

SOCIAL SECURITY

ADVISORY COMMITTEE

Out of work disability benefit reform

A briefing note by the Social Security Advisory Committee

August 2022

Introduction

The Department for Work and Pensions (DWP) published *Shaping future support: the health and disability green paper* in July 2021.¹ The ambition of the Department's consultation was to explore how the social security system can better meet the needs of disabled people and those with health conditions both now and over the longer-term, enabling people to live independently and move into work where possible.

The scope of this report

Chapter five of the Green Paper explores ways to improve the design of the benefit system. Following post-consultation discussions with the DWP team developing the White Paper, this Committee decided to undertake a piece of work examining one aspect of this challenge that was highlighted by the green paper: ***how can the current structure of benefits be changed to overcome people's financial concerns about moving towards employment?*** This briefing note sets out our conclusions and recommendations, which we hope will be of use to the Department as it finalises its White Paper.

Why are we focussing on this single issue? We know that some disabled people, and people with health conditions, receiving income replacement benefits would like to work in the future, and believe that they could do so with the right job and the right support, but the social security system is not always effective at helping them to do so.² We therefore wanted to identify the nature of the social security barriers and to explore potential options for removing them. While other barriers and enablers are also of fundamental importance – for example whether employers offer inclusive opportunities and whether suitable support is available to seek and retain paid work – they are beyond the scope of this particular project.

The Department has already undertaken an extensive consultation on this issue, and therefore we decided it would be unnecessary for us to replicate that process. However, we were keen to hear directly from Disabled People's Organisations, disability charities, academics, policy experts on disability employment and claimants. We therefore hosted a small number of roundtable workshops and interviews in spring 2022. These discussions were invaluable in providing insights from disabled people's experiences and perceptions and we are hugely grateful to those who contributed to our thinking.

¹ *Shaping future support: the health and disability green paper*, Department for Work and Pensions (2021)

² Those people in the ESA Support Group or UC Limited Capability for Work and Work Related Activity (LCWRA) Group or UC Limited Capability for Work Group

The Committee also conducted a brief review of relevant evidence to ensure its advice was well-informed.³

Guided by this evidence, we considered a wide range of different potential solutions, including long-term structural changes to the current benefits system and short and medium-term proposals that might encourage those disabled people wanting to try work to do so.

We concluded that the immediate priority should be to address issues under the following three broad core themes which arose repeatedly in our workshops and in other evidence available to us. These are:

- reducing risk (and perceived risk) of trying paid work, particularly relating to reassessments and potential income loss;
- improving financial incentives to engage in paid work;
- increasing trust in DWP to offer tailored support and take account of personal circumstances, including fluctuating conditions, in a fair and transparent way.

Some of these problems stem from the very structure of the current system. Through the White Paper process, the Department is seeking to test options for structural reform in order to reach a consensus view. However, radical reform takes time, and the Committee believes that the immediate focus should be on strengthening confidence and trust in the system and its implementation, to enable more disabled people to try work without fear of potential consequences. Any more radical reform in future could build upon these foundations.

We are grateful to the Department - and, in particular, to the Minister for Disabled People, Health and Work and to James Wolfe (Director of Disability and Housing Support) and his team - for their positive and productive engagement throughout this piece of work.

Background

The number of disabled people (i.e. those living with an impairment/health condition which has a long term impact on their ability to do normal day-to-day activities) who are out of work is growing and set to grow further.

In 2020, 8.4 million people of working age reported living with an impairment, a year-on-year increase of over 300,000 and a 20% increase from 6.7 million in 2013.⁴ Although the employment rate of working age disabled people has increased significantly since 2013, from 39% to 54% as at March 2022,⁵ as of 2021 (the most

³ The written evidence we consulted is available at annex A.

⁴ [Disabled people in employment \(parliament.uk\)](https://www.parliament.uk/business/committees/committees-a-z/commons-select/disability-and-housing-support/evidence/2020-21/disabled-people-in-employment/)

⁵ [A08: Labour market status of disabled people - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/peopleinwork/employmentandunemployment/bulletins/labourmarketstatusofdisabledpeople/2022-03)

recent annual period for which accurate data is held) there remained a disability employment gap of 28.4% (between those reporting an impairment and those not).^{6,7} The number of people reporting a work limiting impairment who are economically inactive is also rising in absolute terms, with an economic activity gap of 28% when compared with those not reporting an impairment.⁸ These figures should be considered in the context of a period of very low unemployment, where there is insufficient labour supply to meet demand.

Whilst the overall number of disabled people in employment has risen, this is partly due to increased prevalence of disability and greater openness and declaration of disability. It has not been accompanied by a decrease in the number of disabled people who are economically inactive.^{9, 10, 11}

From the start of the pandemic there was a rise in economic inactivity across the population driven largely by older people (in their 50s and 60s) leaving the labour market¹² (although latest figures show a slight decline in economic inactivity).¹³ Rises in economic inactivity are also driven by growth in those reporting a long-term health condition.¹⁴ People over 50 are most likely to experience long-term health conditions and their numbers amongst the working age population are predicted to rise in the next decade due to an increase in the State pension age.¹⁵ It is possible therefore that the number of disabled people out of work could increase further with a corresponding impact on employment and economic activity rates.

Some young people, including some young disabled people, move straight from education to economic inactivity¹⁶ and unemployment amongst young disabled people has risen in recent years. While the overall employment rate has risen, the level of unemployment among disabled young people increased by 18% from 2013 to 2021. This is in contrast to the level of unemployment for those 35 and older which decreased by 5% in the same period (predominantly driven by a decrease in the level of unemployment amongst those aged 35 to 49).¹⁷

⁶ [The employment of disabled people 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/the-employment-of-disabled-people-2021);

⁷ House of Commons Library briefing paper: [Disabled people in employment](#) (2021)

⁸ [A08: Labour market status of disabled people - Office for National Statistics \(ons.gov.uk\)](#)

⁹ [Written evidence to the Work and Pensions Committee's inquiry on the Disability Employment Gap from Professor Kim Hoque, Warwick Business School and Professor Nick Bacon, University of London](#)

¹⁰ A Better WCA is Possible, Ben Baumberg Geiger, (February 2018)

¹¹ [Measuring Disability and interpreting trends in disability related disadvantage](#), Disability@Work

¹² [The rise in economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

¹³ <https://www.employment-studies.co.uk/system/files/resources/files/IES%20briefing%20-%20Labour%20Market%20Statistics%20July%202022.pdf>

¹⁴ [Health in the workplace: patterns of sickness absence, employer support and employment retention \(publishing.service.gov.uk\)](#)

¹⁵ [Shaping Future Support - The Health and Disability Green Paper \(publishing.service.gov.uk\)](#)

¹⁶ [Employment in the UK: April 2022](#), Office for National Statistics

¹⁷ [employment-of-disabled-people-2021-revised-feb-2022.ods \(live.com\)](#), young people with a disability defined as those ages 18 to 34, 35 and over defined as those aged 35 to 64.

