, find ways in which those who might be out of work for extended periods of time can build their capabilities and contribute to society while out of work, and be well prepared for a time when more jobs become available. Cutting benefits without taking these additional steps to balance the equation is likely to exacerbate poverty and social exclusion among those least able to work or secure a job without specialist support.

In the next section we describe in turn the welfare benefits and accompanying reforms being applied to them which will most affect disabled people. In doing so, we will identify those reforms which will have disproportionate, and sometimes unintended, consequences on this cohort. We should bear in mind that many of the benefits we describe are to form part of a new universal credit. That does not, however, mean these benefits would simply no longer exist. They would most likely form components within a universal credit. So, for example, Incapacity Benefit and ESA may form a 'disabled out of work' component, while housing benefits may form a 'housing component', and so on, and the cuts we describe below would still be relevant to each component. Moreover, we should bear in mind that the universal credit system will be in place by 2013, with half of all benefit claimants transferred to this credit by 2015.⁷⁸ It is therefore important to consider what effect reforms will have to existing benefits and the people who currently claim them.

2 Cuts and consequences – an inspection of reform

This section provides in detail the reforms to individual disability and related benefits as a result of the emergency budget and spending review. However, it is important to bear in mind that following recent announcements from Chancellor George Osborne there is to be an overarching cap on the overall amount of benefits any household can receive from 2013. This limit will be set at an estimated median income of £500 per week for working families. This, the government has predicted, will translate into a real terms reduction of around £93 per week for around 50,000; some families will lose as much as £300 per week.⁷⁹ Exemption of this cap will be determined by eligibility for DLA – an issue we explore in more detail below.

Incapacity Benefit and Employment and Support Allowance

Incapacity Benefit (IB) is a weekly benefit paid to people who are unable to work because of illness or disability.⁸⁰ It is paid at three weekly rates: a short-term lower amount, paid for the first 28 weeks after a claim; a short-term higher amount, paid from week 29 for the remainder of the first year; and a long-term rate, paid from week 53.⁸¹ IB was estimated to cost around £12.5 billion in 2006/7.⁸² In October 2008, Employment and Support Allowance (ESA) was introduced to replace IB as well disability-related income support (box 2).⁸³

Box 2 **Employment and Support Allowance and Incapacity Benefit**
Employment and Support Allowance (ESA) replaced Incapacity Benefit (IB) in late 2008. Individuals already claiming IB before this changeover are to be moved onto the ESA.

New claimants have to undergo a 13-week assessment process (discussed later in detail), during which time they receive ESA at its basic rate. This basic rate is the equivalent to the Jobseeker's Allowance (JSA) rate for their age. Towards the end of this period, they undergo a Work Capability Assessment (WCA). This test allocates people to one of two groups: the support group (individuals who are deemed unable to work), or the work related activity group or WRAG (individuals who are thought to need additional support in order to be able to work in the future).

Claimants assessed as being 'fit for work' (able to work immediately) are moved from the ESA basic rate to JSA. Around two-thirds of claimants who complete a WCA test are found fit for work and moved to JSA (see below).

The rates for ESA and IB are presented in tables 1 and 2.

Table 1 **Weekly rates for Employment and Support Allowance in September 2010**

Claimant and stage	
Single person under 25 years old (basic rate)	£51.85
Single person aged 25 or older (basic rate)	£65.45
Single person in work-related activity group	£91.40
Single person in support group	£96.85

Source: Directgov⁸⁴

Table 2 **Weekly rates for Incapacity Benefit in September 2010**

Level of benefit	
Short-term lower rate	£68.95
Short-term lower rate (if over state pension age)	£87.75
Short-term higher rate	£81.60
Short-term higher rate (if over state pension age)	£91.40
Long-term basic rate	£91.40

Individuals over state pension age are not eligible for long-term basic rate IB.

Source: Directgov⁸⁵

As apparent from tables 1 and 2, claimants who are allocated to the ESA work related activity group will receive the same level of benefit as those individuals who received the longer-term rate of IB, while those in the support group – who are thought unable to work – will receive a rate higher than that of the top IB rate.

Over the last three decades, the number of people claiming incapacity and disability-related benefits has grown dramatically – to over 2.5 million today (for incapacity benefits) from around 700,000 in 1979.⁸⁶ Indeed, it is often alleged that the Conservative government led by Margaret Thatcher reallocated many of those people who were out of work to IB so as to keep unemployment levels down.⁸⁷ Today, the benefits and welfare bill remains the largest in government.⁸⁸ Given the scale of the financial challenges facing the current government – and the ambitiousness of its plans for reform – it was highly unlikely that any proposed redesign of the welfare and benefits system would have excluded incapacity benefit, nor should it have.

Both the Labour government and the Conservative party in the run-up to the election pledged to reassess all claimants of IB to see whether they were still eligible for ESA (the new form of IB), or whether they should be transferred to JSA. Speaking on 27 May 2010, the Secretary of State for Work and Pensions Iain Duncan Smith stated:

If people genuinely cannot work, then we will make sure they get the unconditional support they need. However, those assessed as immediately capable of work will be moved on to Jobseeker's Allowance straight away. At the same time, those who have the potential to return to work will receive the enhanced support they need through ESA (Employment and Support Allowance) and the Work Programme.⁸⁹

The new government has duly carried this reassessment plan forward, starting in October 2010 in a pilot in Aberdeen and Burnley benefit delivery centres before being rolled out nationally on 28 February 2011 and ending in March 2014.⁹⁰

Around 2.5 million working age people are currently claiming incapacity benefits⁹¹ and 1.9 million of these are claiming IB. For many disabled people, IB is a key, if not the primary, source of income replacement. As Fôn James suggests, for individuals with serious conditions subsisting on IB is not so much a choice as a consequence of ‘the difficulty of finding suitable, accessible and flexible work’.⁹² Whereas some recipients will have received the benefit as a result of a life-long impairment, many others will have worked for some time before developing a condition or illness that left them disabled. Assessment procedures are stringent and current fraud levels for IB are estimated to be at about 0.5 per cent.⁹³ With this in mind, some have expressed serious concern about the government’s plans to reform and reassess this benefit,⁹⁴ particularly in relation to the use of the controversial Work Capability Assessment (explained in more detail below) as a means of reassessment. However, regardless of which benefit a disabled person claims – IB, ESA or indeed JSA – there will be an across the board reduction in year on year increases in these benefits, which will have a direct effect on disabled individual’s income. It is this issue we explore first.

The indexation loss

*So from next year... we will switch to a system where we up-rate benefits, tax credits and public service pensions in line with consumer prices rather than retail prices... This will save over £6 billion a year by the end of the Parliament.*⁹⁵

The decision to change the upratings system – see box 3 – from RPI (and Rossi, where applicable) to CPI is estimated to save around £5.8 billion over the duration of the current Parliament.⁹⁶ According to Citizens Advice, an upratings change is likely to result in a 1 per cent real terms reduction in the value of tax credits and benefits each year.⁹⁷ Someone receiving JSA could lose around £1 per week.⁹⁸ When asked whether this proposal meant a ‘fairer reflection’ of claimants’ experiences,

Mike Brewer, Director of the Direct Tax and Welfare research programme at the IFS, replied: ‘probably not’.⁹⁹

Box 3 **An introduction to indexation**¹⁰⁰

The Consumer Prices Index (CPI) is the main measure of inflation used for macro-economic policy in the UK. Since December 2003 it has been the basis for the inflation target used by the government. However, the Retail Prices Index (RPI) has been used as a basis for uprating benefits, pensions and pay deals.

The Rossi index is effectively the same as the RPI but with rent, mortgage interest payments, council tax and depreciation costs excluded. Rossi is used for uprating means-tested payments as a way of ensuring housing and council tax benefits are not double-counted.

The benefits, allowances and tax credits particularly relevant to disabled groups and in line for a shift to CPI upratings are:

- *DLA, Carer’s Allowance and the disability elements of each of Child Tax Credit and Working Tax Credits (previously RPI-indexed)*¹⁰¹
- *JSA, IB, ESA and Housing Benefit (previously Rossi-indexed)*

Although CPI and RPI use much of the same basic price data, the CPI excludes some goods and services – such as mortgage interest payments and council tax – that are otherwise covered by RPI. It also includes some costs that RPI does not, such as charges for financial services and fees for university accommodation. However, as CPI excludes large (housing) costs, it is always lower than the RPI. In August 2010, the RPI was calculated at 4.8 per cent and the CPI at 3.1 per cent – a 1.7 percentage point difference. Increasing benefits using CPI, therefore, will invariably result in lower amounts than increasing them using RPI, as had been done previously.

As around half of disabled people are unemployed, and recipients of disability benefits are most likely to come from low-income or benefit-dependent households,¹⁰² the forthcoming shift in indexation will without doubt hit disabled people hard. Following the release of the emergency budget, Shadow Work and Pensions Secretary Yvette Cooper declared that for ESA claimants the change in upratings could result in a £235 reduction in ESA by 2014.¹⁰³ As revealed in Pensions Minister Steve Webb's response to a parliamentary question posed by Cooper, ESA had been expected to rise to £75.80 per week (when previously pegged to Rossi).¹⁰⁴ Indexed to CPI instead, the benefit becomes notably lower – at £73.25 per week.¹⁰⁵ These reductions in value aside, there remain considerable concerns about the reassessment process itself – primarily the use of the medical examination – and its accuracy and appropriateness.

The Work Capability Assessment

The Work Capability Assessment (WCA) was introduced by the Labour government in October 2008; it replaced the Personal Capabilities Assessment previously used for IB claimants. It the primary tool used to assess eligibility for new ESA claimants, and, as of October 2010, will be the test applied to existing IB claimants to assess whether they are still eligible for their benefit (and moved onto ESA), or whether they should be moved to JSA.

A more in-depth assessment than its predecessor, the WCA includes communication and social interaction tests. The assessment process itself comprises several stages. First there is a 'limited capability for work' test, which begins with claimants completing the questionnaire ESA50. Those individuals suffering from a terminal illness are granted ESA automatically, but most new claimants and those IB claimants being reassessed undergo an assessment within 13 weeks, during which time new claimants receive basic rate ESA, which is the same as JSA,¹⁰⁶ while IB claimants stay on their existing benefit rate until their reassessment is complete.

DWP statistics show that around 38 per cent of new claimants of ESA have their ‘claim closed’ (withdrawn by the applicant or rejected because they do not complete assessments – and no longer receive ESA) before completing the assessment process.¹⁰⁷ The rest undergo a medical examination by a DWP-approved doctor,¹⁰⁸ who scores people according to 21 ‘descriptors’, such as walking, concentrating, carrying and interacting with other people. Those claimants who score lower than 15 – and so are considered ‘fit for work’ – are taken off ESA and transferred to JSA. Those who score more than 15 have to undergo a ‘limited capability for work-related activity’ test. This second assessment, which tests for physical and mental health problems, determines to which ESA sub-group they will be allocated: the ‘support group’ or the ‘work related activity group’. Those assessed as having significant levels of need are allocated to the former group; those who are not are placed in the latter group.

According to data recently released by the DWP, 10 per cent of *new* applicants of ESA who complete the assessment process are allocated to the support group, 24 per cent are allocated to the work related activity group, and 66 per cent are found ‘fit for work’, and so transferred to JSA.¹⁰⁹ Iain Duncan Smith has recently given an estimate of how many *current IB claimants* the government expects will fall into these three groups following reassessment. He told the Work and Pensions Select Committee on 15 September 2010 that around 23 per cent of people would be found fit for work and moved to JSA, 58 per cent would be moved to the WRAG group (able to work in the future), while 19 per cent would be placed in the support group (and not expected to work). However, he admitted these were little more than estimates: ‘These are estimates that are conservative, I think, in the sense that we won’t know whether they’re a bit too conservative until we start to see what’s happening in those two [pilot] cities.’¹¹⁰ Indeed, Work and Pensions Minister Chris Grayling recently commented that of the 2.5 million on incapacity benefits half should be able to return to work.¹¹¹

Despite being in use for almost two years, the appropriateness and accuracy of the WCA is fiercely contested and widely debated. Analysis of the assessment by Citizens Advice resulted

in some highly critical conclusions, outlined in the report *Not Working*, released earlier this year. It stated that ‘seriously ill people are inappropriately being subjected to the WCA’ when their claim should have been processed automatically.¹¹² Unlike the Personal Capability Assessment, previously used to assess IB claimants, wherein a diagnosis and information provided by their doctor would exempt seriously ill individuals from having to undergo an assessment, ESA has far fewer exemptions. Citizens Advice also concluded that the WCA ‘does not effectively measure fitness for work’ and Bureau staff have reported situations in which clients with ‘serious problems’ are being found ineligible for ESA and fit for work. The test is also said to take little account of fluctuating and variable symptoms, which might occur with a condition like multiple sclerosis, for example, as well as special short-term circumstances – the report details the case of one individual who was found fit for work, despite being diagnosed with bowel cancer and having a colostomy and stoma bag that need changing 16 times a day.¹¹³ In light of such evidence and amid a range of criticisms from various commentators, the government is set to subject this controversial assessment to review – internally, facilitated by the Social Security Advisory Committee, and independently, spearheaded by Professor Harrington, an occupational health expert,¹¹⁴ who is currently consulting disability organisations and disabled individuals with experience of or information about the WCA.¹¹⁵

It is perhaps unsurprising, therefore, that the ESA is now the most frequently appealed benefit in the UK.¹¹⁶ There are thought to be some 8,000 cases brought to tribunal every month, and 40 per cent of appeals are successfully overturned in the appellant’s favour.¹¹⁷ It is expected that these appeals will multiply as reassessments are rolled out for IB and DLA claimants (discussed later) – at the taxpayer’s expense.¹¹⁸ As academics like Paul Gregg, Professor of Economics and one of the architects of the ESA system, have pointed out, incorrectly assessing individuals as fit for work could well end up costing the government more money than saving it.¹¹⁹ Similar concerns have been echoed by the Office for Budget Responsibility, which

reportedly remains ‘uncertain’ whether the reforms to disability benefits (alongside two other areas) will have a significant impact on reducing the benefits bill.¹²⁰ Elsewhere, organisations such as Carers UK have expressed anxiety that ‘costs of implementation [of medical assessments] and subsequent appeals will not deliver the kind of savings the Government hopes for’ and have highlighted the high success rate of WCA appeals (in appellants’ favour).¹²¹ In the current economic climate, it is clear that an inappropriate benefit assessment process can generate costs associated with appeals that the government can ill afford.

Accuracy and expense issues aside, there is also widespread concern about the effect of subjecting disabled people to strenuous medical testing. Carers UK says ‘this testing system will cause considerable fear, stress and uncertainty to families already coping with heavy caring responsibilities’.¹²² Atos, the private company contracted to undertake the WCA tests, has also been subjected to criticism, as has its protocol for the test itself. Indeed, there are concerns that company staff in charge of conducting the assessments are not qualified doctors, that information and opinions provided by claimants’ consultants and GPs have not been properly taken into account, and that the resulting reports often fail to represent what was said during the assessment.¹²³ According to Parckar, ‘there have been serious concerns both about whether the people conducting the tests have sufficient expertise to fully understand the huge range of different impairments that they might encounter, and whether the test itself is appropriately constructed’.¹²⁴

In addition to the potential flaws of using the WCA to reassess current IB claimants and move them to JSA, there is also the possibility that disabled people will be at a greater disadvantage when it comes to complying with the JSA conditionality criterion – signing in at a Jobcentre Plus office every fortnight, and being prepared to be called into a Jobcentre Plus office at any time should advisers think a claimant is not properly adhering to their Jobseeker’s Agreement.¹²⁵ Moving disabled people to JSA does not take account of the challenges they might face in complying with such conditions, including

arranging transport and care. Yet if those conditions are broken, disabled people may then face financial penalties.

