

# A MILLION OFF INCAPACITY BENEFITS?

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## BACKGROUND

- ❑ 2.7m incapacity claimants of working age in UK
- ❑ Biggest group of non-employed claimants
- ❑ Outnumber claimant unemployed by three-to-one
- ❑ Numbers up four-fold since 1970s
- ❑ Up 200,000 since 1997

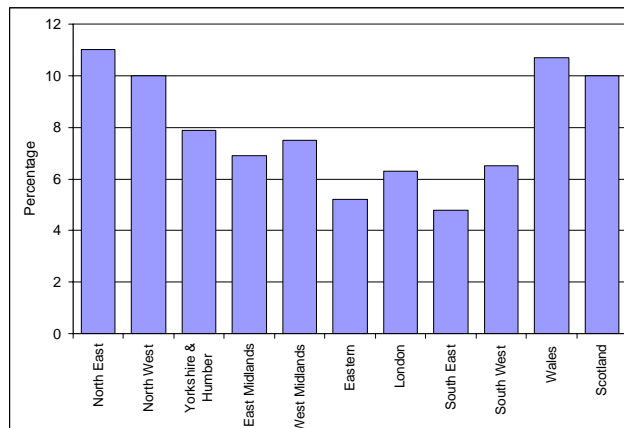
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## IS THIS POVERTY?

- ❑ Incapacity Benefit pays £60-80 per week
- ❑ IB rate = c.15% of average earnings
- ❑ But.... not means-tested for most
- ❑ And.... top-up means-tested benefits (IS, HB, CTB)
- ❑ And.... Disability Living Allowance for some

## PLACE MATTERS....

Incapacity claimants by region, Nov 2005, as % working age



Source: DWP

## PLACE MATTERS....

### % of working age claiming incapacity benefits – Top 10, August 2004

|                   |      |                    |      |
|-------------------|------|--------------------|------|
| Easington         | 20.5 | Rhondda Cynon Taff | 16.2 |
| Merthyr Tydfil    | 20.5 | Knowsley           | 15.7 |
| Blaenau Gwent     | 19.2 | Caerphilly         | 15.6 |
| Glasgow           | 16.5 | Liverpool          | 15.4 |
| Neath Port Talbot | 16.5 | Barrow in Furness  | 14.6 |

Source: DWP, ONS

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## PLACE MATTERS....

### % of working age claiming incapacity benefits – Bottom 5, August 2004

|                        |     |
|------------------------|-----|
| Elmbridge (Surrey)     | 2.5 |
| Forest Heath (Suffolk) | 2.4 |
| Surrey Heath           | 2.2 |
| Wokingham (Berks)      | 2.1 |
| Hart (Hampshire)       | 1.8 |

Source: DWP, ONS

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## BASELINE PROJECTIONS

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- ▣ Stock by age, sex and region
- ▣ On-flows and Off-flows, by age, sex and region
- ▣ From 2005 to 2015

## BASELINE PROJECTIONS

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### IB numbers, Great Britain

|        |                |
|--------|----------------|
| 2005   | 2,699,000      |
| 2015   | 2,766,000      |
| Change | <hr/> + 67,000 |

Source: Authors' estimates based on DWP data

## THE KEY GOVERNMENT REFORMS

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- ❑ Rolling out Pathways to Work initiative across the whole country
- ❑ Employment and Support Allowance to replace IB for new claimants – with new 'conditionality'
- ❑ All incapacity claimants to be paid at same rate as JSA until Personal Capability Assessment

## SUPPLEMENTARY MEASURES

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- ❑ Improvements to workplace health
- ❑ Better absence management
- ❑ Changes to Personal Capability Assessment
- ❑ Support for GPs
- ❑ End to escalation in payment rates after 6 and 12 months

## PATHWAYS TO WORK

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- ❑ Compulsory work-focussed interviews for most new IB claimants
- ❑ Routing to rehabilitation, training
- ❑ £40 per week return-to-work premium
- ❑ Existing claimants can opt-in
- ❑ Pilots since 2003, currently one-third of country

## PATHWAYS – THE EVIDENCE

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- ❑ In Pathways pilot areas, the share of new claimants leaving IB within 6 months is **8 percentage points** higher than in non-Pathways areas

## PROJECTION: BASELINE PLUS NATIONAL ROLL-OUT OF PATHWAYS AT CURRENT IMPACT

### IB numbers, Great Britain

|        |           |
|--------|-----------|
| 2005   | 2,699,000 |
| 2015   | 2,240,000 |
| Change | - 459,000 |

Source: Authors' estimates based on DWP data

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## PROJECTION: BASELINE PLUS DOUBLE IMPACT OF PATHWAYS ACROSS WHOLE COUNTRY

### IB numbers, Great Britain

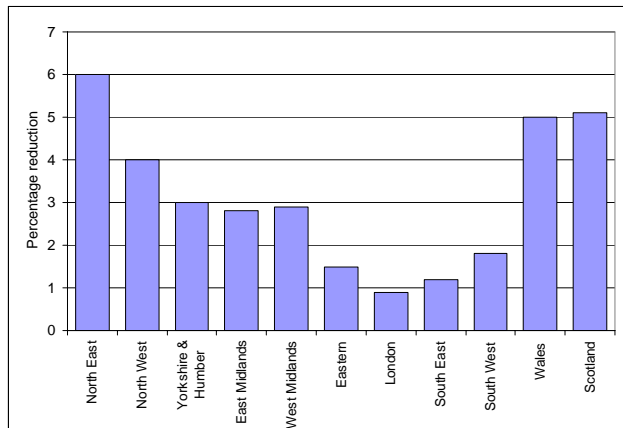
|        |           |
|--------|-----------|
| 2005   | 2,699,000 |
| 2015   | 1,715,000 |
| Change | - 984,000 |