Amongst economically inactive disabled people, some have a desire to work. The Department's research from 2020 shows that one in five disabled people (20%) claiming income replacement benefits wanted to work and thought they would be able to do so at some point in the future if the right job was available and appropriate support was in place.¹⁸

Evidence in the Department's Green Paper suggests that disabled people who claim out-of-work benefits are unlikely to work again, whatever their potential appetite and capacity to work. It notes that around 1-2% of claimants move out of the Employment and Support Allowance (ESA) WRAG and ESA Support Group each month.¹⁹ The fact that 20% of claimants on those benefits want to work but only 1 to 2% are moving into employment each month, suggests that it is important to examine what stops people from achieving their ambition.

There are two main forms of financial support available to people living with an impairment or long-term health condition. Universal Credit (UC) and ESA are intended to: encourage people who have the capacity to take part in 'work related' activity, enable disabled people to engage in some work without losing benefit, avoid people prematurely being treated as unable to work and offer financial security for those who are not expected to undertake paid work.

The Personal Independence Payment (PIP), and its predecessor Disability Living Allowance (DLA), are non-means tested benefits that make a contribution to costs of disability, to which people in work are equally entitled.

So, what are the features of the benefit system that stop them from having the desired effect?

That same DWP research provides evidence that the gap between people's ambitions and outcomes is due to a range of barriers to employment - including a fear that trying work may jeopardise a hard-won financial security if the job does not work out, is temporary or insecure:²⁰

- 73% said they were '*worried people won't employ me because of my health condition*',
- 72% said their health condition fluctuated too much; and

¹⁸ DWP report: [The Work Aspirations and Support Needs of Claimants in the ESA Support Group and Universal Credit equivalent Final report of research findings](#)

¹⁹ [Shaping Future Support - The Health and Disability Green Paper](#), DWP (2021) [Note it is likely that some of the attrition measured here is the result of individuals in receipt of legacy ESA moving onto the UC Health Journey as a result of a change of circumstances. This suggests the monthly percentage of ESA claimants moving into work is likely lower.](#)

²⁰ DWP report: [The Work Aspirations and Support Needs of Claimants in the ESA Support Group and Universal Credit equivalent Final report of research findings](#).

- of those who thought they could work in the following two years with the right support, 53% were '*worried they wouldn't get their benefits back*'.²¹

To address these fears, clear action is needed to strip away barriers, including by:

- ✓ Addressing the commitment and capacity of employers to take on disabled people, to retain them and to support their development; and ensuring there are effective levers and support to encourage employers to do so.²²
- ✓ Ensuring that appropriate support is in place to prevent people falling out of work when they develop health problems, or their existing health or impairments become more severe.
- ✓ Providing effective support for disabled people to find work and enabling them to keep it.
- ✓ Supporting disabled people to develop and/or improve their skills where needed, particularly if they need retraining for a different type of role or if they seek to develop their careers.
- ✓ Delivering an effective benefit system that makes it more likely that people will be able to secure and retain work.

The last of these bullets is the focus for this report. Social security changes in isolation will not deliver the full potential of disabled people's ambitions, but the Committee's view is that they should be an essential part of the strategy.

De-risking the journey into work – and out again

If the process of getting to a final assessment of UC Limited Capability for Work (LCW) or Limited Capability for Work Related Activity (LCWRA) has been arduous and lengthy for an individual, then the prospect of trying a job can feel risky and undesirable. We heard at our workshops that claimants are concerned that, if they take up work, it could mean that they lose their PIP, or that if they later lose that job they would subsequently be deemed 'fit for work' and thus entitled only to a lower rate of Universal Credit. At stake are a much greater degree of conditionality, and for people who had previously been assessed as having limited capability for work and work-related activity, a loss of nearly £80 per week. Additionally, people might lose the work allowance which may be the factor making it financially viable for them to work in future, for example by enabling them to work part-time. Losing this package is a gamble that many are not willing to take. We think that risk should be taken out

²¹ Note on the data: It is important to note this research predates the introduction of the UC Health Journey, which replaced income-based ESA new claimants / change of circumstances from December 2018 onwards. Though the findings remain valid, around a million people were still in receipt of income-based ESA in 2020/21 and we cannot assume claimants of UC Health Journey would answer questions about concerns towards their benefit receipt in precisely the same way.

²² See for instance [The Disability Employment Charter and Switching focus: whose responsibility to improve disabled people's employment and pay.](#)

of the situation. The financial sums available to people in the UC LCWRA group represent financial security to many who eventually get it and putting it in jeopardy can create significant anxiety.

The evidence here is compelling – made both to us directly in our workshops and in a number of reports produced by Disabled People’s Organisations. We were told in workshops that this is especially the case for younger people going into temporary or flexible jobs in the gig economy, and for people who are unsure how sustainable employment will be for them in view of managing their impairment in a work context and dealing with a range of factors enabling them to work, including accessible transport, social care arrangements and childcare. Faced with an employment outcome that is hard to predict, a ‘safe’ and reliable income can be a more attractive option, especially if people fear a risk to their housing or income for dependents.

Another clear anxiety is the perceived risk of subsequently being exposed to a form of conditionality that does not take into account of the impact of impairment or other relevant circumstances – in effect, being required to look for jobs that are unsuitable.