It is highly probable that these conditions – or ones highly similar – will remain under a universal credit. In fact, they may become even more stringent. This was indicated by the Work and Pensions Minister Iain Duncan Smith who, speaking at Conservative Party Conference 2010, asserted that the government has ‘the right to insist that when work is available you take that work and work hard to keep that job’.¹²⁶

Duncan Smith’s comments also raise the issue of maintaining employment. Disabled people find it harder to get a job than non-disabled people; many that do then experience discrimination in the workplace.¹²⁷ Some 52 per cent of disabled people surveyed in the study *Disability and the Downturn* by Leonard Cheshire Disability had experienced discrimination in the workplace in the past year; 43 per cent reported being turned down for employment because of their disability or impairment.¹²⁸ Barriers such as these, and the very real possibility of fluctuating conditions leading to them being unable to work for continuous periods, mean disabled people are likely to be at greater risk of having to leave employment. This is exacerbated by the fact that disabled people are also more likely to work in temporary, part-time or ‘vulnerable’ jobs.¹²⁹ Yet claimants of JSA can have sanctions imposed on their benefits if they do not take and stay in employment.¹³⁰ Disabled people may therefore be exposed to greater risk of a reduction in their income as a result of these sanctions.

These difficulties suggest a fairly rigid and penalty based regime such as JSA, which tends to make an assumption regarding a lack of will or inclination on the part of the claimant rather than taking into account physical and other barriers that might come in to play, is not wholly appropriate for disabled people. A more flexible and capabilities based regime may prove more suitable.

Disability Living Allowance

Disability Living Allowance (DLA), introduced by the Conservative government in 1992, is a tax-free, non-means tested

(the claimant's income is not taken into account) benefit. Disabled people can also claim DLA if they are in employment, as the allowance is designed to cover the conversion disadvantage – it helps them meet the extra expense of living with a disability. Many disabled people who receive DLA use it to pay for things like medical equipment and travel; others have said that without it they would be unable to pay bills or get the healthcare they need.¹³¹

DLA is divided into two components – care and mobility – each with three different levels of payment: low, middle and higher.¹³² The elements are decided separately from one another, so that a person can be on different levels of payment for each component. On average, DLA is paid out at a weekly rate of about £70.¹³³ In total, it accounts for £11 billion of the government's yearly welfare expenditure.¹³⁴

Reducing spending on DLA is central to the government's welfare reforms, and there are two government proposals designed to make significant savings from the DLA bill: the change in indexation from RPI to CPI, and reassessing all new and existing of DLA using a revised assessment process. According to Ramesh and Butler, the 1.8 million people of working age who claim DLA 'have come out as big losers from the [emergency] budget'.¹³⁵

The change in indexation

The shift in upratings is expected to have a profound effect on the value of DLA. Some commentators have predicted the change in indexation could produce a cut of about £285 for claimants by 2014.¹³⁶ DLA – at its highest rate – was expected to rise to £84.55 a week by 2015, when linked to RPI. Now pegged to CPI (rates predicted by the Office for Budget Responsibility) it is predicted to rise to £79.68 per week.¹³⁷ We should also bear in mind that the change in indexation may result in a greater reduction than government and Treasury officials first expected. According to *Budget 2010 Policy Costings*, the Treasury calculates that the shift in indexation will result in a 1.5 percentage point reduction in the value of those benefits and tax credits affected –

1.5 percentage points being the then difference between the higher RPI and lower CPI at the time of estimation (September 2009).¹³⁸ However, during the period of writing this report, the difference in value between RPI and CPI has ranged from 1.7 to 1.4 percentage points, with a consequently greater or lesser reduction in the value of benefits.¹³⁹

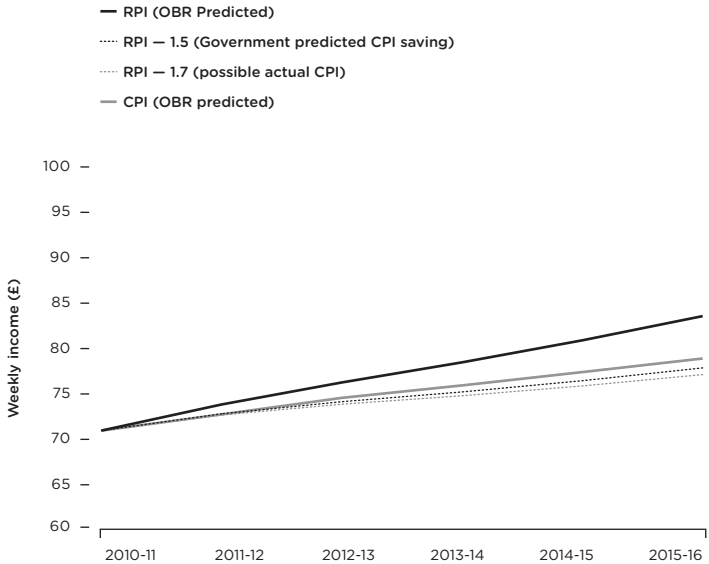
Our analysis shows DLA's weekly care component – at its higher rate – would increase from £74.40 in 2011/12 to £84.55 per week by 2015/16, had it remained pegged to RPI. Following government calculations as put forth in the *Budget 2010 Policy Costings*, we then subtracted 1.5 percentage points – the difference between RPI and CPI as calculated in September 2009 – from these values. Doing so revealed that the same benefit at the same rate increased less and from a lower starting point: from £73.33 in 2011/12 to £78.60 per week in 2015/16. However, during the time of writing the difference between RPI and CPI climbed as high as 1.7 percentage points. This would mean the same benefit at the same rate would increase from £73.19 in 2011/12 to £77.83 in 2015/16. Just this small (0.2 percentage point) difference constitutes a difference of 77p a week less – around £40 in the year 2015. On the other hand, a 1.4 percentage point difference would see claimants lose around £10 less than the government predicted (figure 1).

By the time the change in indexation comes into effect in April 2011, this gap may well be back at 1.5, delivering the savings the government has predicted. However, the unpredictable nature of inflation rates means it is almost impossible to estimate the amount saved by uprating benefits to CPI in 2011 when the policy is introduced, and over the subsequent five-year period. It also generates financial uncertainty for disabled people.

The Work Capability Assessment of Disability Living Allowance

We will introduce a medical assessment for Disability Living Allowance from 2013, which will be applied to new and existing claimants... That way we can continue to afford paying this important benefit to those with

Figure 1 The range of increases of the DLA High Care Component



the greatest needs, while significantly improving incentives to work for others.

George Osborne¹⁴⁰

For many disabled people, this announcement was one of the most significant in the emergency budget. According to *Budget 2010 Policy Costings*, ‘an objective medical assessment and revised eligibility criteria for both new and existing claimants’ is to come into effect from 2013.¹⁴¹ Introducing a new medical examination to reassess all DLA recipients is expected to significantly reduce the number of existing claimants and help reduce spending on disability-related welfare.¹⁴² Currently, 1.8 million people of working age are claiming DLA in the UK – an increase of over 40 per cent since 1997¹⁴³ – costing the Treasury around £11 billion per year.¹⁴⁴ The government has estimated that

reassessments and revised eligibility criteria will save over £1 billion by 2014/15 and lead to a reduction in caseload and expenditure on DLA of 20 per cent. To achieve such a reduction, the new assessment of DLA will be closely modelled on the WCA used for ESA claims,¹⁴⁵ discussed above.

Plans to reassess recipients and restrict eligibility for DLA have provoked strong concern and criticism from many disabled people and disability organisations, as well as external commentators.¹⁴⁶ Disability benefits remain a particularly emotive and controversial issue in welfare policy; any attempts to reconfigure or reform them are almost certain to provoke outcry. And yet, as Mark Brewer at the Institute for Fiscal Studies points out, it is ‘hard to object to measuring health accurately or objectively’.¹⁴⁷

Nevertheless, there are real issues with the reliability and appropriateness of such tests being applied to DLA. In a press release issued in response to the emergency budget, the think tank ippr noted: ‘There is no easy way to reduce spending on DLA. Introducing a medical assessment for claimants will reduce costs by £1 billion... However, it is notoriously difficult to get medical testing right.’¹⁴⁸

Reforming Disability Living Allowance: misrepresentations

Medical testing of additional social costs

At this point, many of the problems with the WCA have already been discussed. However, there is another, perhaps more fundamental, issue in applying a test like the WCA to the DLA – one that does not arise in its application to IB. That is, the DLA is designed to compensate for the additional costs of social and practical obstacles associated with a disability – capturing the concept of the ‘social model’ of disability we outline in greater detail above. The WCA test, on the other hand, has been described by commentators as a ‘strictly medical model of assessment’¹⁴⁹ and a ‘a clunky and insensitive medical assessment’.¹⁵⁰ To establish eligibility for DLA, the goal must surely be to measure the level of practical and social difficulties a person encounters, and then calculate their additional living

costs accordingly. The WCA would establish a person's medical diagnosis, but that is part of the picture at best. At worst, it could be irrelevant to the calculation of additional costs. For example, a complex medical need could present relatively few practical difficulties, and incur relatively low additional costs. This would not, however, be reflected in a medical test.

Based on this understanding, Citizens Advice has called for the test to be redesigned to include a 'real world test', to take into account the actual factors which can be used to calculate additional living costs,¹⁵¹ while Anne Begg, newly selected chair of the Parliamentary Committee on Work and Pensions, has stated that DLA is the one benefit available that operates on the social model of disability and that 'to turn it into something which you only get if you actually have a medical diagnosis detracts from the whole purpose of DLA'.¹⁵²

The emergence of the social model of disability has been heralded by some as 'one of the most significant intellectual and political developments of the last ten years'; indeed, it has transformed the meaning of disability itself.¹⁵³ Others recognise that there are some difficulties that can occur in its application, but nevertheless acknowledge the profoundly positive impact that came about with the emergence of the social model.¹⁵⁴ According to Shakespeare: 'the [social model] was also very good for consciousness-raising. By redefining the disability problem, it enabled people who felt in-valid, incompetent and dependent to relocate the problem of disability from themselves to the discriminatory society in which they lived.'¹⁵⁵

The insistence on medical style testing suggests that the government has lost sight of this valuable approach, with the underlying assumption that 'disability is a question of degree', instead of recognising the extent to which socially constructed barriers create and compound 'disability'.¹⁵⁶ Furthermore, the government recently proposed to cap the amount of benefits a family can receive at around £500 per week – levelled in line with the median income.¹⁵⁷ As noted earlier, those households in receipt of DLA are to be exempt from this new limit. However, basing eligibility for this exemption on whether an individual claims DLA is profoundly problematic. This proposal excludes

disabled households who do not claim DLA but instead receive other disability benefits like IB, ESA or Carer's Allowance (CA); weekly losses for those households who are without or cannot work, could be anywhere between £93 and £300 per week.¹⁵⁸ Moreover, it further fuels a narrative that disability can be 'measured' and risks suggesting that disabled people who do not claim DLA are not disabled. Finally, this new proposal raises the stakes significantly for DLA claimants facing reassessment and the possible loss of DLA (and CA, as noted below) as well as Housing Benefit, which will be reduced for households receiving more than £500 a week in benefits, as part of the benefits cap.¹⁵⁹

Disability Living Allowance and 'worklessness'

As noted above, DLA is unusual in that it explicitly recognises the 'conversion disadvantage' of disability – the extra costs incurred from living with a disability.¹⁶⁰ As Richard Hawkes, CEO of Scope, explains: 'DLA is not a benefit, but a basic recognition that it is more expensive to live as a disabled people in our society.'¹⁶¹ Just last year, Health Secretary Andrew Lansley (while still in opposition) called for an early day motion to recognise the benefits of DLA and ensure its security, acknowledging that being disabled brings with it significant additional expense. Speaking in the House of Commons, Lansley said:

I beg to move that this House recognises the vital support that attendance allowance and disability living allowance provide for disabled people; notes that these benefits are intended to meet the additional costs of living with an impairment or long-term health condition... welcomes the Government's announcement that disability living allowance for people under 65 years will not be scrapped.¹⁶²

And yet in spite of this, in recent months, the government has repeatedly misrepresented DLA as a benefit for *those without work*. Revisiting the earlier quote from Chancellor George Osborne, reassessing recipients and revising eligibility to DLA is intended to improve 'incentives to work'.¹⁶³ Similarly, *Budget 2010* itself explicitly suggests that reforms to disability benefits are aimed to

‘reduce dependency and promote work’.¹⁶⁴ In *The State of the Nation Report: poverty, worklessness and welfare dependency in the UK*, produced shortly after the election of the new government, details of the uptake of DLA were presented in the chapter ‘Welfare Dependency’.

Such depictions are extremely misleading. DLA is *not* an out-of-work benefit, but a living allowance designed to compensate for the ‘conversion disadvantage’. It is not means tested and recipients can work *and claim* at the same time. Research by the DWP shows that DLA enables recipients to meet key expenses such as:

- personal care
- transport costs
- home maintenance costs
- healthcare and medical equipment
- telephones and computers
- social activities
- affording presents and gifts to help maintain social and informal care networks¹⁶⁵

The same study showed that parents of child recipients ‘were using the benefit in ways that will enhance their child’s future life chances and opportunities’ – for example, by paying for extra tuition, physiotherapy or speech and language therapy. Some claimants reported that the removal of DLA would leave them unable to pay the bills; parents of child claimants stressed that without DLA their child’s lives would be adversely affected.¹⁶⁶

An in-depth investigation as to whether DLA serves as a disincentive to find and keep paid work is beyond the remit of this report. However, we should point out that there is little consensus on this issue and no conclusive evidence to support the government’s assumption. Some studies suggest that anxieties about entering employment resulting in a reassessment and a possible reduction or loss in award may deter some from finding work, but others acknowledge the possibility that receiving DLA may better enable some recipients to do the kind

of work and work the kind of hours that best suit them.¹⁶⁷ Certainly some items in the list above (including transport, care and medical equipment) could actively help some disabled people to get into work and be more comfortable in the workplace. Others – such as social activities, presents and gifts – can be key to disabled people maintaining informal networks of support and having an active social life.

DLA constitutes the ‘one regular and reliable income source’ for other claimants who have sought paid work but have found it difficult to sustain regular employment, while earnings, other benefits and Working Tax Credits stopped and started.¹⁶⁸ Yet by incorrectly framing DLA as an out-of-work benefit, the government has misrepresented recipients as being out of work, thus exposing many working disabled people to so-called ‘scrounger’ stereotypes.¹⁶⁹ Moreover, the objective of ‘incentivising work’ as a justification for cutting DLA is inappropriate, as many claimants of the benefit will be in work in any case. The government’s statement that reassessing recipients with new medical tests will reduce caseload and expenditure by 20 per cent also seems an impossible prediction to make,¹⁷⁰ as it effectively assumes that a definite proportion of people, when reassessed, will then be ineligible. Given the imprecise science of such testing, it seems unlikely that the government, or anyone else, will be able to predict how much of a cut a more difficult WCA style test will produce. As noted earlier when discussing IB, reassessments using a contentious testing process will almost certainly result in an increase in appeals and tribunals and the costs associated with this. Mark Baker, head of social research and policy at RNID, stated that reassessing all DLA recipients ‘will create unnecessary bureaucracy as well as increasing those costs associated with both the assessment and appeals process’.¹⁷¹

Carer’s Allowance

Carer’s Allowance (CA) is a taxable benefit for people aged 16 and over who provide care to disabled people in their own homes.¹⁷² To be eligible for CA, a carer must earn no more than

£100 per week and spend at least 35 hours a week¹⁷³ caring for a disabled person who receives a benefit for the extra costs of disability, such as:

- DLA (middle or higher rate, care component)
- Attendance Allowance
- Constant Attendance Allowance (at or above the normal maximum rate with an Industrial Injuries Disablement Benefit)
- Constant Attendance Allowance (at the basic, full day rate, with a War Disablement Pension)¹⁷⁴

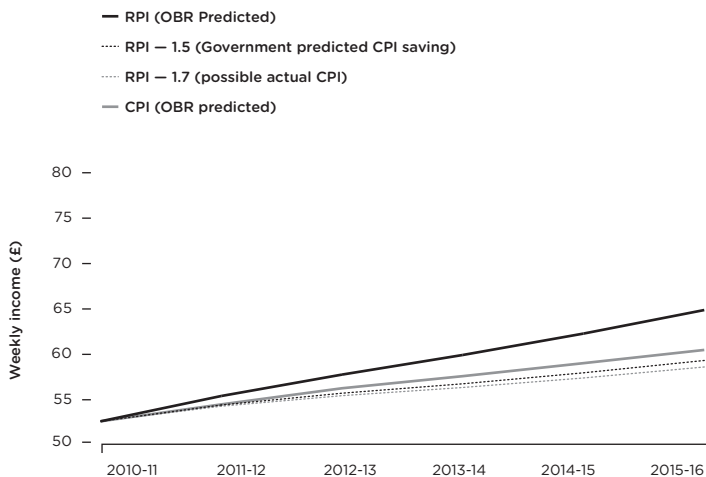
There are thought to be an estimated 6 million unpaid carers in the UK who care for sick or disabled family or friends.¹⁷⁵ CA is a fundamental form of support for carers who give up the opportunity to work full time because of caring responsibilities.¹⁷⁶ Carers often suffer financial hardship as a result of moving out of employment: it is thought that nearly three-quarters of carers lose around £11,000 per year on average.¹⁷⁷ Caring can be physically and emotionally stressful and yet many people who provide care do not see themselves as carers because they perceive caring to be part of normal family life.¹⁷⁸ Nonetheless, recent estimates by the National Audit Office calculate the value of such care to be around £23 billion per year.¹⁷⁹ Compared with other countries in the EU, CA rates in the UK are ‘very low’, leading to some think tanks like the Centre for Social Justice to stress the need for an increase in the benefit rate.¹⁸⁰

The change in indexation

In addition to other disability benefits already discussed, the plans in the budget to shift indexation to CPI will have a direct impact on CA and, as a result, many disabled households. Carers UK estimates that if CA had been linked to CPI instead of RPI over the last ten years, its weekly rate would be just £48.64 per week, instead of the current £53.90 – leaving disabled households £270 worse off a year.¹⁸¹

Demos’ own analysis shows that, as a consequence of the change in upratings, the value of CA will be substantially

Figure 2 The range of increases of Carer's Allowance



reduced – uprating by predicted RPI over the next five years would mean this benefit would have been worth £63.83 in 2015, but with the predicted CPI rates it will be worth just £60.27 – a difference of £185 per year in 2015. If we uprate this benefit by RPI minus 1.5 percentage points (which the government bases their savings calculations on, but which is a different figure from *predicted* CPI rates over the next five years¹⁸²), we can see the difference would be £263.92 – illustrating again the imprecise nature of inflation-linked welfare cuts (figure 2).