Source: Authors' estimates based on DWP data

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## PROJECTION: BASELINE PLUS DOUBLE IMPACT OF PATHWAYS ACROSS WHOLE COUNTRY

Reduction in IB numbers 2005-15, as % working age



Source: Authors' estimates based on DWP data

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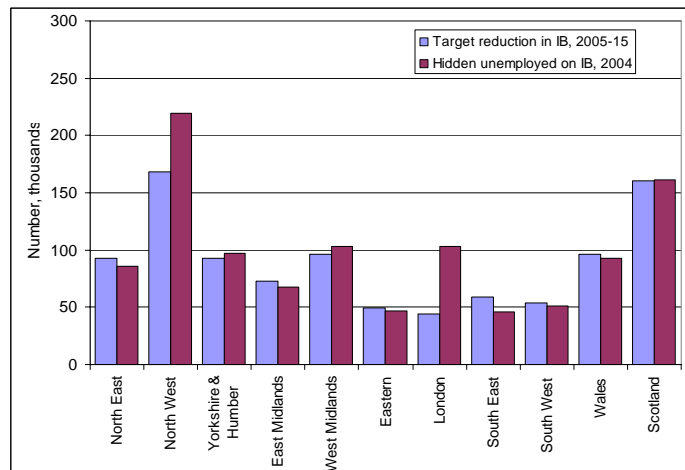
## IS THIS DELIVERABLE?

- ❑ hidden unemployment
- ❑ employment growth
- ❑ reduction in claimant unemployment

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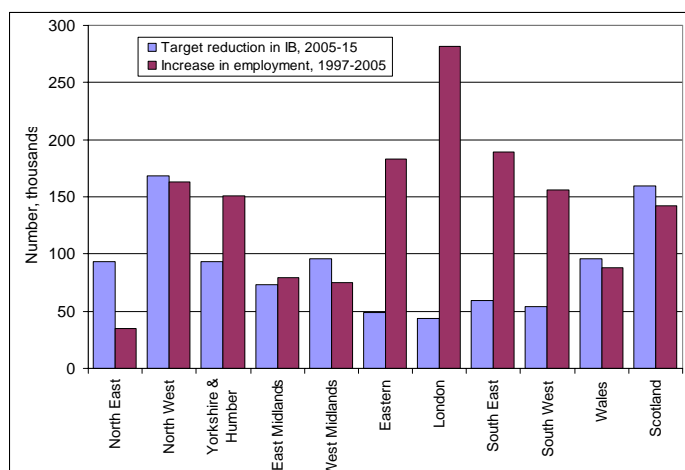
## COMPARISON WITH ESTIMATED HIDDEN UNEMPLOYMENT



Source: Authors' estimates

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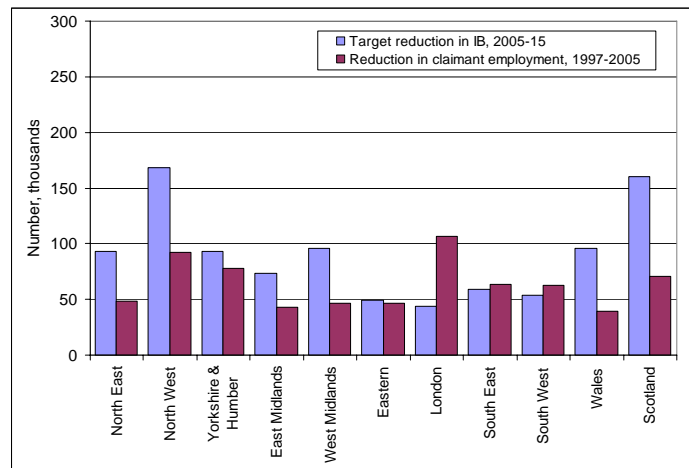
## COMPARISON WITH EMPLOYMENT GROWTH



Source: Authors' estimates and ONS

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## COMPARISON WITH REDUCTION IN CLAIMANT UNEMPLOYMENT



Source: Authors' estimates and ONS

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## SIX KEY OBSERVATIONS

- ❑ IB numbers unlikely to just fall away
- ❑ Rolling out Pathways might get half way there
- ❑ Government target requires overall impact of reforms to be double the current impact of Pathways across the whole country
- ❑ There are enough hidden unemployed
- ❑ Employment growth in North, Scotland, Wales would need to accelerate – or other sources of labour supply dry up
- ❑ Required reduction in IB numbers exceed reduction in claimant unemployment since 1997, especially in high IB areas

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## SO WILL THE GOVERNMENT HIT ITS 1m TARGET?

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- ❑ National economic growth of the last ten years would need to be sustained
- ❑ And the big increases in employment would need to be where IB claimants are concentrated
- ❑ On balance, no.