Contributions from SSAC roundtable discussions

“...we should give people the chance to trial work, link back into benefits if they take risky steps, rather than penalise people...we have people who live in Edinburgh who every year get offered seasonal work because of the festival and people can’t take it. Claimants are penalised rather than offered incentives.”

Disabled People’s Organisation

“...if people will take a risk of going into work, they won’t know in advance what that experience will be like.”

(Academic)

Personal Independence Payment

PIP is designed to make a contribution to disability related living costs.²³ It is available to people both in and out of work. Claimants are not required to notify DWP simply because of a change in employment status. DWP has confirmed that, if someone does report entry into employment, it would not in itself be sufficient to trigger a review in the absence of information or evidence that the person's needs have changed. This design means that, in principle, there should be no disincentive to work since work income has no direct impact on the level of PIP payable. However, Paul Gray – in discussing wider policy goals as part of his second independent review of the PIP assessment - noted that:

“The Review was ... concerned to observe some face-to-face assessments for PIP in which there appeared to be a tendency to take employment as evidence of limited functional impairment.”²⁴

SSAC notes that DWP has taken some steps to address this. For example, we understand that it has introduced messaging on its website about being able to continue to receive PIP whilst in work, and it would be useful to extend this across all platforms and channels. However, the current PIP operational guidance leaves the door open to instigating a PIP reassessment if the decision maker thinks the person's needs may have changed by virtue of their new employment:

“A report that someone is working is not a reason to instigate a [Change of Circumstances] CofC Review. However, if someone reports they are now working, it is reasonable to ask whether their needs have changed. This information may then lead to a CofC Review.”

We were told that some disabled people are fearful that they would face a PIP reassessment if they were to try work, and were given some anecdotal examples of PIP reassessments being triggered by entering employment. Despite Paul Gray's recommendation and the revised (but still ambiguous) operational instructions, it does not appear that this potential disincentive has been entirely eliminated for people in receipt of PIP.

In order to remove the possibility - and fear - of loss or reduction of PIP when people enter paid work, we think there is a compelling case for PIP claimants to be offered a clear guarantee that there will be no reassessment for a year if they enter into paid work. Should the employment be successful and continue beyond a year, the regular schedule of reassessments would resume at that point. The relationship between securing employment and access to PIP

²³ The Adult Disability Payment is being introduced from August 2022 as a replacement for PIP in Scotland. Our recommendations do not cover this devolved policy, but we hope that our analysis will be useful as that new benefit develops.

²⁴ [The Second Independent Review of the Personal Independence Payment Assessment](#) (March 2017) page 63.

should be quite separate and seen to be so. We believe this measure would help reduce the perceived financial risk of trying work.

Return to benefits following loss of employment

We were also told about fears of WCA reassessments being triggered. Indeed, the Department's *Improving Lives Green Paper* observed:

*“Some people fear that preparing for work will trigger a WCA reassessment or result in a loss of benefits”.*²⁵

Of those who thought work might be a possibility in the following two years, over half were worried they would not get their benefits back if employment did not work out. Qualitative research undertaken by the Department suggested that some thought even “*showing interest in work*” could trigger a reassessment and potential loss of benefit.²⁶

We were told in workshops that some people will not consider doing any voluntary work or engaging in community activities, for fear that this might trigger a reassessment. This could mean opportunities being missed to contribute, gain confidence and network with others – activities that could increase health and potentially enhance opportunities to learn of potential employment opportunities.

This means that in effect that there is restricted middle ground between being ‘fit for work’ and having ‘limited capability for work’. There is a perception that there is little space to try work out safely.

Currently recipients of Universal Credit who lose entitlement because of earnings are automatically treated as making a repeat claim in the following assessment period.²⁷ This enables Universal Credit to be re-instated if the value of earnings falls. This process can continue for up to five assessment periods after entitlement ends. We were told that this might provide sufficient reassurance for a disabled person to test out the feasibility of work in relation to a range of factors, for example: travel (especially if the work involves shifts at different locations), social care arrangements (for instance, if the person requires support before work to get up and/or dressed),

²⁵ Adams L, Cartmell B, Coburn S, Dobie S, Stroud S, Svanaes S, Tindle I (IFF Research). The work aspirations and support needs of claimants in the ESA support group and Universal Credit equivalent. DWP Research Report 983; published February 2020. Available at:

<https://www.gov.uk/government/publications/work-aspirations-and-support-needs-of-claimants-in-the-esa-support-group-and-universal-credit-equivalent>

²⁶

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/867820/work-aspirations-and-support-needs-claimants-esa-support-group-and-universal-credit-equivalent.pdf

²⁷ The Universal Credit Regulations 2013 define an assessment period as: *a period of one month beginning with the first date of entitlement and each subsequent period of one month during which entitlement subsists.*

childcare and/or overall costs. However, DWP found that 66% of people in the ESA Support Group - or UC equivalent - reported that their impairment fluctuated.²⁸ Current regulations permit up to five assessment periods, however this is unlikely to be long enough to identify whether the role is manageable in the context of (for instance) periodic flare-ups of arthritis or MS. A full year would provide a more realistic period to explore whether work (and which type) would be suitable; and provide necessary reassurance that it is possible to try work without loss of benefit if it does not work out.

Recommendation 1

- (a) The Department should remove the perceived risks of moving into work for PIP claimants by providing a clear guarantee that no PIP reassessments would take place within twelve months if a claimant enters paid work, ensuring that assessment is kept separate and distinct from a claimant's work status. The only exception would be if the claimant requested a reassessment, for instance if their needs had increased. The regular schedule of assessments should resume after twelve months.**

- (b) The Department should also provide a guarantee that if someone tries paid work and it does not work out, within a period of a year they can go back to the exact benefits they were on, with no fresh WCA required.**

This proposal, taken together with recommendation 2 below, would go some way to giving confidence to disabled claimants that they can test out their ambition to enter paid work without incurring a financial penalty, or facing the potential anxiety of an additional health assessment if it did not work out.