The Disability Living Allowance connection

An additional, if perhaps unforeseen, consequence of revising eligibility criterion for DLA (outlined above) is that this proposal will have a direct effect on CA. CA can only be claimed if the person being cared for receives the middle or higher rate of the

care component of DLA.¹⁸³ Those disabled people needing care who fail the WCA test are likely to suffer from a ‘double dip’ in income: their rate of DLA will either be reduced or removed – and their carer’s CA along with it. According to Carers UK: ‘A poor medical [WCA] assessment could spell financial disaster for carers and their families.’¹⁸⁴ Other groups like Carer Watch have also expressed serious concern regarding the implications of this policy. They point out:

*Because Middle and Higher rate DLA are both also passport benefits to enable family members to claim Carer’s Allowance, removing or reducing DLA will not only have an enormous financial impact on disabled people it will also impact on their carers – a double blow which will especially hit hard those families on the poverty line.*¹⁸⁵

The loss of passported benefits like CA, which are connected to DLA, will only exacerbate the impact of the loss in income incurred from a reduction or removal of a disabled person’s DLA award. Bearing in mind that both these benefits are awarded exclusively to disabled households, once put into practice this policy will have a disproportionate impact on disabled people, many of whom will suffer a significant dual loss in what had otherwise been a secure and stable source of income.

Housing Benefit and Support for Mortgage Interest

Housing Benefit (HB) is currently claimed by over 4 million households.¹⁸⁶ It is an income-related benefit designed to help recipients cover the costs of rented accommodation,¹⁸⁷ administered separately from other benefits, but with close and at times complex links with other forms of state support.¹⁸⁸ Today, HB costs the Treasury around £21 billion per year.¹⁸⁹

The disparities and disadvantages disabled people face in income and employment prospects means many disabled people are reliant on HB to cover the costs of their accommodation.¹⁹⁰ In particular, families with disabled children are believed more likely to be living in rented accommodation, at the same time as being on a low income or in receipt of benefits.¹⁹¹ As noted by

Harvey and Murdoch, the reform of HB is ‘politically difficult as it affects the housing of some of the most disadvantaged people in society’.¹⁹²

In the emergency budget the Chancellor announced a range of reforms to HB and support for mortgage interest payments so as to deal with ‘completely out of control costs’ and because ‘Housing Benefit is often criticised as making excessively generous payments that damage work incentives’.¹⁹³ However, we should bear in mind that these reforms have been introduced in the midst of an ongoing housing shortage in the UK which has a detrimental effect on the availability of affordable accommodation.¹⁹⁴ As Greenhalgh and Parckar note, for disabled people this problem is then further compounded by accessibility issues – there are simply fewer affordable houses that are suitable for disabled people.¹⁹⁵ It is thought that around a quarter of disabled people in need of adapted housing are living in accommodation unsuitable for their needs, and some 47 per cent of disabled people who rent their homes through the private sector live in accommodation that is not adapted to their requirements.¹⁹⁶ It is possible therefore that a reduction in the financial support that HB or the housing component of the universal credit provides will further reduce the number of suitable properties disabled people can afford, increasing the risk of them having to live in inappropriate housing, exacerbating their social isolation and dependence on other forms of support.¹⁹⁷

Reductions to Local Housing Allowance

One of the primary reforms to reduce HB is the reduction of Local Housing Allowance (LHA), used to calculate how much HB a person is due if they rent from a private landlord. Reductions will take three forms, expected to save £435,000 a year by 2014:

- Capping LHA rates and restricting the allowance to four-bedroom households, expected to save government £65 million a year by 2014/15. The weekly LHA rates will be capped at £250

for a one-bedroom property, £290 for a two-bedroom property, £340 for a three-bedroom property and £400 for a four-bedroom property.¹⁹⁸

- LHA rates are currently set at the median of local private rents and so cover around 50 per cent of these. This will be reduced so that LHA rates will be set at the 30th percentile of market rents, so only 30 per cent of local private rents will fall within the new rate. An unemployed or low-income lone parent or couple with one child (or two children who share a room) is likely to lose around £500 a year once this reform takes effect.¹⁹⁹
- Finally, these new LHA rates will be uprated in line with CPI from 2013/14 (LHA rates are currently adjusted monthly to reflect actual rents in the area). The expected saving is £390 million.²⁰⁰

These reductions are likely to have a disproportionate impact on disabled people; those living in cities and urban centres with higher property costs – especially London – will be particularly affected. This is not only because, as noted above, disabled people as a cohort are more dependent than others on benefits, including HB, as a source of income and a means of meeting their housing needs. It is also because disabled people have specific housing needs – accessible accommodation requirements, adaptations, etc., which come at a significant expense (the conversion disadvantage) and reduce the range of accommodation they can choose from. As pointed out by the Disability Benefits Consortium:

[R]educing the amount of financial support available through Housing Benefit will further reduce the number of suitable properties affordable to disabled people in receipt of housing benefit and risks leaving some disabled people living in inappropriate accommodation... It also risks forcing people out of homes that have already been adapted.²⁰¹

Consequently, reductions to HB are likely to compromise the ability of disabled people to afford accessible accommodation. An unanticipated consequence of such reforms, therefore, could be that more disabled people will only be able to afford inappropriate housing, ill suited to their needs.

Readjusting Support for Mortgage Interest

Another housing-related reform will be ‘readjusting’ Support for Mortgage Interest (SMI), a benefit that provides people claiming certain means-tested benefits (such as JSA, ESA and Income Support²⁰² payments) with help to meet mortgage interest payments. As outlined in *Budget 2010*, SMI payments, which have been frozen at 6.08 per cent since late 2008, will be realigned with the Bank of England’s average mortgage rate from October 2010.²⁰³ This newer rate is calculated at 3.67 per cent; put into practice the reform will result in a cut of £1,300 each year for every £100,000 borrowed.²⁰⁴ This is estimated to save over £60 million over the course of the current parliament.²⁰⁵

The cut in SMI payments is expected to affect large numbers of disabled people, whose unpredictable employment patterns and temporary and vulnerable jobs will make it more of a challenge to meet regular mortgage repayments. Responding to the emergency budget, the National Housing Federation warned that the forthcoming drop in SMI payments could cause some 64,000 disabled people to go into arrears with their payments.²⁰⁶ It is thought that around 59,000 disabled people rely on the benefit to help them keep up with mortgage payments on their homes.²⁰⁷ Another 5,000 people with ‘profound physical disabilities and mental health problems’ have used these state-provided payments to help pay for shared ownership homes.²⁰⁸

Some have also noted that many SMI recipients are unlikely to qualify for financial help from high street banks. This includes disabled people, whose reduced earnings potential can make it hard to obtain a mainstream mortgage.²⁰⁹ The scheme therefore allows many disabled people to access rates comparable to those offered to people without disabilities.²¹⁰ With this in mind, this cut is likely to have a detrimental impact on the ability of many disabled people to access affordable credit – particularly as potential SMI income is considered by some lenders when they decide whether or not to grant a loan to a disabled applicant.²¹¹ Another, perhaps unanticipated, impact of reducing SMI payments is the negative signal it sends to other providers of housing services for disabled people. According to the Disability Benefits Consortium, the reduction in SMI

payments, as well as other changes to HB, has resulted in the withdrawal of HOLD (Home Ownership for people with Long term Disabilities) service providers from the market.²¹²

This policy is expected also to have a negative effect on the availability of accessible accommodation for disabled tenants. The majority of disabled people rent their homes, rather than owning them outright.²¹³ According to David Orr, chief executive of the National Housing Federation, this new ‘particularly harsh’ policy of reducing SMI ‘will hit thousands of disabled people, cutting off many from the prospect of owning their own homes’.²¹⁴ If fewer disabled people are able to secure mortgages and become homeowners, this will lead to an increase in the already significant shortage in the rented sector of suitable properties.²¹⁵ This, argues Conrad Hodgkinson of Accessible Property Register, leaves an ‘absolutely desperate’ picture for many disabled people.²¹⁶

Housing Benefit and Jobseeker’s Allowance

Another proposed housing related reform is to reduce HB awards by a flat rate of 10 per cent for those individuals who have claimed JSA for more than 12 months, from 2013/14, in order to save the Treasury around £110 million.²¹⁷ According to Citizens Advice, this measure is expected ‘to fall hardest on those who face disadvantage in the labour market’. In particular, this group will include ‘people in poor health or with a disability who have failed the harsher medical tests for incapacity benefit and employment and support allowance and have therefore been moved onto JSA’.²¹⁸ Disability charities and disability organisations have expressed explicit concern about the government’s plans to connect HB to JSA.²¹⁹

As Richard Exell noted in a blog, disabled people ‘will be disproportionately likely to spend over a year on Jobseekers’ Allowance’ as disabled claimants generally take more time to move into employment than non-disabled claimants,²²⁰ while the TUC say that disabled workers, among other vulnerable groups, are at greater risk of being long-term unemployed, and thus disproportionately likely to be affected by this policy.²²¹ Analysis

suggests that at least 24,000 disabled people – moved to JSA from IB – will be affected each year. Members of this group, which is thought to constitute an eighth of the total number of disabled claimants of JSA, are each predicted to face losses of £471.12 per year.²²²

Connecting HB with JSA is therefore likely to result in another ‘double dip’ for disabled people. As a result of reforms outlined above, more disabled people will be moved to JSA. But as JSA does not recognise the specific difficulties disabled people may have in finding work within the 12 month cut off period, disabled people will be disproportionately likely to see their HB cut. Yet as a direct result of the disadvantage and difficulties they experience sustaining employment, disabled people are – as a group – are often heavily reliant on HB to help meet their higher than average (because of their need for suitable and adapted accommodation) housing costs.²²³

It is therefore apparent that linking JSA to HB, combined with the reforms to move more claimants onto JSA, will have a disproportionately detrimental impact on disabled people and may lead to disabled people finding themselves unable to afford suitable accommodation.

Additional room for carers

And from now we will cover the cost of an additional room for those claimants [of HB] with a disability who need a carer.

George Osborne²²⁴

This announcement was rightly welcomed by carers’ charities, like Carers UK,²²⁵ as well as disability organisations such as Disability Action and Radar.²²⁶ Under this new measure, disabled claimants of HB who have a non-resident carer will be entitled to funding for an extra bedroom.²²⁷ Although the proposal to extend funding for an extra room for a non-resident carer is in itself a positive development, given the reductions in LHA and an increased risk of disabled people having to live in inappropriate accommodation, this concession may have limited

impact, particularly as it does nothing for carers who live with the disabled person they care for, likely to make up a large number of family carers. The Disability Benefits Consortium has called for the government to extend the concession to allow for an additional bedroom for families with a disabled child – where a separate room for the child is required – so as to address overcrowded conditions among families with disabled children.²²⁸

Cuts and consequences: a summary

The emergency budget and forthcoming spending review set out a range of sweeping fiscal and welfare reforms. However, as revealed by the evidence, information and data presented in this section, these proposals bring with them serious implications and unforeseen consequences, which are likely to have a profoundly detrimental effect on disabled people. In summary, these are the plans most likely to impact on disabled people:

- An overarching cap on the amount of benefits a household can receive, set at £500 per week, based on the median income of a working family.
- A change in the basis for uprating benefits – including IB, DLA, CA and HB – to use the CPI from 2011/12. This represents a shift from previous use of the Rossi and RPI and a real terms reduction in the value of benefits.
- Reassessing all 2.5 million IB claimants using the highly contested WCA, with the aim of around 23 per cent being found fit for work and moved to JSA, with its associated conditions and penalties.
- Proposals to cut HB rates by 10 per cent for JSA claimants who have received the benefit for more than 12 months. Given the barriers disabled people face in securing and sustaining employment, many are at risk of remaining on JSA for more than a year and are thus highly vulnerable to a reduction in their HB as well.
- Reassessing all claimants of DLA (designed to compensate for the additional costs of living with a disability) using a *medical* assessment similar to the WCA, which cannot calculate such

costs. The Treasury estimates these tests will result in a 20 per cent reduction in caseload and expenditure. Important to note here is that another disability benefit, CA, is connected to DLA eligibility, which means many households are likely to lose both benefits if they fail the medical assessment.

- Realigning SMI payments from 6.08 per cent to 3.67 per cent. As a result, SMI payments will be significantly reduced. This is predicted to have a disproportionate impact on disabled people who have less predictable work histories, are less likely to access affordable credit, and so rely on the benefit to help them meet mortgage payments. The National Housing Federation has warned this forthcoming cut could cause some 64,000 disabled people to go into arrears.
- Capping LHA rates for particular properties and setting LHA at the 30th percentile, so it will cover only 30 per cent of local private rents (it currently covers 50 per cent). Such reductions will have a profound impact on disabled people, who as a group are not only more dependent on benefits to meet their housing costs but also have much more specific housing needs and accessibility problems, which can mean their housing costs are higher than the general population.

This report will now evaluate the effects of these policies on particular disabled groups, using a series of real-life case studies.

3 The real effect – a series of case studies

Methodology

The four disabled households described in this chapter were interviewed by Scope as part of a wider exercise to talk to larger numbers of disabled people about the impact of welfare cuts and reforms. The case studies below were selected for their representativeness of the disabled demographic, the types of need they have, and the benefits and services they use. They are not ‘extreme’ cases in any sense. The interviewers asked respondents a series of questions about their current financial situation and levels of disability, details of benefits income and benefits history, services used, and thoughts on the imminent reforms.

Demos then calculated each household’s total benefits income, and modelled the impact of the shift in indexation on them. We calculated how each would increase between 2011 and 2015 according to RPI and where appropriate Rossi inflation, and according to CPI. The baseline amounts for 2010/11 benefits and allowances are taken from the Directgov website, which publicises the official benefit figures of the Department for Work and Pensions (DWP).²²⁹ It is important to bear in mind that these baseline amounts were uprated from 2009 based on an artificial RPI of 1.5 per cent set by the DWP. This is because by the end of 2009, actual RPI was at 1.4 per cent, which would have resulted in an actual reduction in benefit rates from April 2010.²³⁰

The RPI, Rossi and CPI September estimates for the period up to 2015/16 are taken from the Office for Budget Responsibility’s June 2010 forecast.²³¹ These Q3 figures are used by the DWP as the basis for their uprating; the Office for Budget Responsibility forecasts state explicitly that they are the forecasts used in the emergency budget in June.