Financial incentives to work

Many disabled people claiming these benefits have been economically inactive for long periods and are therefore likely to be uncertain about how their health condition(s) will impact on their return to work and whether any support or adjustments might enable them to sustain employment over the longer-term. The potential loss of security provided by their existing benefits may discourage them from attempting to take on even a part-time role.²⁹

²⁸ The work aspirations and supports needs of claimants in the ESA Support Group and UC equivalent: [Summary: The work aspirations and support needs of claimants in the ESA Support Group and Universal Credit equivalent - GOV.UK](#)

²⁹ DWP report: The Work Aspirations and Support Needs of Claimants in the ESA Support Group and Universal Credit equivalent Final report of research findings

Strengthening financial incentives, and confidence in them, can help overcome these barriers.

Maintaining LCWRA Premium in UC calculation (or maintaining ESA Support Group premium)

The Universal Credit taper rate means that if people start earning through working, or increase their earnings (for example by working more hours), their Universal Credit is gradually eroded. Currently the taper rate is 55p, meaning that for every £1 a person earns (after deductions) their Universal Credit is reduced by that amount. It is important that disabled people know that the disability premium built into their UC rate is protected if they start part-time work.

Some households can earn a set amount - the Work Allowance - before the taper rate kicks in. The Work Allowance is available to households on UC who are in work and either looking after a child or have a household member with limited capability for work. Work Allowances are currently set at £344 a month if the household receives housing support, or £573 if they do not.

We were told in workshops of a particular concern about the impact on family income when a partner starts work: for instance if a father is in low paid employment, is claiming UC, has access to a Work Allowance and his disabled wife later starts working - and the UC taper is applied immediately to the wife's income. This may act as a disincentive to starting work, and there may be a gendered aspect to this: women may be more likely to enter work later than a partner if they are raising children.

Whilst Universal Credit is designed to support household income, leaving decisions on how to manage the money to members of that household, there is, in this case, a distinct policy goal of incentivising disabled people's employment. The cliff edge nature of this taper on the second income could be perceived as a particular disincentive to a disabled person's employment. One way to address this would be an introduction of the taper over time. A steady phasing would help ease that initial financial impact.

ESA

Limiting an ESA claimant to 16 hours of work at the National Living Wage has the potential to stifle ambition in terms of progression, either in terms of hours worked or accessing roles with higher earnings. Increasing the generosity of this provision could help address this potential barrier.

Whilst most people on ESA will move to UC in the coming period, where the 16-hour rule does not apply, this change would have continued relevance to people in receipt of contributory (new-style) ESA. We recognise that '16 hours' is built into other

benefit rules and suggest exploring how best to align the rules to a more flexible approach to part-time work, that encourages rather than caps people's endeavours to increase hours and income.

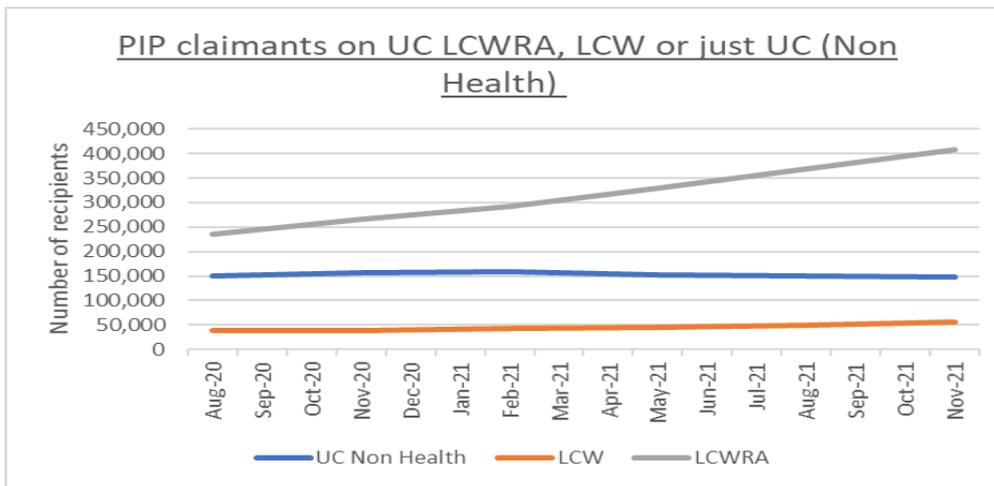
These proposals would enable disabled people to retain their ESA/UC at its existing level (i.e. the higher level for people on these benefits) in the calculation of their benefit level to complement their part-time work. This would both act as an incentive to try work and reinforce the message that there is no loss of entitlement to disability benefits on entering work. If the job worked out well and the individual remained in work for a period of a year, then the 'premium' would be tapered down over the second year, to ensure parity with others in work.

Extension of Work Allowance to PIP recipients

Personal Independence Payment (PIP) provides a financial contribution to extra living costs associated with a long-term physical or mental health condition or impairment which cause difficulty doing certain everyday tasks or inhibit mobility. Because the payment is intended to help with additional living costs associated with the health condition, it is not affected by earnings, savings or other benefits.

PIP recipients in work or who want to enter work had previously qualified for an equivalent of the Work Allowance (the 'earnings threshold') under the tax credit system, but that is not the case with UC.³⁰ As at November 2021, there were 148,500 disabled people on UC and PIP but not in the LCWRA group, or LCW group (November 2021). That means 150,000 disabled people in receipt of PIP are not supported by the Work Allowance. Extending eligibility criteria to enable this group to access the support of the Work Allowance, passported via PIP, may provide an incentive to try moving into paid work.

³⁰ Universal Credit and tax credits are established on separate systems with different elements so any comparison can only be approximate. PIP passported people to the disability element of Tax Credits. As well as providing an additional amount in their award, it also meant that those in receipt of it only needed to work 16 hours rather than 30 hours to qualify for working tax credit. All claimants received an equivalent of the work allowance (the 'earnings threshold') and benefitted from a lower taper rate in tax credits than in UC.