Since the changes come into effect from April 2011, upratings are calculated from tax year 2011/12 as a percentage change. Housing Benefit (HB) and Council Tax Benefit are only being uprated from 2013 and this is taken into account. Weekly benefits have been uprated in all benefits.

The baseline amount is increased by the corresponding rate of inflation of the previous year, which can be found in the inflation table in the appendix. For example, for the period 2011/12, allowances are increased by the rate of inflation (or Rossi) from September 2010; from 2012/13 the allowance is uprated from the September 2011 estimate. The budget announced that Child Benefit (CB) would be frozen for three years, starting in 2011. The assumption contained in these models is that it will then be uprated by CPI in 2014/15.

A variety of sources were used to establish the number of people likely to be in a similar situation to those families in our case studies. When calculating the number of people claiming the same combination of benefits as our case subjects, we used the DWP statistical tabulations tool, which can generate different subsets of data within and across benefit claimant groups. All aggregated numbers are for England, Scotland and Wales.

Where the benefits received are specific to local councils and individuals' circumstances, for example with council tax credits, the rate cited has been provided by the people themselves. People have also been consulted about the premiums they receive in addition to the baseline benefit.

It is interesting to note that in all of the cases below there was an element of financial uncertainty in addition to the cuts already announced – for example, a question for social care users on the potential reduction in services resulting from departmental cuts; a question on the rumoured means testing of contributory ESA; the end of free prescriptions for those with long-term conditions, and so on. Although the modelling can demonstrate that the government's reforms have a large and cumulative impact on the benefits income of these typical disabled households, we cannot calculate with certainty what might happen with these potential further reforms. We do, however, quantify the hypothetical impact where possible.

Case study 1 - L and his parents

Background

L was born disabled as a child, with cerebral palsy, epilepsy and impaired gastro-intestinal function. As a result of the difficulty of caring for him, his mother and father have had to give up work to be full-time carers.

As they cannot work and care for L, his parents rely on benefits, including Disability Living Allowance (DLA), (which is set at the highest level for mobility and care), income support and council tax benefit. They receive child benefit for their younger, non-disabled, daughter. In addition, L's mother receives Carer's Allowance (CA). As this allowance is limited to one person in each family, there is no financial support from the government for her husband, although he also acts as a carer.

The shift in indexation

By combining their benefits, L's family currently receive around £334.74 per week in total. However, these benefits will all be subject to the proposed shift from RPI/Rossi indexation to CPI indexation (table 3).

Impact of the change in uprating

If the family's benefits were uprated according to RPI over the next five years, the family would have received £392.59 in 2015. However, the three-year freeze in CB plus the switch to uprating benefits according to CPI means L's family will actually receive £373.36 in 2015 (see table 4 and figure 3).

It is assumed that Council Tax Benefit will be uprated to CPI in 2013.

Overall, L's family will be £5.07 per week or £263.64 per year worse off in 2011, and nearly £20 a week worse off by 2015, a loss of £999.56 during that one year.

Over the next five years (2010/11–2015) L's family will be £3,043.56 worse off as a result of the change in index used for uprating their benefits.

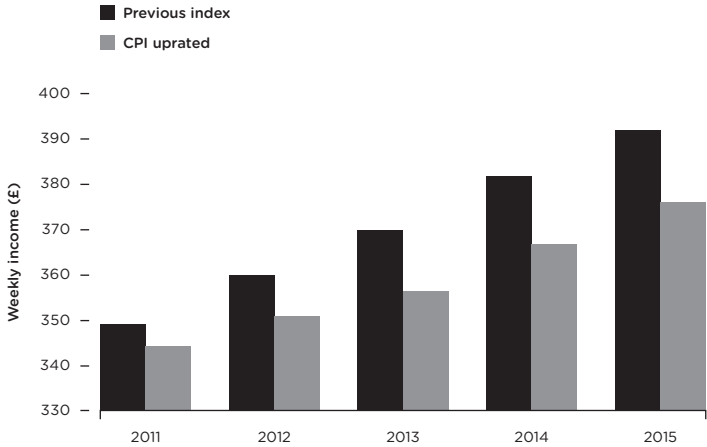
Table 3 Change to L's family's benefits after proposed shift from RPI/Rossi indexation to CPI indexation

Benefit currently received	Amount currently received per week	What will happen to it
Disability Living Allowance - highest mobility	£49.85	Shift from Rossi index to CPI
Disability Living Allowance - highest care	£71.40	
Income Support	£102.75	
Council Tax Benefit	£36.54	
Carer's Allowance	£53.90	Shift from RPI index to CPI
Child Benefit	£20.30	Frozen for three years from 2011; we assume it will be updated to CPI after this freeze
Total	£334.74	

Table 4 How L's family's benefits income will change over the next five years

Year	Increases when transferred to CPI	Increases if remained on previous Index	Weekly loss (£)
2011	£344.00	£349.07	£5.07
2012	£352.55	£360.36	£7.81
2013	£358.87	£370.29	£11.42
2014	£366.05	£381.05	£15.00
2015	£373.36	£392.59	£19.23

Figure 3 The L family's weekly benefits income over five years – CPI compared to previous indexation



The impact of cuts to services

Until recently, L received 6–8 hours of social care at home per week. Given the extent of L's disabilities, L's family felt this was not adequate or appropriate to deal with a case as complex as their son's. As a result, they are applying for direct payments.

However, as local authorities' social care budgets will be cut by 25 per cent or more, it is possible that the direct payment L receives will not be adequate to purchase any more or specialist care than L was already getting, and possibly even less. Indeed, depending on where L lives, if L's needs are not classed as 'critical', he may not be entitled to *any* social care funding as more and more local authorities are considering increasing their eligibility to critical cases only.²³²

L's parents' thoughts on cuts to benefits

L's parents say their benefits do not currently meet their needs, and they do not feel they could manage with any less than they have now. Because it is currently so difficult to manage, L's mother does not think there will be much less money given to them, she just thinks it will be more difficult to access.

They also comment that it is not always clear what benefits are available when changes are made to the system. Even when they do know, it takes a long time to complete the application process. As the government will only backdate unclaimed benefits for 12 weeks, they say that there are some periods when the family receives less than the amount to which it is entitled.

Having spent so much time in contact with the NHS, L's parents believe that waste in the health system is not being addressed. L's mother commented that she always sees articles about how the spending review will affect poor workers, but never anything that suggests that anyone understands the vulnerability of disabled people.

They are distressed that when they are pensioners there will be no recognition that full-time care has prevented them from saving or paying National Insurance and pensions contributions.

How many people are in L family's situation?

There are around 770,000 disabled children and young people in Great Britain; only around 16 per cent of mothers who have disabled children work. This suggests that around 646,800 mothers are full-time carers to disabled children and would experience a similar situation to that of L and his family.²³³

In this case, L's father has also given up work to be a carer. Owing to the rules regarding the provision of benefits, he cannot also receive CA. Therefore he does not add to the net basket of benefits. The benefits in this case would therefore apply either to a family where both parents are carers or a lone parent family.

If L's father were in paid employment, the family would lose Income Support and potentially Council Tax Benefit, but would gain the income that he earned.

How many people are receiving the L family's basket of benefits?

Unfortunately, the statistics provided by the DWP provide a breakdown of the basket of benefits provided to individuals, rather than families. We therefore have a series of individual benefits statistics. For example, we know that 170,830 working age people are in a similar situation to L's mother, claiming CA and Income Support.²³⁴

L himself is eligible for DLA; there are 14,040 people like him between the age of 16 and 17 on the higher rate of care (9,450 male), and 34,300 people of the same age on higher rate mobility (5,850 male). In total there are 3,137,730 people around the country who are directly eligible for DLA.²³⁵

The family also receives Council Tax Benefit; the numbers claiming this are kept separate from disability claimants so it is difficult to cross-reference. However, the DWP states that of the 5,788,760 people receiving Council Tax Benefit in Britain, 3,255,160 receive some form of 'passported benefit' including JSA, ESA or IB.²³⁶

The most reliable aggregate figure for L's case, therefore, is 170,830 – the number of people who claim CA and Income Support like L's mother. It is reasonable to assume that these people will be caring for someone who claims disability benefit, as L does.

If we consider this 170,830 group as a whole, we can see that they will be losing £866,108 per week in 2011. By 2015, they will be losing out on £3.28 million as a group every week – or £171 million during that year and £520 million over five years.

Case study 2 – P and his wife

Background

P had been a self-employed businessman before he had stroke at the age of 46, four years ago. He now has weakness in his left hand and his left leg often locks, requiring him to use crutches to get around. The stroke also left P with two heart defects, which have required him to have surgery. Alongside these physical conditions, P now has regular memory loss.

Although P has been disabled by his stroke, he remains mentally active by studying for a part-time Open University course in psychology. He hopes this will help him gain employment in helping other stroke victims through the initial months following their stroke.

P lives with his wife, who is now also his carer, after being made redundant two years ago. She receives Carer's Allowance (CA) and her own Disability Living Allowance (DLA) (low rate), as she has bad arthritis. P's benefits currently consist of his own DLA (with the mobility allowance set at the highest rate and the care element at medium rate), Incapacity Benefit (IB) and Income Support. He receives free prescriptions and eye tests, which he describes as a massive help; previously, he was spending about £70 a month on prescriptions.

The shift in indexation

At the moment, P and his wife jointly receive around £384.30 a week in total benefits income. All of the benefits they currently receive are subject to the shift from RPI/Rossi uprating to CPI uprating, reducing the amount they receive year on year (table 5).

Impact of the change in uprating

By 2015, if benefits remained indexed to RPI/Rossi, P and his wife would be receiving around £449.24. However, after the re-indexing to CPI, they will instead be receiving around £429.72 (see table 6 and figures 4 and 5).

This graph assumes that P's prescriptions will remain free during 2011–15.

Overall, this equates to an immediate loss to P and his wife of £5.80 per week in 2011 or £301.60 per year in that year, and this figure will increase to a £19.52 loss per week by 2015, so P and his wife will be £1,015 worse off in 2015.

Over the next five years (2010/11–2015) P and his wife will be £3,143.40 worse off as a result of the change in index used for uprating their benefits.

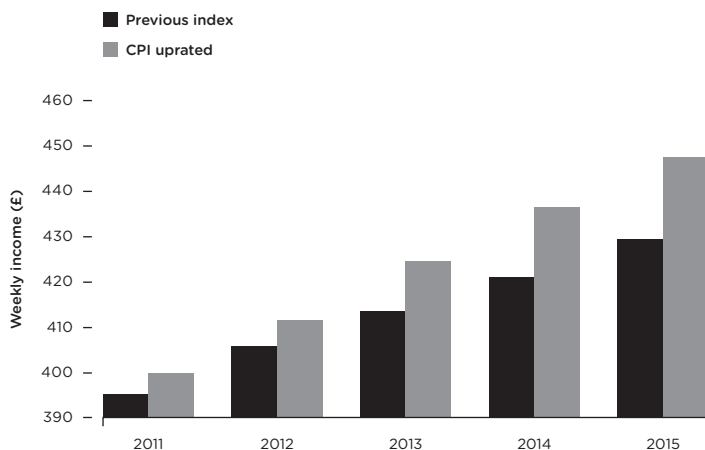
Table 5 Change to P and his wife's benefits after proposed shift from RPI/Rossi indexation to CPI indexation

Benefit currently received	Amount currently received per week	What will happen to it
Disability Living Allowance - highest mobility	£49.85	Shift from RPI index to CPI
Disability Living Allowance - medium care	£47.80	
Income Support	£107.30 (with disability premium)	Shift from Rossi index to CPI
Income Support 10p top-up	£0.10	
Incapacity Benefit (premium as disabled pre-45)	£106.40	
Disability Living Allowance - low care (wife)	£18.95	Shift from RPI index to CPI
Carer's Allowance (wife)	£53.90	
Total	£384.30	

Table 6 How P and his wife's benefits will change over the next five years

Year	Increases when transferred to CPI	Increases if remained on previous Index	Weekly loss (£)
2011	£395.06	£400.86	£5.80
2012	£405.34	£413.60	£8.26
2013	£413.04	£424.64	£11.60
2014	£421.29	£436.56	£15.27
2015	£429.72	£449.24	£19.52

Figure 4 **P and his wife’s weekly benefits income over five years – CPI compared to previous indexation**



The impact of cuts to services

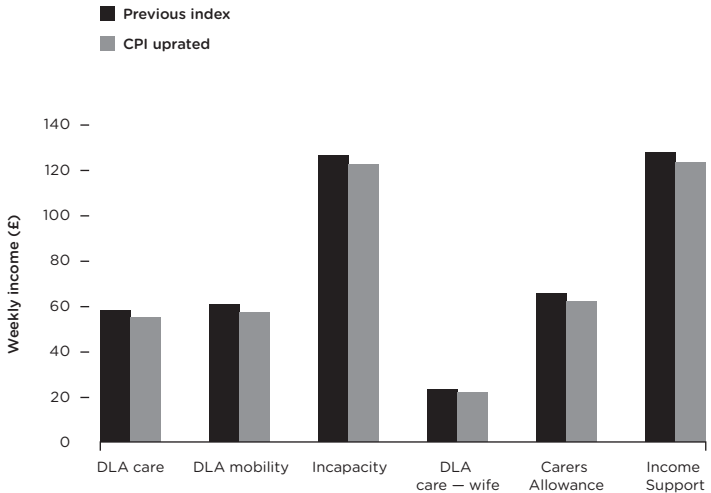
It is possible that P’s free prescriptions will be scrapped following the spending review,²³⁷ and this would have a major impact on P’s quality of life, as he would have to spend an additional £70 per month, or £840 per year, on them from his reduced benefits income.

The thoughts of P and his wife on cuts to benefits

Despite their benefits, P and his wife are heavily in debt and cannot meet their weekly needs. They have home repairs that need to be carried out, which they cannot afford, and their television licence is due for renewal – they are unsure how to meet this cost.

P feels depressed about trying to manage his money now he has no earned income and has found the adjustment to being disabled difficult. P also feels paranoid and self-conscious about

Figure 5 The impact on P and his wife's individual benefits in 2015



living on benefits, particularly since he feels that people's attitudes towards benefit claimants have hardened and they are now perceived as scroungers. Before he had the stroke, he had never taken a sick day at work. Now, although he would like to work, he is not sure that he is capable to do so as his condition fluctuates every day.

How many people are in P and his wife's situation?

Over 300,000 people are living with moderate to complex disabilities as a result of stroke in England and Wales,²³⁸ and 4.6 million of the 5.7 million carers around the country do not work;²³⁹ 87 per cent of working age carers looking after their partner have no one in the household in paid work.²⁴⁰

How many people are receiving the P family's basket of benefits?

In total there are 516,450 people who are on P's combination of benefits (IS, IB and DLA).²⁴¹ Of these, around 41,640 are, like P, male and between the age of 50 and 54.²⁴²

The DWP does not have a statistic for the number of people who, like P's wife, have benefits that are a combination of CA and their own DLA.²⁴³ These fall into the category of 'other combination'. There are 499,830 working age women who receive CA²⁴⁴ and around 271,960 working age women receive low care DLA; 53,220 are women in the same age bracket as P's wife.²⁴⁵

We cannot accurately aggregate the full financial impact of this case study, therefore. But we can calculate the impact of the reduction in benefits that P will experience individually, and assume that the group of 516,450 people who receive P's combination of benefits will be subject to a similar reduction in income.

P himself will lose £14.71 per week in 2015 as a result of the re-indexing of benefits, so as a group people in P's situation will lose £395 million in benefits income in that year alone. Over the five years from 2011 to 2015, P will lose £2,436.20 in benefits income separate from his wife. As a group, therefore, the 516,450 people claiming the same combination of benefits as P will lose £1.25 billion in benefits income over this five-year period.

Of course, there will be a smaller number of people from this group who, like P, are married and have a moderately disabled partner who acts as a carer. That said, analysis of the 2001 Census carried out by Carers UK found that 316,000 carers described themselves as 'permanently sick or disabled', so this may not be as unusual a situation as one might think. We should also bear in mind that P's wife, as disabled and as carer, only adds a small amount to P's total benefits package (£72.85 out of a total of £384.30).

Case study 3 – E

Background

E is a 48-year-old man who lives alone. He has suffered from epilepsy throughout his life but his condition deteriorated significantly two years ago. Before this period, E was married, employed and lived with his wife and two children.

E is actively looking for work but has not found anyone willing to employ him because of his epilepsy. He lives on his benefits, which are made up of Disability Living Allowance (DLA) (with the care component at the middle rate and mobility component at lower rate) and Employment Support Allowance (ESA), which is contributions-based. E has over £90,000 in debts and the bank has capped his overdraft as he is no longer working.

The shift in indexation

Through the combination of E's DLA and ESA, he currently receives around £158.15 a week. Both of these elements will be re-indexed from RPI/Rossi to CPI (table 7).

Each element of E's benefits will be affected by this change (figure 6).

Table 7 **Change to E's benefits after proposed shift from RPI/Rossi indexation to CPI indexation**

Benefit currently receiving	Amount currently received per week	What will happen to it
Disability Living Allowance – highest	£47.80	Shift from Rossi index to mobility CPI
Disability Living Allowance – highest care	£18.95	
Employment Support Allowance	£91.40 (single person in work group)	Shift from RPI index to CPI
Total	£158.15	

Figure 6 The impact on E's individual benefits in 2015

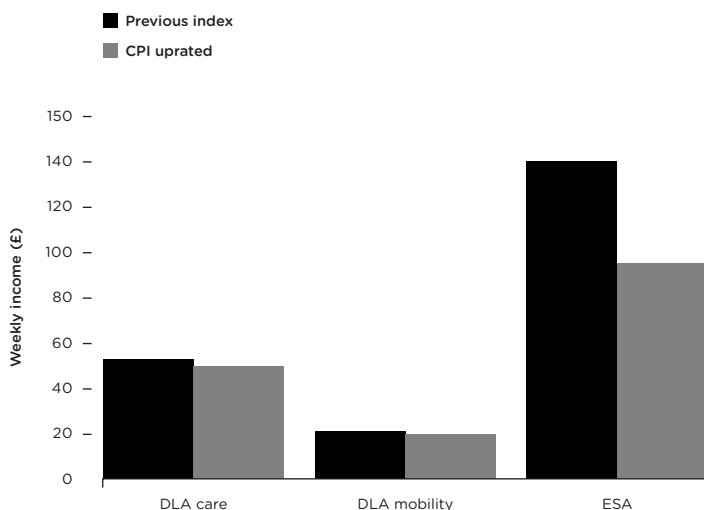
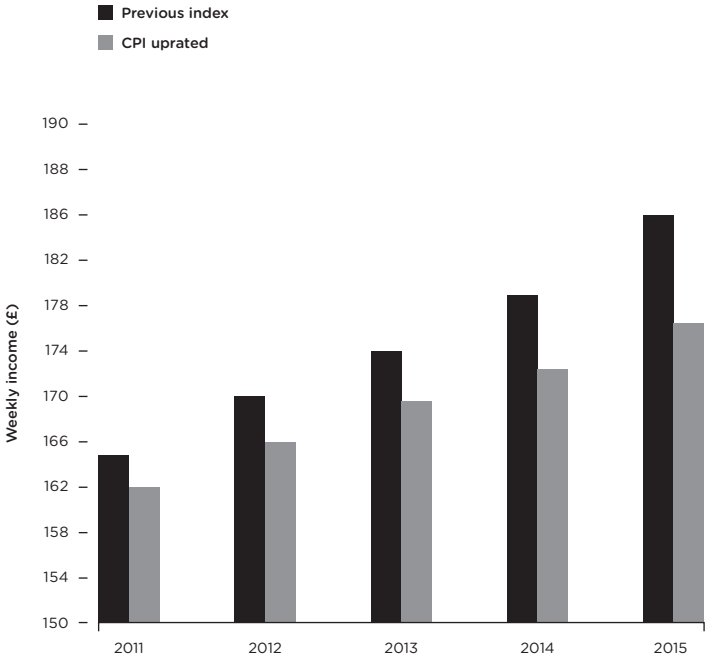


Table 8 How E's total benefit income will change over the next five years

Year	Increases when transferred to CPI	Increases if remained on previous Index	Weekly loss (£)
2011	£162.54	£164.98	£2.44
2012	£166.77	£170.20	£3.43
2013	£169.93	£174.72	£4.79
2014	£173.33	£179.60	£6.27
2015	£176.80	£184.78	£7.98

Figure 7 **E's weekly benefits income over five years — CPI compared to previous indexation**



Impact of the change in uprating

Without the shift from RPI/Rossi to CPI, E would have received £184.78 per week in 2015. Instead, owing to the change in uprating, he will now receive around £176.80 per week in the same year (table 8 and figure 7).

In total, E will lose £414.96 in benefits income in 2015. Over the five years 2011–15, E will be £1,295.32 worse off as a result of the change in indexing.

The impact of reform

E currently receives contributory ESA because his previous employment enabled him to make sufficient National Insurance contributions. However, there is now a question regarding the eligibility rules applied to this element of ESA, including limits to the time that people could spend on ESA and plans to means test recipients.²⁴⁶ E may find himself subject to these reforms in the coming months. Moreover, E tells us his DLA is currently being reassessed. As explained in our previous section, the government has suggested that its reassessment of DLA will lead to a 20 per cent reduction in costs. It is highly possible, therefore, that E will have his DLA reduced to a lower rate, or stopped altogether. Anecdotal evidence also suggests that when DWP makes a negative assessment outcome, this is shared with other benefits departments, and therefore E's potential reduction in DLA could lead to a reassessment in his ESA. E is a clear example of how imminent reforms place some disabled people in a precarious and uncertain financial position.

E's thoughts on cuts to benefits

E says he relies on his benefits to live day to day, although they do not fully meet his needs. E has over £90,000 in debts and the bank has capped his overdraft as he is no longer working. As a result, he relies on his benefits for food and housing costs.

Were his benefits to be cut it would have a dramatic effect on E's lifestyle. He feels he is already very proactive about minimising his costs, and does not know where he could find further savings. He would be forced to rely on his family for money if this occurred.

How many people are in E's situation?

Around 456,000 people in the UK suffer from epilepsy.²⁴⁷ The rate of unemployment is disproportionately high for this group: nearly three times the general rate and nearly double that for other groups of disabled people. Just under 60,000 people with epilepsy in the UK claim DLA.²⁴⁸

How many people receive E's combination of benefits?

In total, 98,170 working age people currently receive the combination of ESA and DLA at E's rates; 12,830 are of a similar age to E (45–49) and 5,800 of them are male.²⁴⁹

Therefore, 98,170 people are likely to lose out at approximately the same level as E. As a group, this means they will lose out on £783,396 per week in benefits income by 2015, or £40 million over the year. Over the five years 2011 to 2015, this group of unemployed disabled people will have lost £127 million in benefits income.

E, and people like him, also have a 1 in 5 chance of having their DLA reduced or stopped as the government attempt to reduce DLA claims by 20 per cent through more stringent testing.

Case study 4 – C

Background

A young woman, C, has been in a wheelchair since childhood. She is now 28 and lives alone on benefits. She lost her funding for social care in 2007 when her local authority restricted eligibility to critical and substantial needs only, and she was assessed as having moderate social care needs. She stopped claiming Housing Benefit (HB) after receiving an inheritance.

C believes she is capable of working and already volunteers. Although she thinks there are suitable jobs available for her, they are hard to find. She feels that as soon as any interviewer sees that she is in a wheelchair they decide not to employ her. C recently went for an interview organised by a disability employment trust, which had negotiated she would work part time. However, this had not been passed on to the interviewer and she was not given the job.

The shift in indexation

C's weekly income is made up of Incapacity Benefit (IB) (higher rate) and Disability Living Allowance (DLA). DLA is made up of two elements: a mobility component, which she receives at the

Table 9 **Change to C's benefits after proposed shift from RPI/Rossi indexation to CPI indexation**

Benefit currently received	Amount currently received per week	What will happen to it
Incapacity Benefit – higher rate	£106.40 (Highest rate plus £15 premium as she is under 45)	Shift from Rossi index to CPI
Disability Living Allowance – middle care	£47.80	Shift from RPI index to CPI
Disability Living Allowance – higher mobility	£49.85	
Total	£204.05	

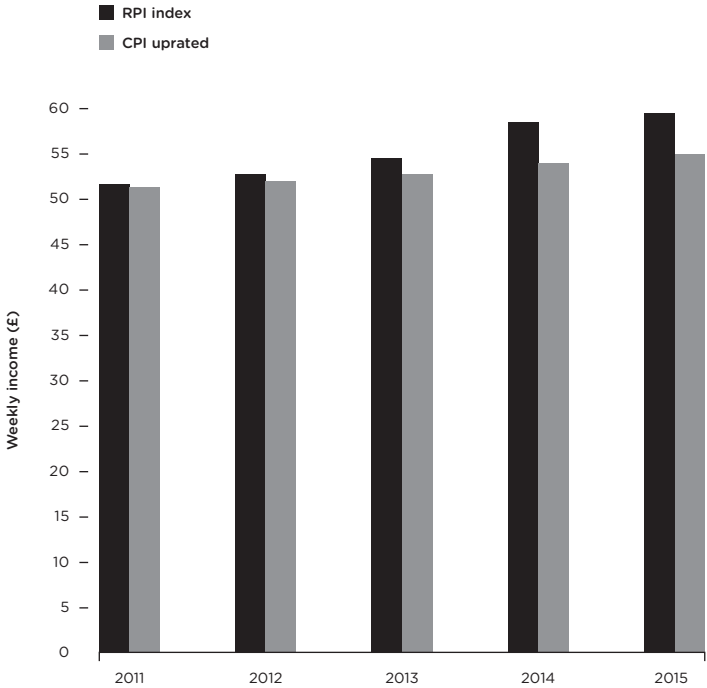
higher rate, and a care component, which is at middle rate. All three benefits will be affected by the shift in the index used for uprating (table 9 and figure 8).

Impact of the change in uprating

Overall, C currently receives £204.05 a week. In 2015, uprated by RPI, this would have been £238.37. Indexed to CPI, she will only receive £228.17 a week on the equivalent benefits.

This equates to a loss of around £548.60 in 2015 alone as a result of the changes in the uprating system. Over the next five years C will lose £1,688 because of the changes in indexation, £277.09 from her DLA mobility component alone.

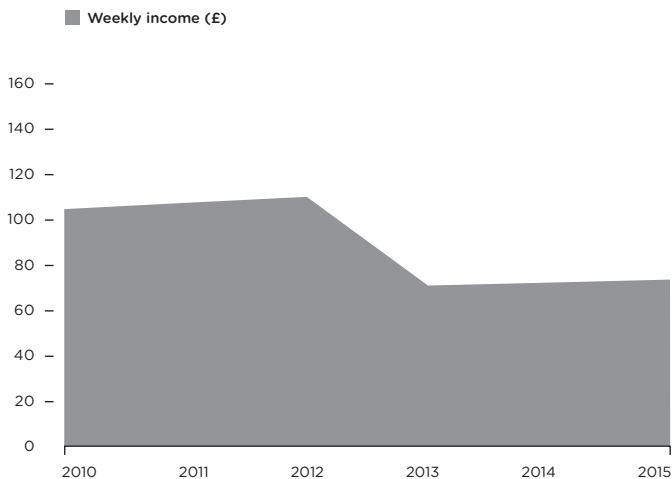
Figure 8 The impact of indexation change on C's Disability Living Allowance (high mobility)



The impact of other reforms

We have assumed in the calculations above that C will continue to claim IB up to 2015. However, as we outline in the previous section, from autumn 2010 the government is implementing a plan, devised by the previous government, to reassess IB claimants. This plan is intended to incentivise work and ensure the worthiness of recipients, and the government expects a significant proportion of IB claimants will be deemed fit to work (as cited above, Iain Duncan Smith has recently predicted this will be 23 per cent).²⁵⁰ However this assumes the work readiness

Figure 9 **The impact on C's IB income due to re-indexation and migration to JSA**



of large numbers of disabled people before any evidence has been gathered.

C is a typical case of an IB claimant who is highly likely to be judged fit for work and moved to JSA when the reassessment of IB is rolled out. In the following sections, we assume that C is moved onto JSA in 2013 (at which point the roll out should be completed).

There would be a dual impact on C's shift from IB in 2013. First, her reassessment to JSA would lower the weekly amount she receives (figure 9). Second, this effect would be exacerbated by the re-indexing of JSA to CPI. On reassessment, C's income would drop by £42 just from this change. See figure 10 and table 10.

If C is reassessed and moved to JSA in 2013, she will be £2,937.48 worse off in 2015. With this shift taken into account, C will be £8,714.68 worse off over the next five years.

Table 10 **How C's total benefit income will change over the next five years, including a move from IB to JSA in 2013**

Year	Increases when transferred to CPI and reassessed in 2013	Increases if remained on previous Index and remained on IB	Weekly loss
2011	£209.77	£212.83	£3.06
2012	£215.21	£219.62	£4.41
2013	£175.16	£225.53	£50.37
2014	£178.66	£231.92	£53.26
2015	£182.23	£238.72	£56.49

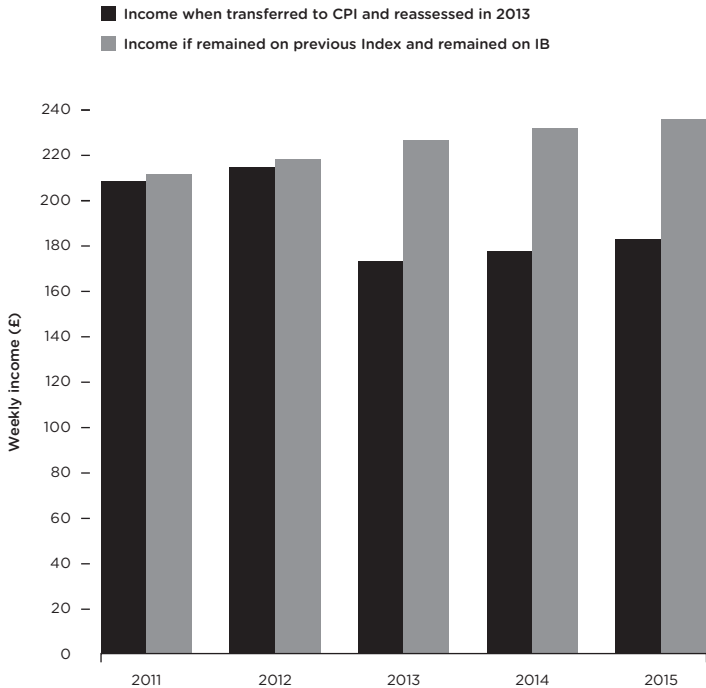
The impact of Housing Benefit to C's benefits

C is not typical as because of her inheritance she does not claim Housing Benefit (HB). Figures from the DWP suggest that 34 per cent of ESA claimants also claim HB, and we can assume a similar proportion of IB claimants also claim HB.²⁵¹ Many of those in C's situation would receive this additional benefit, worth a further £79.85 a week, including a £28 disability premium.

Many of this group will be especially affected by the government's recent proposal to penalise those who remain on JSA for more than a year by reducing their HB or their housing component by 10 per cent.

Under this system, no distinction will be made between those who were previously on IB and those who were not. Yet as disabled people find it harder to find work and may take longer to do so, it is likely than many of those who are reassessed and moved onto JSA from IB will be unable to find a job within the 12 month cut-off point, and be subject to this HB penalty.

So, if C were claiming HB (as a third of those in her situation do), and was unable to find work within a year of being

Figure 10 **Income if remained on previous index and on IB**

moved onto JSA (a situation faced by many disabled people), she would receive only 90 per cent of her HB in 2014/15.²⁵²

With HB, C would currently be receiving £283.90 a week in total benefits. But through the combined impact of reassessment and shifting to JSA, re-indexing of all benefits, and having HB reduced as a JSA penalty, this sum would fall to £267.35 a week by 2015.

All of these changes combined (shift to JSA, re-indexation and HB penalty) mean that C could be £9,461.40 worse off over the next five years.

If she had been reassessed and moved onto JSA, as the previous government had intended, but was not subject to re-indexing to CPI and subject to the HB penalty (both proposed by the current government), C would have been £2,250.04 worse off over the next five years.