Recommendation 2

(a) The Department should strengthen the direct financial incentives for disabled people to enter work. This could be achieved by enabling people to try working part-time, without loss of the disability premium built into the payment levels to people in the ESA Support Group and UC LCWRA. This will give disabled people confidence to try to secure paid work without the fear of losing their current rate of benefit. In particular, we recommend that:

- **For ESA, we recommend an extension to the level of Permitted Work before you lose entitlement to ESA (currently at 16 hrs per week at the National Living Wage). This would better enable people to gradually increase their hours and/or salaries. Combined with the guarantee (Recommendation 1) of no WCA for a year, this would remove the 16-hour cap that limits people’s efforts to try work. After a year, someone working more than 16 hours could have a WCA, in line with agreed schedules; if the outcome was that the person was considered fit for work or work-related activity, a reduction in the disability premium would be tapered down over a further 12-month period.**
- **For UC, we recommend exploring whether Work Allowance rules for a couple with a disabled member could be adjusted to create a specific incentive for a disabled family member to enter paid work, where another member is already in employment and benefiting from a Work Allowance. This could act as an incentive for families with one or more disabled members. We acknowledge that this recommendation does not align well with the spirit of UC and would encourage the Department to explore whether there is a more appropriate way of delivering a similar outcome.**

(b) The Department should also extend the eligibility requirements for the UC Work Allowance to PIP claimants.

We acknowledge that these recommendations will require funding, however we believe that over time they would offer value for money as people start to move into employment, earn more and move off certain benefits. We also believe that these recommendations will be beneficial on their own right and that they are aligned with DWP's own objectives to improve disabled people's employment.

Tailored, personalised support

The employment support offer

Whilst currently the take-up of voluntary employment support amongst people in the ESA Support Group and LCWRA group is low, this is at least partly because people are afraid that expressing interest in work risks jeopardising the security of their future income (see above). Together the recommendations above provide strong mitigation against these fears, and a proactive offer of employment support could help people translate an interest in trying work into real steps to make it happen.

In order to emphasise that this offer is about choice and a personalised approach, a disabled jobseeker could be allocated a personal budget for employment support. It would be based on the equivalent of the standard cost of work coach support, with a menu of local options that people could access as required. The menu could be designed to take advantage of local developments to integrate employment support with other local services and opportunities, for instance through Integrated Care Systems, sub-regional partnerships (which include employers) and public organisations acting as 'anchor institutions' that adopt good work principles in their own employment and requirements of contractors. The menu should include evidence-based approaches: for instance, Individual Placement and Support for people with mental health conditions has been shown to be effective not only for people with significant mental health problems but also those with mild and moderate conditions.^{31, 32, 33} This approach could be piloted and evaluated prior to wider roll-out, to identify impact and cost-benefits.

³¹ [Employment advisers in improving access to psychological therapies](#) (2022) DWP and Department for Health and Social Care

³² A Randomized Controlled Trial Evaluating the Effectiveness of Supported Employment Integrated in Primary Care (2022) Lori L. Davis, M.D., Mercy N. Mumba, Ph.D., Richard Toscano, M.Ed., Patricia Pilkinton, M.D., Catherine M. Blansett, Ph.D., Kimberly McCall, Ph.D., David MacVicar, Ph.D., Al Bartolucci, Ph.D

³³ Effectiveness of Workplace Interventions in Return-to-Work for Musculoskeletal, Pain-Related and Mental Health Conditions: An Update of the Evidence and Messages for Practitioners (2017) K. L. Cullen, E. Irvin, A. Collie, F. Clay, U. Gensby, P. A. Jennings, S. Hogg-Johnson, V. Kristman, M. Laberge, D. McKenzie, S. Newnam, A. Palagyi, R. Ruseckaite, D. M. Sheppard, S. Shourie, I. Steenstra, D. Van Eerd, B. C. Amick III

Recommendation 3

To encourage take-up of voluntary employment support, an option that should be considered is to offer a personal budget for that support, underpinned by a menu of options for effective support, to anyone in ESA Support Group or UC equivalent who wants to try paid work.

Support for people with fluctuating conditions

There is a perception that employing people with fluctuating health conditions, who may require periodic health-related time away from work, presents a risk for employers. This creates an additional barrier for people with fluctuating conditions - such as Multiple Sclerosis, arthritis or bi-polar disorder - who want to work when they can.

DWP research on *The work aspirations and support needs of claimants in the ESA support group and Universal Credit equivalent* found that two thirds of claimants reported that their condition fluctuated:

“They also typically found their health difficult to predict, with two-thirds (66%) reporting some fluctuation.”³⁴

Evidence is clear that improving employment opportunities for this group could potentially have impact at scale, and there are a number of possible mechanisms to improve incentives and build the confidence of job seekers with fluctuating conditions and their potential employers, for example statutory sick pay rebates to employers who take on individuals with known fluctuating conditions.

Evidence suggests that one option, in particular, is worthy of further consideration by the government. Two independent reviews commissioned by DWP to examine disability employment support³⁵ and employment support for people with a mental health condition³⁶ recommended that the government should change the offer from Access to Work to include the costs of temporary cover for people with fluctuating conditions confirmed by a health professional, and requiring periodic time off. This would help remove the disincentive for employers to recruit or retain them. This recommendation was echoed in an LSE report which considered who should be

³⁴ [Summary: The work aspirations and support needs of claimants in the ESA Support Group and Universal Credit equivalent - GOV.UK \(www.gov.uk\)](#)

³⁵ Getting in, staying in and getting on: disability employment support fit for the future (2011), Liz Sayce

³⁶ [Realising ambitions: Better employment support for people with a mental health condition](#) (2009), Rachel Perkins, Paul Farmer and Paul Litchfield

responsible for improving disabled people's employment and pay.³⁷ The reports argued that disabled people with fluctuating conditions should be given an indicative award that they could cite when applying for jobs, to help build confidence for both the employer and employee. The DWP's responses to the independent review on disability employment support agreed that Access to Work had the potential to provide support to more disabled people and to be delivered more efficiently. However, as the specific recommendation could not be achieved without additional funding, it could not be accepted as the budget for specialist disability programmes had already been signed off in the 2010 Spending Review.³⁸

This solution means that the government would in effect share the cost and perceived risk with employers who employ someone with a recognised fluctuating condition confirmed by a health professional. This would enable more people to be supported into paid work where they require more than a work adjustment considered "reasonable" in the context of the Equality Act 2010. We recognise that a 'pot' for temporary cover will be easier to implement for some roles than others; and that finding cover in a tight labour market, with high agency costs, poses challenges. However, the benefits to people's well-being and to the economy of enabling some of the large pool of people with fluctuating conditions to work when they can - rather than not at all- offer a powerful justification for this proposal.