C's thoughts on cuts to benefits

C feels her benefits just about cover her needs; however, she only manages financially for a period at a time and then has to use her inheritance (which she had hoped to keep in reserve for large emergency purchases, like a new wheelchair) to pay back debts.

She has avoided finding out about the benefits cuts, as the thought worries her too much. She understands that cuts need to be made, but feel there is too much focus on fraud rather than those who genuinely need benefits and are not accessing them. She thinks disabled people are an easy target because they are often seen as lesser people.

How many people are in C's situation?

16 per cent of disabled people in the UK are born disabled, putting C among the 1,870,000 who have had their condition since birth; she is one of the 880,000 around the country who is a wheelchair user under the age of 60.²⁵³

How many people receive C's benefits?

Statistics released by the DWP show that there are 495,940 people of working age who receive the same combination of benefits as C – IB and DLA – at her levels;²⁵⁴ 44,200 are around C's age (25–32) and, of these, 19,900 are female.²⁵⁵

According to Iain Duncan Smith's recent statement to the Work and Pensions Select Committee, the government expects that 23 per cent of existing IB claimants who complete their WCA assessment will be found fit to work and placed on JSA.²⁵⁶ That would mean 114,066 people like C will be found fit to work and moved onto JSA.

We also know that many people in C's position also claim HB. By combining DWP information on HB and ESA, it is apparent that around 34.4 per cent of ESA claimants also receive HB. Therefore, we can assume around 39,238 former IB claimants in C's position shifting onto JSA will also be claiming HB.

There are several ways in which we can aggregate the financial impact of C's case.

First, 114,066 people like C risk being shifted onto JSA. If we scale up C's losses to all of this group, we can see that as a whole they will be £904,165 worse off a week in 2011, but once reassessment of incapacity benefit is rolled out, their losses as a group will reach £6.4 million per week by 2015 – or £335 million in that one year. Over the five years 2011 to 2015, this group will lose £994 million in benefits income.

There is a risk that the third of this group also claiming HB will remain on JSA a year after first being placed on this benefit and lose 10 per cent of their HB. For this particularly unfortunate sub-group, their losses as a group would reach £371 million over five years.

According to the DWP, there are around 1.9 million IB claimants. If we assume 23 per cent are at risk of being moved onto JSA, then there are 437,000 people at risk of facing a drop in income similar to C's. C herself will lose £42 per week through reassessment – though not all claimants receive as much as she does in IB and they will therefore not lose as much as C. At the least, current IB claimants will lose £25.95 per week. Losses of income among this group, based only on reassessment (and assuming all are reassessed in 2013), therefore range from £11 million per week to £18 million per week.

Box 4 **In Extremis: H and her son**
Background

The case of H and her son is not typical, so we have not included it as part of our modelling. However, it serves as a real-life example of how poorly some disabled people currently

fare in the system. To cut H and her son's benefits, given their specific situation, is a salutary lesson as to why across the board cuts are particularly unwise.

H is a disabled woman, suffering from neuralgia, epilepsy, constant migraines and rheumatoid arthritis. Her nine-year-old son is also disabled, with epilepsy, low tone muscular problems, speech and language difficulties, atypical autism, ADHD, anataxia, complex learning difficulties and challenging behaviour. Although both mother and son are disabled she currently bears the burden of his care. His father could not cope with his son's disability and divorced H a few years ago.

Despite her disability, H is capable of working; she was previously employed in a primary school but she is now classified as long-term unemployed because she has had to become carer to her son.

The family live on benefits: these include Disability Living Allowance (DLA) (with the care component set at the middle rate and mobility component at low rate), Incapacity Benefit (IB), Child Benefit (CB) and Housing Benefit (HB). In addition, H receives an underlying Carer's Allowance (CA), although she is not eligible for the full allowance (despite being her son's full-time carer) because she is herself disabled.

The shift in indexation

Through their combined benefits, H and her son receive around £289.50 a week. All of their benefits will be re-indexed from RPI/Rossi to CPI under the new plans (table 11).

Impact of the change in uprating

Without the change in indexation from RPI/Rossi to CPI, H and her son would receive £333.77 in 2015. However, they will receive £323.75 solely as a result of the re-indexation.

In 2015 they will therefore be £10.02 a week worse off, a total of £521 over the course of the year. Over the next five years H and her son will lose £1,641.64 because of the re-indexation of benefits.

Table 11 **Change to H and her son’s benefits after proposed shift from RPI/Rossi indexation to CPI indexation**

Benefit currently receiving	Amount currently received per week	What will happen to it
Disability Living Allowance – low mobility	£18.95	Shift from Rossi index to CPI
Disability Living Allowance – medium care	£47.80	
IB	£106.40	
Council Tax Benefit	£36.54	
Housing Benefit	£66.00	
Underlying Carer’s Allowance	£30.05	Shift from RPI index to CPI
Child Benefit	£20.30	Frozen for three years from 2011; we assume it will be updated to CPI after this freeze

The impact of reform – the wider picture

H and her son do not financially lose out more relative to other cases we have reviewed in this report. However, H’s case demonstrates how badly the current system functions for some disabled people, the inflexibility and inefficiency of administrative processes, and how cuts and reforms can have disproportionate and unintended consequences on the most vulnerable. It is clear that the cuts to H’s benefits will not incentivise H to work, as the government hopes; they will most likely see her son being taken into residential care. The following section outlines some key points in H’s story,

including three separate legal cases to secure the correct benefits and services for herself and her son:

- After a clerical mistake in H's assessment, her DLA was stopped for 18 months. H went to tribunal about a year ago about the mistake, and as soon as DWP officials spoke to her doctor they admitted the clerical error, re-established her benefit and ceased the tribunal.
- Even though H is her son's full-time carer, she only receives underlying CA as she is not eligible for full allowance because she is also disabled. Social services have told her that her son needs two to one care and legally she should not be named as his carer because she is disabled. However, she has no legal statement in writing that they will provide this care, and social workers have insisted on naming her as one of her son's carers, saying that if she cannot cope he will have to be placed in residential care.
- H recently went to court to secure more respite for her son, and is now supposed to receive 6 hours respite a week. However, this was never actually provided, and so she has been forced to take a direct payment. H is still trying to find someone to employ and has to rely on her boyfriend and her mother. For nearly 4 months H has been given help with her son's care because he had brain surgery. However, she is about to lose this care, as it is provided by the NHS and based on physical needs – it does not take into account H's son's learning disability.
- H finances most of her son's medical needs herself. He has been prescribed physiotherapy, but as he only receives seven half hour sessions H's mother pays for more hours than she feels he needs. She also pays for occupational therapy and speech and language therapy herself. H believes her son's development is being damaged by lack of services provided and that he will be placed in residential care much earlier than he might have. She took her local education authority to a tribunal as his special educational needs statement did

not allow him enough physiotherapy and speech and language therapy. It was sent to the high court, but H could not afford to finance the case as more pressing health needs arose and her son had to have brain surgery. H took her son to a specialist school but the local education authority refused to pay for it. She had to keep her son at home for seven months before the authority found a placement for him.

- H needs brain surgery and a hysterectomy, but has had to postpone this indefinitely as there is no one to care for her son. H's neuralgia is getting worse, and is now spreading to her arm. However, social services have told her that they cannot provide her with one to one care until she can no longer dress herself in the morning. There is no talk of preventing this deterioration in her ability to look after herself.

H's thoughts on benefit cuts

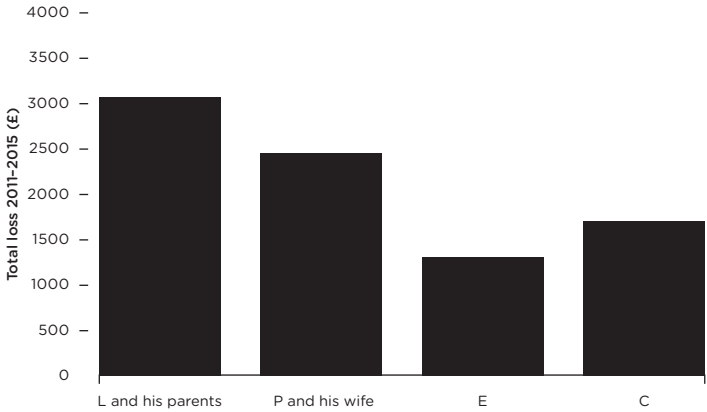
H's benefits do not meet her needs and she believes that if they were cut she could not cope any longer. As an example, she says she already only receives two nappies a day and one nappy a night for her son's incontinence. Cuts in her benefits income will have a major effect on her and her son and she is worried that if they are cut, her son will be taken into care as she will not be able to provide for him.

H is very scared about the spending review. She is getting depressed because she cannot see any future for herself or her son. She knows social services will not help her until her condition deteriorates, but if that happens she believes they will take her son away from her

Overview

Our analysis shows that the impact of uprating benefits by a different rate of inflation (RPI or Rossi instead of CPI) will have a substantial impact on all disabled people – with single disabled people set to lose between £1,200 and £2,400 in benefits income over the 2011–15 period, while couples or families with carers

Figure 11 **Overview of the impact of change in indexation across all four case studies**



may lose more than £3,000. The people we interviewed had very common benefits combinations, and were demographically representative. We would therefore expect losses of this scale to be the rule, rather than the exception, with hundreds of thousands of people in similar situations and smaller minorities significantly worse off (see figure 11 and table 12).

There will be more substantial losses as a result of the reform to welfare benefits, including the reassessment of IB claimants and moving them onto JSA (see example in figure 12 and table 13). Such an immediate and significant loss in weekly income for what could be between 23 and 50 per cent of the country's 1.9 million IB claimants will be highly problematic for many families – particularly when one considers how many of this group have been unemployed for a long time and are thus at a great distance from the labour market.²⁵⁷

Perhaps more interesting than these headline figures is the qualitative information our interviewees shared. Some were willing but unable to find employment; all felt they were just scraping by financially and frustrated by their situation. None

Table 12 **Loss to the benefits of disabled people in similar circumstances to those analysed in case studies 1-4 after proposed shift from RPI/Rossi indexation to CPI indexation, 2011-15, and number affected**

	Total loss 2011-15 through indexation	Number of people in similar situation
Case study 1 (L)	£3,043.56	173,000
Case study 2 (P)	£2,436.20	526,450
Case study 3 (E)	£1,295.32	98,170
Case study 4 (C)	£1,688	495,940

Table 13 **C's losses as a result of the reform to welfare benefits 2011-15, and number of people vulnerable to similar loss**

	C's loss over five years 2011-15	Vulnerable to similar loss
Indexation loss to benefits	£1,688	495,940
Indexation + moving to JSA	£8,714.68	114,066
Indexation + moving + housing penalty	£9,461.40	39,238

seemed to need incentives to work in the form of a financial penalty. The variety of situations and barriers to employment and participation outlined in just these four cases suggests a one-size-fits-all approach to welfare reform would be inappropriate.

4 Recommendations and conclusions

Recommendations

The capabilities that a person does actually have (and not merely theoretically enjoys) depend on the nature of social arrangements, which can be crucial for individual freedoms. And there the state and society cannot escape responsibility.

Amartya Sen²⁵⁸

We recognise that the government is facing an unprecedented deficit, which needs to be paid off through a series of radical welfare and departmental cuts. We are not, therefore, suggesting that disabled people should be exempt from these cuts – we must as a society all bear the burden of the recovery from recession. Nevertheless, by adopting a one-size-fits-all and punitive approach to welfare reform and exclusively linking benefit cuts to incentives to work, the government risks an approach too narrowly focused on economic return, which will not build people’s capabilities and enable them to fulfil their potential – it will instead overlook many people’s potential to contribute to society more broadly while out of work, as well as under-serve those who require more tailored support to enable them to achieve sustainable employment. Moreover, in an economic climate where jobs are scarce and there is greater competition for the jobs that are available, it would seem unwise to associate welfare-to-work ‘success’ with the achievement of just one narrow outcome (paid employment). Capabilities built, involvement in and contribution to the community, and distance travelled *towards* employability are all valuable outcomes that a more flexible welfare-to-work programme can and should recognise and reward.

Outlined below are a series of recommendations we believe will introduce a greater focus on capability-building, recognition of the social model of disability, and a more flexible interpretation of ‘contribution’. These together would render the government’s welfare reform strategy more inclusive and appropriate for a larger number of disabled people, and more effective in achieving sustainable employment and social engagement, and mitigate some of the very worst effects these reforms will have on this cohort.

It should be recognised that welfare reform is a fast moving area, and there are going to be significant changes to the way that benefits are organised in future. Most recently, the government announced that a new ‘universal credit’ system is to be in place by the end of 2013.²⁵⁹ This universal credit will replace many of the existing available benefits, including Jobseeker’s Allowance, Employment and Support Allowance and Housing Benefit. However, even if the benefits discussed here are renamed or become modules in a universal credit, the recommendations outlined below, and the principles on which they are based, will still stand.

Recommendation 1 – Abandon plans to use WCA as a model on which to base DLA reassessments

We acknowledge that there are certain problems with the current Disability Living Allowance (DLA) assessment – for example, the complexity and length of the forms claimants have to fill in. We do not suggest that this remains unreformed. Rather we recommend that a streamlined assessment which measures the social and practical barriers a person faces and the costs of overcoming these be properly explored and developed. Such a test would need to be co-produced by the claimant, with their doctor, social worker and welfare adviser, as only an assessment involving a claimant directly could accurately assess the everyday difficulties they face. Similarly, the test would also need to be personalised, taking account of the additional conversion costs that compromise the claimant’s *self-defined* goals, and framed within a positive capabilities model, focused on alleviating the

barriers and difficulties that inhibit a claimant from doing the type of things they value.

We do not think the Work Capability Assessment (WCA) would be a suitable model for this task. DLA is designed to compensate for the extra costs incurred from living with an impairment. These expenses arise from equipment and adaptations, specialist food, help around the house (e.g. gardener or DIY), transport costs, and so on. The WCA on the other hand is based on a medical assessment of disability. Although it tests for impairment, it cannot accurately measure the extra conversion costs the DLA is designed to cover.

Being able to quantify accurately the extra costs associated with impairment is fundamental not only to mitigating the conversion disadvantage through DLA, but also to understanding and alleviating disability poverty more broadly. It may also help policy makers better quantify the extra costs associated with inaccessible environments, such as housing and transport. Further research into these issues and the development of such a measure must, therefore, be of the utmost priority.

Recommendation 2 - Incorporate the social model of disability into a holistic 'capacity-capability' test for ESA claimants

We recognise that some version of the Work Capability Assessment (WCA) is likely to remain the key tool in assessing eligibility for out of work disability benefits, even when these become a component of a wider universal credit. We recommend, however, that the test be reformed so that in addition to an assessment of medical impairment, it also takes into account the psychological and motivational barriers that may prevent disabled people from finding work, as well as the external and social constraints they might encounter in returning to employment and the suitability of particular types of job.

To achieve this, future WCA processes would need to adopt a more personalised and co-produced approach, which is widely and successfully used in social care self-assessments. This would involve a shift towards a more mutual, interactive assessment process and greater individual involvement. At the heart of this

approach would be the recognition that disabled people are best placed to judge their own barriers to work – physical and psychological – and how their disability may affect their capability to operate in a working environment.

Initially, a claimant's application would provide information and medical evidence about the individual nature and history of their condition and any medical needs they may have. This would be supplemented with medical records, any prescription notes and professional diagnoses provided by a registered doctor or social worker. The application form would be filled in by the claimant and a doctor or social worker together. Those with the most complex needs or who are terminally ill and unable to work would be automatically moved to the existing Employment and Support Allowance (ESA) support group without further assessment, as is the present process. The government states that those individuals allocated to the support group do not have to undertake work-related activities, but may do voluntarily if they wish.²⁶⁰ However, such an approach does not recognise the need to build the capabilities of this group to enable them to reach their potential – whether or not that includes formal employment. We therefore suggest that the government explore ways in which those who are allocated to the support group are able to participate in the further capacity/capability assessment, *if they choose to*, in order to identify potential opportunities for part-time work (possibly for less than the 16 hours per week recognised benchmark), unpaid work, or other forms of community involvement, and to better articulate the support they would need to achieve this.

For those who do not fall into the support group, we recommend the government adopts a more holistic assessment, co-produced by the claimant and welfare adviser. This would assess medical 'capacity', examining the individual's functional ability, akin to a medical assessment as adopted by the existing WCA. However, it would also assess at the same time a range of wider capabilities, including any attitudinal and psychological barriers that may have a limiting effect on the claimant's confidence and motivation. It is essential that these motivational issues or self-limiting beliefs are addressed early on, as these are

often a crucial factor in predicting positive welfare-to-work transitions for disabled. The assessment would then focus on determining what the individual is potentially able to do and identifying what barriers exist that prevent them from doing these things (eg transport, certain types of working environment). It would also seek to address attitudinal barriers to work such as prejudices and stereotypes – real and perceived – that may arise in the workplace.

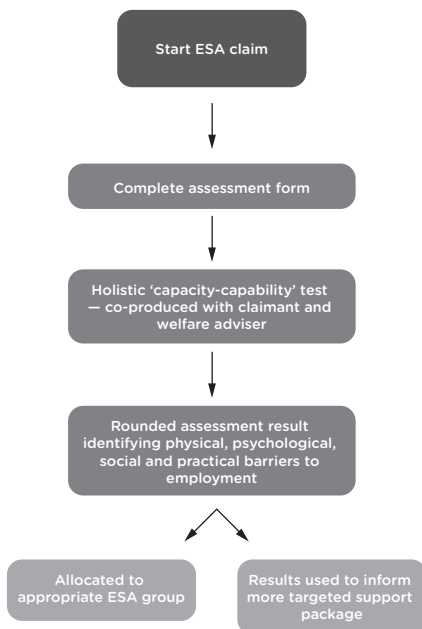
The resulting assessment report would therefore identify not just medical barriers, but the social, financial, practical and personal barriers that compromise a person's ability to secure and maintain employment. The assessment would be holistic in nature, considering all of these barriers in the round, so as to more accurately reflect the often complex interactions between these factors which prevent people from working. The test would also take a capabilities approach (what an individual *can* do and how their capabilities can be built and supported) rather than a 'deficit model' approach (which focuses on an individual's limitations), so as to cater for all those with a potential to contribute. See figure 13.

This more holistic assessment, with greater input from claimants themselves, would not only provide a more precise picture regarding a person's true distance from the labour market, but also be more accurate in establishing their support needs in securing and maintaining employment. This data could then be used to inform more targeted, effective and ultimately cost-effective welfare-to-work support packages, which would be able to address with greater precision a person's specific barriers to employment (see next recommendation for further details). This should be contrasted to a narrower medical test, which can only establish medical impairment and is therefore only part of the picture when it comes to people's barriers to work.

Although a properly detailed and in-depth design of this assessment is beyond the limitations of this report, we believe that the principles outlined above could provide a positive and realistic starting point.

Figure 13 **New ‘capacity-capability’ test for ESA claimants**

13 week assessment period
(during which they receive basic rate)



Recommendation 3 – Establish ‘work-ready’ ESA group for claimants of disability benefits found fit to work

At present, new Employment and Support Allowance (ESA) claimants who complete their assessment are placed into one of three groups: the support group, the work-related activity group or the ‘fit for work’ group, in which case they are moved onto Jobseeker’s Allowance (JSA). In future, Incapacity Benefit (IB) claimants who are reassessed will also be placed into one of these three groups.

DWP data has shown that of new ESA claimants who undergo a complete assessment, around two-thirds are moved

onto JSA (see figure 14).²⁶¹ The government also estimates that 23 per cent of those currently claiming IB will also be moved onto JSA, though more recent comments by Chris Grayling suggests this figure could rise to around a half.²⁶²

Yet a move to JSA can be problematic for a number of reasons. First, there have been reports that the Work Capability Assessment (WCA) frequently finds seriously ill and disabled people as fit for work – many of whom are then transferred to JSA only to be too ill or unable to sign on or otherwise assessed as ineligible for this benefit, and are then left without any form of state support – slipping through the gap of ESA and JSA eligibility.²⁶³

Second, the suitability of the JSA conditionality and sanction regime for disabled people is questionable. Disabled people will find it harder to comply with JSA conditionality requirements – they are more likely to spend over 12 months on JSA²⁶⁴ – and may be unable to attend welfare interviews and be ‘ready for work’ at short notice, for example because they need to arrange transport or assistance. Yet the JSA pathway takes no account of the potential practical and physical barriers that disabled people often face in meeting these conditions. These can be significant – a study by Leonard Cheshire Disability found that almost a quarter of disabled people seeking employment had to reject an offer of employment, and a further 23 per cent had to turn down a job interview, because of inaccessible transport.²⁶⁵ JSA penalties also often assume a lack of will or intent on the part of the claimant who fails to comply with conditions; it does not recognise a lack of confidence or ability of someone with impairments, who may never have been through a formal interview process before.

Third, even those IB claimants who are legitimately assessed to be immediately (physically) able to work are likely to have been out of employment for substantial periods of time, and are therefore a great distance from the labour market both in their skills base and psychologically. Around 1.6 million of the estimated 2.6 million people on incapacity benefits have received such benefits for at least five years.²⁶⁶ Long periods of worklessness can undermine an individual’s confidence and

employment prospects and the probability of getting work.²⁶⁷ Transferring some of this group directly onto JSA, with the stringent conditionality regime that applies, is likely to penalise those least prepared for work. It is also unlikely that the JSA regime would be sufficiently supportive to assist these hardest to reach unemployed who may have psychological barriers to working as well as little experience of maintaining the routine of formal employment.

Thus it is apparent that the support offered by the JSA pathway, and its associated conditionality regime, is not flexible enough to adequately cater to many disabled people's needs.

We therefore propose that for new claimants of ESA who are disabled but judged fit for work, as well as those on IB who will be reassessed in the coming years, the government abolishes the 'fit for work' group and ends the transfer of claimants onto JSA, at least at first. In its place, the work-related activity group of ESA should be split into two categories: 'work able', for disabled people assessed as capable of working in the *future* (as is the case with the current WRAG group), and 'work ready', for disabled people who are thought to be ready to work *immediately* (see figure 16).

Rather than being moved to JSA, the work ready group will remain on ESA. This will not cost the government more in benefits, as they would receive the same weekly amount as JSA. However, they would not be obliged to meet JSA conditions or be subject to JSA sanctions, but have more flexible conditions to reflect their level of disability (for example, someone with mobility problems would not be expected to appear for an interview at short notice, and they might perhaps be interviewed by a welfare adviser over the phone rather than be required to travel to an office every two weeks).

This group would also benefit from the more personalised support regime to which ESA provides access before and during employment (we suggest improvements to this regime in the next section).

The clear objective of this proposal is to achieve *sustainable* employment. The JSA pathway is not able to provide the level of ongoing support required to achieve this for disabled

people, but a more flexible pathway under the remit of ESA could.

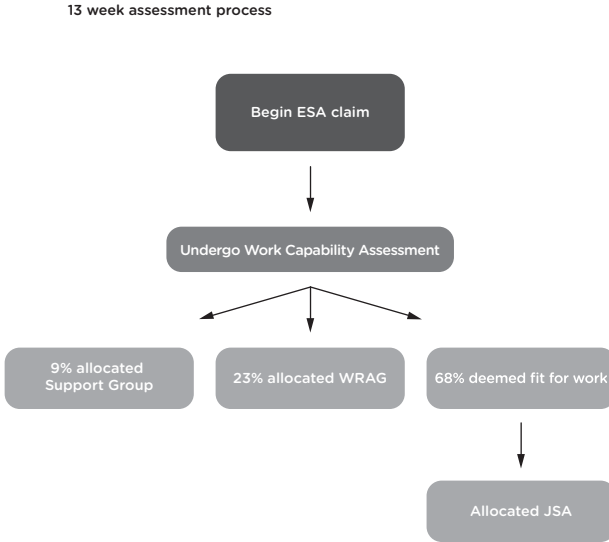
We know, for example, that disabled people are disproportionately likely to work in temporary, part-time or 'vulnerable' jobs.²⁶⁸ Under the JSA regime, this is most likely to lead to a 'revolving door' or 'low pay, no pay' cycle of employment – a phenomenon described as the defining challenge of welfare reform over the coming decade where JSA claimants are moved into unstable work only to be made redundant and move back onto benefits shortly after. Data suggests that some 40 per cent of JSA claimants who find work reclaim JSA within six months.²⁶⁹

As disabled people are already at risk of this 'vicious cycle' of revolving door employment,²⁷⁰ the relatively unsupported world of the JSA job placement process will only exacerbate this trend. The additional support offered by ESA in finding a more appropriate placement and then following this up with further support is likely to be far more effective than the JSA regime in enabling disabled people to stay in employment for more sustained periods of time.

That is not to say, of course, that there is no chance of movement between ESA and JSA. New applicants to ESA may simply not meet the appropriate disability criteria to be placed in any ESA group, and should actually be claiming JSA. And the transfer to JSA for some existing IB claimants is not impossible – but it is problematic if undertaken immediately, without any transition period.

Many disabled people – new claimants and existing IB claimants alike – will need to remain on ESA if their disability makes JSA's conditionality and lack of personalised support wholly inappropriate. However, the key point of before and in-work support for ESA groups (which we outlined in detail below) is that they work towards independence and re-ablement. Some disabled people may, therefore, be made fit for work after a period on ESA, without the need for ongoing support, and could operate well in the mainstream JSA regime. For this group there would not be a drop in income – as a move from the work ready group to JSA would not affect the benefit rate – but they

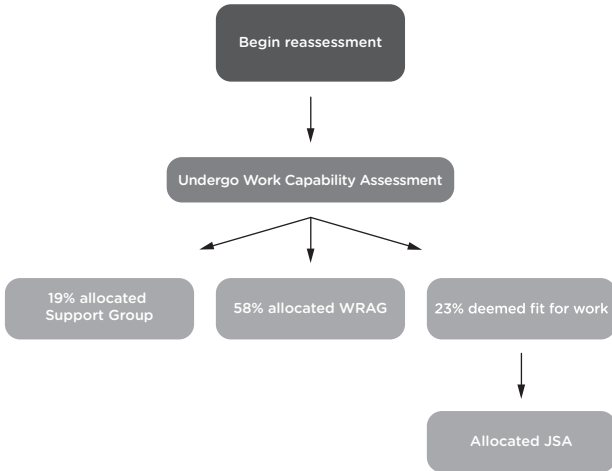
Figure 14 **Current welfare-to-work pathway for ESA claimants**



Source: DWP²⁷¹

would be expected to find work without the specialist and ongoing support ESA would provide and meet normal JSA conditions. However, while re-ablement should be a goal, the transfer of people to JSA should not be a set target or viewed as a cost cutting measure. The decision to move only those disabled people who could operate within JSA must be carried out on a case by case basis, with the input of the claimant, to make sure they feel ready to enter the mainstream welfare-to-work programme. In addition, and given the distance many existing IB claimants are from the labour market, we suggest that all existing IB claimants are moved to ESA for a period so that their work readiness can be accurately assessed and any issues addressed before any decision is made regarding their readiness to move to JSA. See figures 14–16.

Figure 15 **Predicted reassessment pathway for IB reassessments**

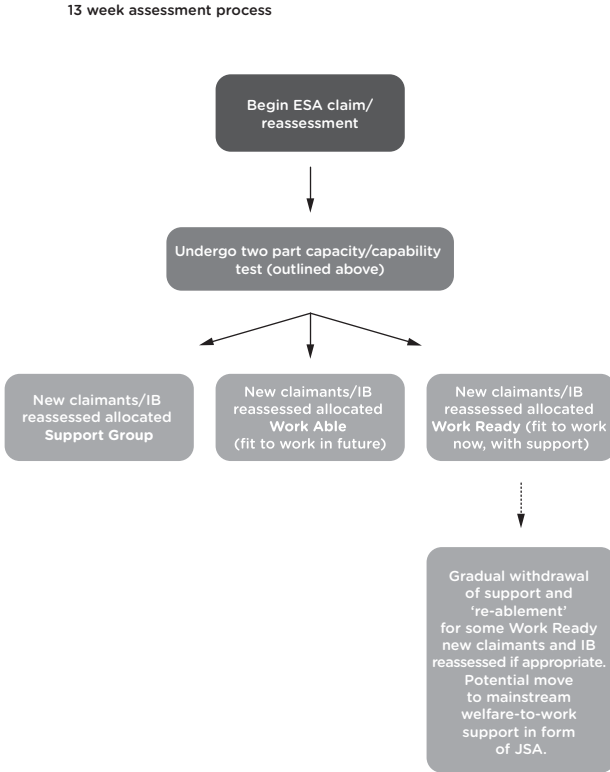


Source: Work and Pensions Select Committee²⁷²

Once the universal credit is implemented from 2013, a similar structure to that described above and illustrated below should still apply – in that there should still be a distinction between those individuals ready to work immediately (work ready) and those able to work in future (work able) within the disabled out-of-work component within the universal credit. Those at a significant distance from the labour market (such as current IB claimants) should receive more targeted and sustained welfare-to-work support than that offered by a single, generic ‘out-of-work’ grouping within the universal credit (which we assume will be what current JSA claimants are to be transferred to).

We recognise that providing extra support for the work ready group of disabled people, instead of moving them to the relatively unsupported world of JSA or equivalent universal credit component may be more costly in the short-term.

Figure 16 Predicted reassessment pathway for IB reassessments



However, there are significant economic benefits to be gained. On JSA, disabled people are more likely to be placed into work – any work – with little regard to how long they can keep it for, as indicated Iain Duncan Smith when he described the ‘welfare contract’ between the government and those unemployed who are fit to work. The vicious cycle of low pay-no pay can then ensue, with ongoing welfare and administrative costs, and the

cumulative effect of undermining disabled people's employability.

We believe that with the right regime and proper support, disabled people are more likely to be able to secure sustained employment, which, over the course of their working life, would result in significant returns on investment for the government in the form of tax revenues and National Insurance contributions. Conversely, and given the current challenging job market, it is highly likely that a blunter assessment instrument, and ill-targeted support, will have little impact on helping disabled people into employment. To put this in perspective: helping some 1.3 million disabled people into work, thereby increasing the employment rate of disabled people to the national average of 75 per cent, would boost UK GDP by at least £13 billion – the equivalent of about six months of economic growth.²⁷³

Moreover, the costs of this system would not be prohibitive. We recommend that the work ready group should be paid the same rate as JSA, so the only additional costs will be in providing greater welfare-to-work support (which we describe in more detail below). However, thanks to the more accurate and holistic capacity/capability WCA (as proposed above), a better evidence base will be created on the type of support required to return individuals to employment and keep them there. As such, the support will be more targeted and cost effective. Evidence also suggests such programmes are very successful. The Individual Placement and Support initiative, which centres on a personalised and positive 'can do' approach – based on individual involvement – to finding and sustaining work, is a good example. A range of research sites, situated all over the world, that closely followed the Individual Placement and Support model succeeded in placing an average of 61 per cent of participants into competitive employment, compared with 23 per cent being placed in employment by sites that followed other approaches.²⁷⁴

Recommendation 4 – Make work able and work ready ESA claimants automatically eligible for the appropriate elements of the Work Choice support scheme and Access to Work

As explained above, we propose that there should be a distinction within the Employment and Support Allowance (ESA) between a work ready and a work able group. Indeed this same grouping should apply to the new disabled out-of-work component of a universal credit. The work able group would replace the current ESA work-related activity group. Claimants in the work able group are not believed to be ready to work immediately, but have been assessed as being able to secure and sustain work in the future with additional support and assistance. The proposed work ready group, on the other hand, would be deemed immediately able to work, with additional support. The reason why this latter group is not placed onto Jobseeker's Allowance (JSA), even though they receive the same benefit rate, is because they need additional support, which JSA cannot provide, and a less stringent penalty regime. The quality of support work able and work ready groups receive before and during their employment is critical to their chances of finding and maintaining employment.