Recommendation 4

The Department should provide more discretionary tailored support to people with fluctuating health conditions, to remove barriers which can discourage disabled people from trying work and employers from employing them. One option would be an Access to Work 'pot' that could be accessed by people requiring periodic time off for temporary cover to help remove the disincentive for employers to recruit or retain them.

Communications to build trust and confidence

We were told in workshops that the highest priority was to focus on building disabled people's trust in the system.

³⁷ [Switching Focus: Whose responsibility to improve disabled people's employment and pay?](#) (2018), Liz Sayce

³⁸ [Specialist disability employment programmes - Government's response 2011 CM8106 \(publishing.service.gov.uk\)](#)

A lack of trust in DWP among disabled people was identified in our 2020 report *How DWP involves disabled people when developing or evaluating programmes that affect them*.³⁹ Indeed, this is an issue that the DWP acknowledges and is taking steps to address. It is essential that the potential support DWP offers is trusted as being genuinely tailored to the needs and circumstances of individual people, otherwise guarantees and incentives may not be believed and be less likely to work.

Out-of-work benefits available to those living with an impairment or health condition already have some features that are intended to allow people to work without financial penalty. However, if people do not know about them or trust that they will be delivered well, and if they are not seen to be working reliably, then any financial incentives introduced, or barriers removed, are less likely to be effective. For example, as we describe above, many disabled people believe that their PIP entitlement will be put at risk if they take on paid work. But, in principle, that should not be the case. It would be useful for the DWP to review its range of communications for people claiming PIP and disability out of work benefits to ensure that consistent and clear information explains how people can try work without putting at risk their financial security.

Once further measures are put in place to ‘de-risk’ trying work, it will be important to engage partners who are trusted by disabled people and those living with health conditions to explain exactly how new guarantees work, how to try work without jeopardising financial security, with personalised support that takes account of individual circumstances.

The recommendations in this briefing are designed to make the distinction between being ‘fit for work’ and having ‘limited capability for work’ (or work-related activity) less binary; to expand the ‘grey area’ where people can try work and explore how barriers can be overcome or mitigated, without fear of loss of income. As part of the reforms we are suggesting, it would be useful to revisit the language used, to ensure that greater emphasis is placed on how disabled people who face ongoing barriers to working can try paid work without moving into the ‘fit for work’ category - with ongoing recognition of the barriers faced; and with access to employment support designed to help both disabled people and employers to overcome or mitigate those barriers. It should also be recognised that having overcome, or mitigated against, a barrier in order to try work does not mean that it no longer exists.

Recommendation 5

(a) As the Department makes changes to de-risk paid work and make it more rewarding, it needs an accompanying communications strategy

³⁹ [SSAC Occasional Paper 25: How DWP involves disabled people when developing or evaluating programmes that affect them \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

that explains directly how people can try paid work safely, without jeopardising income; explains the financial incentives to work; and builds trust and confidence among claimants that the system will work for them.

(b) As part of this communications approach, the Department should work in partnership with organisations that disabled people trust, to ensure that individuals are aware of the steps being taken to incentivise and de-risk of their journey into paid work, and that the terminology and language used is clear and supportive of the journey into work.

(c) As part of wider reform, the Department should consider revisiting language used, to give greater recognition to barriers disabled people continue to face as they move into paid work, and how they may be mitigated; and to erode the binary distinction between being 'fit for work' or having 'limited capability for work'.

Reforming disability-related benefits

There have been many changes to the benefit system in terms of how it impacts disabled people over recent decades. But none of them have led to a significant improvement in economic activity. While the system of financial support has had a number of iterations, fundamental design features have been constant throughout – near binary tests of capacity or incapacity for work, and as a corollary, rates of benefit for people expected to look for work are less generous than for those not expected to. It is arguable that the design of UC, and the role of the WCA within it, has inadvertently reinforced the binary distinction between people who are unable to work and people who can work with no barriers, rather than taking the opportunity to make the most of the removal of the in- and out-of-work distinction that UC brings. The WCA, for instance, tests for capability for work or work-related activity but does not test for whether someone could work full time or part time, whether they face other barriers in the types of work they could undertake and what adjustments or support might enable them to mitigate those barriers.

Our recommendations, in part, mitigate some fundamental design flaws in the system. But they do not solve the underlying structural problems. We are therefore pleased to note that the Department is, as part of the White Paper process, considering options for more radical reforms for implementation over the longer term. We would welcome reform which would more effectively de-risk and reward securing paid work and opportunities for careers.

However, as these take time to develop, agree and implement, it is important to introduce more immediate improvements to the current system to ensure that the talents, potential and ambition of disabled people are not ignored. Radical reform also requires trust, and currently the Department recognises the need to act to increase trust. We were told in workshops that the top priority is to build trust rather than introduce radical reform without its development. The Committee has therefore taken the view that the immediate priority should be to, at pace, implement the mitigating improvements we recommend as well as continuing the process of building trust in preparation for more substantial reform.

To be effective, such structural reform would require more of a first-principles approach to considering the overall social contract with disabled people. This would involve developing clear principles covering the following issues:

- What should be the underlying policy purpose, for instance supporting economic and social participation of disabled people, minimising disability-related poverty?
- What should be the different types of additional support provided for disabled people?
 - Level of financial support and nature of means-testing
 - Nature of any associated conditionality regime
 - Additional forms of support to facilitate employment
- What should be the different eligibility criteria for additional support?
 - Extra costs of living
 - Barriers to work
- How should such criteria be assessed?
 - Single or multiple assessments
 - Binary or continuous categories
- What would be the most appropriate mechanism for delivering such support?
 - Integrated or discrete benefit structure
- What could disabled people have a right to expect from employers, in terms for instance of universal design, reasonable adjustments and freedom from discrimination?

- What should disabled people be able to expect from government, in terms of instance of fair, transparent services; and support and regulation for employers?

Consideration has already been given to potential options for further reform by others, for example:

- (i) **Establishing a system that removes the differentiation between people who are unable to work and people who can:** The Organisation for Economic Co-operation and Development (OECD) have stated that differentiation of social security levels keeps disabled people out of mainstream economic activity, and that the radical simplicity of this proposal would help address that challenge. Although it would make sense to remove the hard binary distinction in the current system, it is hard to see how conditionality could be operationalised if there were no distinctions between different groups of claimants on what could be legitimately expected from them. Significant questions of benefit adequacy were also raised with us in workshops
- (ii) **Move the disability ‘premium’ out of Universal Credit and increase the level of the Personal Independence Payments:** This proposal was put forward by Reform In its 2016 report *Working Welfare: a radically new approach to sickness and disability benefits*.⁴⁰ In this proposition Universal Credit would retain tests of capacity to work and differentiate between people who are required to look for paid work and those who are not, but they would receive the same rate of UC. However, most disabled people who are not required to look for work would receive PIP set at a higher level than now (in effect the savings from equalising out of work benefits would be ploughed into extra cost benefits). This would eliminate the perceived risk that a claimant would lose their UC disability premium by looking for work, and ensure that people retain a higher in-work benefit income than they do now. But care would still need to be given to ensure that PIP was not put at risk by working; and detailed work would be needed to ensure PIP criteria fairly matched the spectrum of extra costs disabled people experience.
- (iii) **Merging Personal Independence Payments and Universal Credit:** DWP’s Green Paper floats the idea of merging assessments of PIP and UC, or perhaps merging the benefits. It argues that this might simplify the user experience. The Committee agrees that increased data-sharing between systems and creating a more seamless and integrated assessment experience for claimants is clearly worth exploring, whilst recognising the distinct purposes of extra costs and income replacement benefits. However, simply merging PIP and UC into a single benefit could exacerbate the

⁴⁰ [Working welfare: a radically new approach to sickness and disability benefits](#), Reform (2016)

perceived risk of getting a job – especially if it were to be fully means-tested. We therefore advise against this proposal as it is currently set out in the Green Paper.

We recognise that major structural changes pose their own risks and challenges and require extremely careful consideration – including the concerns that stakeholders have raised about the adequacy of existing benefit rates. But a strategy of simply making the existing structure work better, however effective in the short term, will eventually run up against its inherent limitations. So work should begin now on developing larger scale reform based on clear principles around which consensus and trust can be established, working closely with disabled people and their organisations.

Recommendations

As set out above, SSAC has come up with a number of recommendations designed to support disabled people into work, and to remove barriers that will disincentivise people from trying to move into employment for possibly the first time after an extended period of economic inactivity. We acknowledge that some of these recommendations come at a cost. However, given the very small proportion of disabled people moving from income replacement benefits into paid work, and the costs associated with retaining the status quo, the net costs of new effective steps to support people into work should be modest. This group is unlikely to make that transition into work without the type of additional support that we recommend and would therefore be likely to remain on disability benefits over the long-term.

Our recommendations are as follows:

De-risking the journey into work

- 1(a) The Department should remove the perceived risks of moving into work for PIP claimants by providing a clear guarantee that no PIP reassessments would take place within twelve months if a claimant enters paid work, ensuring that assessment is kept separate and distinct from a claimant's work status. The only exception would be if the claimant requested a reassessment, for instance if their needs had increased. The regular schedule of assessments should resume after twelve months.
- 1(b) The Department should also provide a guarantee that if someone tries paid work and it does not work out, within a period of a year they can go back to the exact benefits they were on, with no fresh WCA required.

Strengthening the direct financial Incentives for disabled people to enter work

2(a) The Department should strengthen the direct financial incentives for disabled people to enter work. This could be achieved by enabling people to try working part-time, without loss of the disability premium built into the payment levels to people in the ESA Support Group and UC LCWRA. This will give disabled people confidence to try to secure paid work without the fear of losing their current rate of benefit. In particular, we recommend that:

- For ESA, we recommend an extension to the level of Permitted Work before you lose entitlement to ESA (currently at 16 hrs per week at the National Living Wage). This would better enable people to gradually increase their hours and/or salaries. Combined with the clear guarantee (Recommendation 1) of no WCA for a year, this would remove the 16-hour cap that limits people's efforts to try work. After a year, someone working more than 16 hours could have a WCA, in line with agreed schedules; if the outcome was that the person was considered fit for work or work-related activity, a reduction in the disability premium would be tapered down over a further 12-month period.
- For UC, we recommend exploring whether Work Allowance rules for a couple with a disabled member could be adjusted to create a specific incentive for a disabled family member to enter paid work, where another member is already in employment and benefiting from a Work Allowance. This could act as an incentive for families with one or more disabled members. We acknowledge that this recommendation does not align well with the spirit of UC and would encourage the Department to explore whether there is a more appropriate way of delivering a similar outcome.

2(b) The Department should also extend the eligibility requirements for the UC Work Allowance to PIP claimants.

Tailored, personalised support

The employment support offer

- 3 To encourage take-up of voluntary employment support, an option that should be considered is to offer a personal budget for that support, underpinned by a menu of options for effective support, to anyone in ESA Support Group or UC equivalent who wants to try paid work.

Support for people with fluctuating conditions

- 4 The Department should provide more discretionary tailored support to people with fluctuating health conditions, to remove barriers which can discourage disabled people from trying work and employers from employing them. One option would be an Access to Work 'pot' that could be accessed by people requiring periodic time off for temporary cover to help remove the disincentive for employers to recruit or retain them.

Ensuring there are clear communications to reinforce the messaging and ensure people are confident the system will work for them.

- 5(a) As the Department makes changes to de-risk paid work and make it more rewarding, it needs an accompanying communications strategy that explains directly how people can try paid work safely, without jeopardising income; explains the financial incentives to work; and builds trust and confidence among claimants that the system will work for them.
- 5(b) As part of this communications approach, the Department should work in partnership with organisations that disabled people trust, to ensure that individuals are aware of the steps being taken to incentivise and de-risk of their journey into paid work, and that the terminology and language used is clear and supportive of the journey into work.
- 5(c) As part of wider reform, the Department should consider revisiting language used, to give greater recognition to barriers disabled people continue to face as they move into paid work, and how they may be mitigated; and to erode the binary distinction between being 'fit for work' or having 'limited capability for work'.