The government plans to terminate Pathways to Work – a specialised welfare-to-work scheme for disabled people – and replace it with a singular, overarching 'Work Programme'. When announced, this planned change provoked concern among disability organisations and anxiety that adopting a 'one-size-fits-all' approach might not adequately meet the needs of disabled people and could generate additional barriers to work.²⁷⁵ However, according to the DWP, the Work Programme will provide 'a single, personalised welfare-to-work programme for all client groups', to be rolled out nationwide by summer 2011.²⁷⁶ Placed alongside this wider programme is the Work Choice scheme (previously known as the Specialist Disability Employment Programme), which will be introduced from 25 October 2010.²⁷⁷ The Work Choice scheme – see box 5 – is designed to tailor support to the needs of disabled individuals and help them move into sustainable employment.²⁷⁸

Box 5 **Work Choice**²⁷⁹

Work Choice is a supported employment programme for disabled people with complex needs. Introduced in October 2010, it replaces its predecessor WORKSTEP, work preparation programmes and the Job Introduction Scheme. Work Choice is delivered through a series of modules, based on searching for, securing and sustaining employment.

*Module 1 (work entry support). * Support within this first module lasts up to six months. Activities include:*

- personal and job skills support, capacity and confidence building*
- job search and job application support (includes managing the disclosure of health and disability information, and CV and interview preparation)*
- welfare benefits advice*
- working with employers to help them see beyond perceptions of disability and focus on an individual's strengths and abilities*
- working with employers and employees to ensure appropriate adjustments are made to the workplace if and where needed*

Module 2 (in work support). Support within this module can last up to two years, although most participants are expected to remain in this module for a shorter time period. Among other things, Work Choice providers are asked to:

- identify each participant's career goals and discuss with employers how these goals can be met*
- agree a support package tailored to the needs of the individual*
- work with access to work centres to provide advice and practical support for ensuring workplaces are accessible and appropriately adapted, where needed*
- agree with employer and employee a plan in which support is tapered off*

* It is expected that some individuals will move directly into unsupported employment after completing this module.

- *conduct regular reviews with employer and employee to ensure agreed actions and adjustments have been fulfilled*

Module 3 (longer-term in work support). *Support focuses on providing a stable and secure working environment and helping individuals to develop their career. Some participants will receive support in recognition that there will always be a need for them to be supported in the workplace. Examples of support include:*

- *job coaching, to aid with those who might need help adapting to new work tasks*
- *delivering disability awareness training to employer and co-worker*
- *working with employer and co-worker so they can better adapt tasks and training schemes for employees with significant disabilities*
- *helping individuals with aspects of their home life that adversely affect their work*

The central goal behind Work Choice, and the support schemes it provides, is for participants to progress into unsupported work (although some will always need support).

At present, participation in Work Choice is voluntary, but the scheme seems so promising – targeting social and practical barriers and other factors we identify as critical above – that we recommend that the support programme offered by Work Choice is automatically integrated into the welfare-to-work pathway and available to all work able and work ready Employment and Support Allowance (ESA) claimants. Although the former group may require the full three stages outlined above, the latter group may require less intensive support and more focus on module 2 to sustain employment. The exact level and combination of the support required will be informed by the reformed WCA, which will help to target more effectively the support required to overcome each individual’s specific barriers

to employment. This support would also be gradually withdrawn as a person builds their confidence and capabilities in a working environment, leading to independence and enablement in the long term.

We also recommend taking the Work Choice model one step further by ensuring that work able and work ready groups are, on employment, automatically enrolled into the highly successful Access to Work scheme (see box 6). Given the profoundly positive impact that this programme has had on disabled workers, we believe it central to a successful and sustained welfare-to-work transition.

Box 6

Access to Work

Access to Work is a government scheme run by Jobcentre Plus, which provides financial and practical support, such as equipment or support workers, to disabled people in work.²⁸⁰ Examples of the scheme in practice include blind participants being provided with personal reading support and tape recording equipment.²⁸¹ The Access to Work scheme is thought to cost around £600,000 per year.²⁸² There are, however, obvious economic benefits to the scheme; its return on investment is substantial: for every £1 spent on Access to Work, the government recoups an average £1.48 in tax and National Insurance contributions.²⁸³ Indeed, the Access to Work scheme has been heralded for consistently providing a positive return on investment to the Treasury.²⁸⁴ Meanwhile, it is considered to be a pivotal factor in helping disabled people secure and stay in work and its success has been recognised by welfare policy experts.²⁸⁵

Despite the clear economic benefits – not to mention the positive practical implications – of the Access to Work scheme, awareness of the initiative remains poor. It has been described by the British Chambers of Commerce as ‘the best kept secret in Government’, and as ‘a highly rationed secret’ by others.²⁸⁶ It is highly likely that this knowledge is limited because at present it

is the responsibility of the employee or individual looking for work to find out about and contact Access to Work.²⁸⁷ Thus this otherwise successful initiative operates through voluntary enrolment. We advocate that it should instead operate through automatic enrolment, as effective implementation of the Access to Work scheme could not only provide disabled people with much needed practical support, but also incentivise employers to consider disabled applicants and reduce any perceived risk of additional costs incurred by employing them. We would strongly advise that levels of funding available for this highly successful programme be maintained, even in an age of austerity, and that support continues to be provided according to individual need.

As outlined above, providing personalised, co-produced and sustained support to disabled people may initially come at a slightly greater cost in the short term, but achieving stable, long-term employment will clearly result in significant returns in tax revenues and National Insurance contributions and will therefore be of greater value. In the same way, stable and secure employment results in real returns for individuals; there is a direct connection between employment and wellbeing.²⁸⁸ Moreover, these support regimes would seek re-ablement – with the long-term goal of increasing the independence of participants, reducing their dependence on benefits and state support, and gradually reducing the level of in-work support they use. Some may be able to move into mainstream welfare-to-work programmes operated under JSA.

Of course, we must recognise the reality of the current economic climate. The job market is more competitive and challenging now than it has been for many years because there is an increase in the number of people seeking work and a reduction in companies recruiting. It is highly possible, therefore, that those furthest from the job market will be at the back of a very long queue for the few positions that are available. Those in the work able – and indeed the work ready – groups may find that they simply cannot find employment and will remain in work programmes like Work Choice for a significant period of time. There is a question whether the government ought to consider the supply of suitable jobs in the labour

market, and how these could be stimulated, so that those who are ‘incentivised to work’ through benefits cuts actually have jobs to apply for. However, this may not be feasible in the current economic climate.

As an alternative, the government needs to consider whether the achievement of formal employment is the only outcome welfare-to-work providers should strive for, if they are destined not to achieve this through macro-economic circumstances beyond their control. Instead, a work programme designed to build people’s capabilities, reduce people’s distance from the labour market, encourage volunteering and community engagement, and develop new skills in readiness for when more jobs start to become available is a far more appropriate and useful approach to the current economic climate. It would enable work programme providers to focus on alternative and meaningful outcomes for those who are unable to find a job – instead of ‘parking’ them as can currently happen – and would ensure all disabled people (not just the easiest to employ) benefited from being in a work programme by enabling them to build their capabilities and independence. It would also ensure, as more jobs become available, that there is a population of work ready, capable, confident and socially included disabled people ready to take them.

Recommendation 5 - Capitalise Housing Benefit to help disabled people own their own home

The dual disadvantages of an ongoing shortage of affordable accommodation and inaccessible housing leaves disabled people in a distinctly unequal position when it comes to housing outcomes.²⁸⁹ It is thought that around a quarter of disabled people in need of adapted housing are living in accommodation unsuitable for their needs, and some 47 per cent of disabled people who rent their homes through the private sector live in accommodation that is not adapted to their requirements.²⁹⁰

Expenses associated with accessible housing are a large part of the conversion disadvantage, as the need for larger or specifically adapted accommodation may well result in

significantly higher housing costs. Encouraging greater levels of home ownership among disabled people, however, could reduce conversion costs as increased housing security decreases the chances – and costs – of converting each rented property that the disabled person may move to throughout the course of their life. It may also help provide greater financial security and reduce benefits dependency.

However, disabled people are one of the poorest groups in the UK and disproportionately likely to have no savings whatsoever. Their reliance on benefits makes it unlikely that they will be able to build assets of any size.²⁹¹ Absence of assets compromises an individual's security, independence and self-reliance,²⁹² and of course leaves them more vulnerable to financial shocks like the recent recession. As explained in the first section, disabled people are disproportionately dependent on state support in the form of Housing Benefit (HB) to meet their housing needs.²⁹³ Many disabled people and particularly those with the most complex needs are likely to spend much of their life receiving HB. However, as HB is currently used exclusively for the purpose of renting property – in effect subsidising landlords – it is usually too low to help individuals build their own assets.

To address the shortage of suitably adapted rented accommodation and the lack of assets and financial security of disabled groups, we therefore propose allowing disabled people to capitalise their HB, or in future of the housing component of their universal credit, so as to build financial capability and increase their independence by helping them move towards owning their own home. This might be achievable in one of two ways, depending on household type:

- For shared housing, for a small group of disabled people living together, the government could pre-release the predicted amount of income that this group is expected to receive from HB over a substantial period of time, which could then be used as a mortgage repayment over a period of ten years.
- More specifically, we advocate that single or couple disabled households who have received HB for over two years should be

able to apply to receive their benefit – as predicted for a five-year period – in the form of a lump sum grant they can then use to pay the deposit on a home.²⁹⁴

We recognise there may be some risk in facilitating home ownership among low-income or benefit-dependent disabled households. There is obviously a question whether such groups would be able to repay a mortgage. We know that a large proportion of disabled people struggle to maintain employment and regular mortgage payments. Nevertheless, there are also disabled people who, through lack of access to affordable mortgage rates and no opportunity to build savings for a deposit, could maintain payments on an affordable (sub-market fixed rate) mortgage if they were given the chance. This group would benefit most from this scheme and applicants for the scheme would need to have their suitability assessed on this basis.

Of course, there may be questions raised why disabled people should have special treatment, and that all low income households should have the opportunity to build assets. This is, in fact, the proposal put forward by Wind-Cowie, and we do not exclude the possibility that such a scheme should not be rolled out more widely.²⁹⁵ Nonetheless, we should bear in mind three factors which make this scheme particularly appropriate for disabled households. The first is that through the conversion disadvantage disabled households are much less likely to make savings from their incomes when in work – life is simply more expensive and building assets is harder. There may be disabled people therefore who have regular incomes, but for whom home ownership is impossible. Second, it is likely that many disabled people, like those with complex needs, will receive housing support for a lifetime, unlike non-disabled households with low incomes who may fall in and out of this benefit. The cost savings of building an asset and avoiding a lifetime of benefits payments is clear (see below). Third, disabled people may also need adapted accommodation – it is more cost effective for disabled people to have stable accommodation which they can own and adapt to suit their needs, rather than rent and require new

adaptations whenever they move. We should also bear in mind that should an applicant be unable to maintain mortgage payments and their house is repossessed, the government would be able to claim a stake in the resale value. Further conditions could be applied to protect the specially adapted housing stock, so that it remains available to disabled people, for example.

The start-up costs of implementing such initiatives may be significant, yet the long-term economic gains could well outweigh initial short-term costs. Outlining a similar scheme for low-income households, Wind-Cowie estimates that a five-year lump sum HB grant (calculated from a weekly rate of £64) would cost approximately £17,000.²⁹⁶ In his analysis, he estimates that were all 115,000 eligible (low income) households to take up this scheme, the overall cost to the government would be about £2 billion. The overall reduction in spending on HB, however, would mean that the government would recoup these costs over five years. After this recoupment period, the government could then make a real term saving of about £400 million a year. Within another five years, government would have made a profit.²⁹⁷ This might also be more viable in the current economic climate if the scheme were paid for from capital budgets, and savings accrued over time to revenue budgets.

Ultimately, although a detailed breakdown of costings and possible implementation of this policy for disabled groups is beyond the scope of this report, we believe this policy is worth further consideration and development.

Conclusions

The evidence presented here suggests many of the policies put forth as part of the emergency budget and wider spending review bring with them a range of serious, if perhaps unintended, consequences for disabled people.

These unintended consequences are driven by the very clear association made by government between cuts to welfare spending and incentives to work. But there is not always an inevitable link between reliance on benefits and unwillingness to work – particularly for disabled people. Simple physical inability

to engage in paid employment, practical and psychological barriers to work, and lack of opportunities to work are all alternative explanations which have not been factored in, and cannot be resolved by cutting benefits without replacing them with greater support to find and maintain employment. While the government seems keen on the former, the latter remains unforthcoming. Moreover, such an approach overlooks those disabled people and their carers who cannot engage in paid formal employment, but who might work for a few hours a week, volunteer, or build their capabilities and independence. A narrow focus on economic return will not harness and maximise the potential of such groups to contribute to society. It may also not prove appropriate in the current climate where jobs, and suitable jobs, are in short supply.

Our findings suggest that across the board cuts without a personalised support process in place will see the government more likely to entrench, not alleviate, benefits dependency; exacerbate social and financial exclusion; generate significant costs through administration and appeals of benefits assessments; exacerbate the low-pay-no-pay cycle through unsupported work placements, and critically undermine the quality of life, independence and capability of hundreds of thousands of society's most vulnerable people. The risk of such negative and unintended outcomes – and their long-term social and financial costs – has not been recognised in the government's discourse.

The recommendations presented consider all aspects of the welfare-to-work process – from reforming assessment procedures, to reshaping the groups people are placed in and the nature of support they then receive. They are also mutually reinforcing – a more holistic and accurate assessment will ensure more effective and targeted welfare-to-work support, for example.

Although these changes may reduce savings in the short term, they are equally likely to reduce other short-term costs associated with a poorly thought out welfare reform strategy. We should bear in mind that the government's cuts will also cost money to implement – and our proposals could reduce these.

For example, they have the potential to reduce the costs of appeals associated with an inappropriate assessment regime, more effectively target and therefore reduce the costs of welfare-to-work schemes, and reduce the costs of the low-pay-no-pay cycle by replacing it with sustainable employment. Moreover, there are real economic benefits to be gained in the medium and long term by ensuring that disabled people capable of working maintain employment, while those incapable of formal employment can still build their capabilities and participate in and contribute to society. Such a system must be in place to balance out benefits cuts which seek to incentivise work. Our overall message, therefore, is not to exempt disabled people from welfare and service cuts – but rather to carry them out in a more strategic, targeted and cost effective way.

Appendix – Modelling data

Table 14 **Inflation values for case study modelling**

		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
RPI (September)		4.2%	3.4%	3.0%	3.2%	3.4%	3.5%
RPI – 1.5	1.5	2.7%	1.9%	1.5%	1.7%	1.9%	2.0%
RPI – 1.7	1.7	2.5%	1.7%	1.3%	1.5%	1.7%	1.8%
.....							
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rossi (September)		4.4%	3.0%	2.4%	2.5%	2.5%	2.5%
Rossi – 1.5	1.5%	2.9%	1.5%	0.9%	1.0%	1.0%	1.0%
Rossi – 1.7	1.7%	2.7%	1.3%	0.7%	0.8%	0.8%	0.8%
CPI (September)		2.80%	2.60%	1.90%	2.00%	2.00%	2.00%

Table 15 **2010 base values used for modelling uprating of benefits
(excluded Council Tax Benefit - locally variable)**

DLA	
Care component - low	£18.95
Care component - medium	£47.80
Care component - high	£71.40
Mobility component - low	£18.95
Mobility component - medium	-
Mobility component - high	£49.85

ESA	
13-week assessment/basic rate (under 25)	Up to £51.85
13-week assessment/basic rate (over 25)	Up to £65.45
WRAG rate	Up to £91.40
Support group rate	Up to £96.85

IB	
Short-term lower rate	£68.95
Short-term higher rate	£81.60
Long-term basic rate	£91.40
Carer's Allowance	£53.90

Notes

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The UK's 7 million disabled people experience entrenched inequality and disadvantage, in the form of poorer educational attainment, lower employment and earnings potential, and restricted access to good and services. Far more disabled people live in poverty than the rest of the population and as a result they are more reliant on benefits for their income.

This pamphlet examines the reforms to welfare benefits announced in the Emergency Budget and in the forthcoming Spending Review and concludes that the impact on disabled people has not been fully considered. Rather than simply incentivising work, cutting benefits will have unintended consequences on households where finding and keeping work is only achievable with personalised welfare to work support. Through original analysis, *Destination Unknown* estimates that the losses in income over the course of this Parliament will amount to over £9 billion.

The pamphlet presents alternative reforms designed to introduce a greater focus on capability-building and supporting the move into employment. These would render the Government's welfare reform strategy more inclusive and appropriate for disabled people, more effective in achieving sustainable employment and social engagement, and will mitigate some of the very worst effects of these reforms.

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