Conclusion

During the course of our research and engagement with expert stakeholders and claimants, we identified a number of real and perceived risks associated with trying work. The guarantees proposed in our recommendations could provide significant mitigation against these risks through, namely: a guarantee of no required assessments for a year after entering paid work, and a guaranteed linking rule to enable people to return to exactly the same benefits if employment does not work out within a year, with no fresh WCA necessary.

The additional measures to improve incentives for people to try or extend part-time work, to incentivise work for disabled family members affected by the UC taper and for people who receive PIP but not out-of-work benefits, are designed to ensure that incentives are maximised for particular (and quite large) groups of individuals within the overall cohort.

With the backdrop of these guarantees, a reformed voluntary employment offer incorporating greater personalisation and choice could support individuals to try new employment or training opportunities and increase trust that a system is supporting their own needs. Specific measures to support people with fluctuating conditions and their employers could help them to work when they can rather than not at all.

Finally, a communications drive by DWP in partnership with organisations that disabled people trust could shift the calculation of risk versus opportunity by enabling people to see that there are guarantees, incentives and support to enable them to try something new if they wish.

These measures taken together have the potential to:

- significantly strengthen financial incentives and reduce the barriers preventing people from moving into paid work;
- gradually improve trust in the system;
- greatly improve transparency and reliability of incentives – so people know more what to expect if they try work; and
- through choice of local employment support, offer some the possibility of starting to believe in what they can do. Confidence is best built by trying new endeavours in a safe way and that is what these recommendations are designed to achieve.

The approaches recommended here could be tested, with learning funnelled back into wider roll-out and future reviews of the design of the benefit system and assessments.

These measures represent a step towards recognising the barriers that disabled people continue to face as they enter paid work and to reduce the binary distinction

between being capable or incapable of work. They open up the middle ground in which people can try work without future jeopardy, with the tailored support to enable them and their employers to remove or mitigate those barriers. They have the potential to improve trust.

Given the relative lack of progress, over decades, in improving the very low rates of movement into employment, any success has the potential to represent value for money, compared to the financial and human costs of lifelong economic inactivity. For those who want to and may be able to work, they could reap the benefits that work, at best, can bring – of purpose, social networks, income and well-being.

In the longer term there is a case for more fundamental structural reform, to strip away the barriers inherent in the current system. Work could start now to build consensus, working closely with disabled people and their organisations.

Written evidence consulted

Previous Green Papers

[Improving Lives: the Work, Health and Disability Green Paper](#) (DWP 2016)

[Improving lives: the future of work, health and disability](#) (DWP 2017)

[Shaping future support: the health and disability green paper](#) (DWP 2021)

DWP and OGDs Research Projects and Papers

Paul Gray's March 2017 Second Independent Review of the [Personal Independence Payment Assessment](#) (DWP 2012)

The [National Disability Strategy](#) policy paper (DWP 2021)

[Health is Everyone's Business](#) (DWP and DHSC 2019)

[National strategy for autistic children, young people and adults](#) (DHSC and DfE 2021)

[What works for whom in helping disabled people into work?](#) (DWP 2013)

[Disabled People in Employment](#) (DWP 2021)

[Labour Market Status of Disabled People](#) (ONS 2022)

[The employment of disabled people](#) (DWP 2021)

[The Work Aspirations and Support Needs of Claimants in the ESA Support Group and Universal Credit Equivalent](#) (DWP 2020)

Parliamentary

[Supporting disabled people into work](#) (NAO 2019)

[NAO Employment Support study](#) (NAO 2020)

Academic, Think Tanks and other organisations

[Benefits conditionality for disabled people: stylised facts from a review of international evidence and practice](#) (Ben Baumberg Geiger 2017)

[A Better WCA Is Possible](#) (Ben Baumberg Geiger, DEMOS 2018)

[Retention Deficit: A new approach to boosting employment for people with health problems and disabilities](#) (Resolution Foundation 2016)

[Working welfare: a radically new approach to sickness and disability benefits](#) (Reform 2016)

[Disability benefits and supports after coronavirus](#) (Scope 2021)

[Sharing future support](#) (Leonard Cheshire 2021)

[Halving the Disability Employment Gap](#) (Citizens Advice 2017)

[People Before Process – The state of disability benefit assessments and the urgent need to reform](#) (Z2K 2021)

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[Shaping Future Support – The Health and Disability Green Paper response](#) (Justice 2021)

[Response to Health & Disability Green Paper](#) (DPO Forum England 2021)

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[MS Society response to Shaping Future Support: the Health and Disability Green Paper](#) (MS Society)

[The rise in economic inactivity among people in their 50s and 60s](#) (IFS, Bee Boileau and Jonathan Cribb 2022)

[Shaping future support: our response to the health and disability green paper](#) (Business Disability Forum 2021)

[Written evidence to the Work and Pensions Committee's inquiry on the Disability Employment Gap from Professor Kim Hoque, Warwick Business School and Professor Nick Bacon, University of London](#) (2020)

[Measuring disability and interpreting trends in disability-related disadvantage](#) (disability@work, Professor Victoria Wass and Professor Melanie Jones 2020)

[Labour Market Statistics July 2022](#) (Institute for Employment Benefits 2022)

[Health in the workplace – patterns of sickness absence, employer support and employment retention](#) (DWP, DHSC and ONS 2019)

[Switching Focus](#) (Liz Sayce 2018)

[Disability Employment Charter](#) (2021)

Membership of the Social Security Advisory Committee

Dr Stephen Brien (Chair)

Bruce Calderwood

Matthew Doyle

Carl Emmerson

Chris Goulden

Kayley Hignell

Phil Jones

Prof. Gráinne McKeever

Seyi Obakin OBE

Charlotte Pickles

Liz Sayce OBE

Secretariat

Denise Whitehead (Committee Secretary)

Dale Cullum

Gabriel Ferros

Richard Whitaker

SOCIAL SECURITY
ADVISORY COMMITTEE

Social Security Advisory Committee
7th Floor Caxton House
Tothill Street
London SW1H 9NA

Telephone: 0300 046 0323

E-mail: ssac@ssac.gov.uk

Website: www.gov.uk/ssac

Twitter: [@The SSAC](https://twitter.com/The_SSAC)