

Consultation response

Reform's submission to the Government's green paper consultation "Improving Lives: the Work, Health and Disability Green Paper"

About Reform

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

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Overall view of proposals

Reform recognises the urgent need to reform the welfare system in order to better support people with a disability or health condition. As the Green Paper states, this must ensure appropriate support both for those who can work (according to their capacity, which may be limited) and those who cannot.

For people with a disability or health condition the current benefit system is fundamentally broken, inadvertently placing additional barriers in front of claimants who, with varying levels of support, could work. Delivering radically different employment outcomes requires a radically different model.

Here, the experience of replacing Incapacity Benefit (IB) with Employment and Support Allowance (ESA) is instructive. The then Labour Government's ambition was to tackle the "passive"¹ IB system in order to give "more opportunity to those trapped by the current system",² which meant ensuring that the "vast majority" of claimants were subject to "a clear framework of rights and...responsibilities".³ In 2006-07, ahead of the introduction of ESA, there were just under 2.7 million people on incapacity benefits, today there are 2.5 million – then Secretary of State for Work and Pensions John Hutton predicted a million fewer claimants within a decade.⁴ Perhaps most worrying, of the almost two million claimants who have moved onto ESA after their Work Capability Assessment (WCA), nearly 80 per

¹ John Hutton, "Commons Debate on 'Welfare Reform Green Paper,'" n.d., HC Deb 4 January 2006, c1305.

² John Hutton, "The Active Welfare State: Matching Rights with Responsibilities," Speech, (January 16, 2006).

³ Hutton, "Commons Debate on 'Welfare Reform Green Paper.'"

⁴ Ibid.

cent are in the entirely passive Support Group. Analysis by *Reform* found that even amongst the Work Related Activity Group, only around 1 per cent leave the benefit in any given month. The expected step change in employment outcomes has not materialised, and *Reform* believes that this is, at least in part, because ESA was not a radical enough departure from IB.

Whilst this response is focused on the Green Paper's proposed new approach to assessment, *Reform* believes strongly that achieving radically different outcomes also requires a fully cross-governmental approach that breaks down the many barriers disabled people, and those with a health condition, face in gaining and sustaining employment. Expecting more from people on ESA must be matched with the expectation that public services and employers will also play their part. *Reform* welcomes the fact that the Green Paper is a joint publication between the Department for Work and Pensions and the Department of Health, but a truly transformative approach also needs substantive engagement from the Department for Transport, the Department for Education (especially in relation to skills), the Department for Business, Energy and Industrial Strategy, and local government (in particular in relation to social care).

Reform acknowledges that the process of change will take time, but encourages the Government to be bold not just in its vision, but also in its action.

***Reform's* response to "Chapter 3: Assessments for benefits for people with health conditions"**

1. *Reform* welcomes the Government's ambition to provide personalised services by disaggregating the assessment of financial support and employment support. As *Reform* argued in *Working welfare: a radically new approach to sickness and disability benefits*: "Blurring these two functions is profoundly unhelpful and has resulted in claimants needing to 'fail' the WCA in order to receive ESA payments."⁵ The current binary pass/fail, fit/not fit for work acts against the ambition to support more people with a disability or health condition into work.
 - I. **Signalling:** The crude split between claimants who are unemployed, and hence capable of work, and those who are sick or disabled and deemed 'incapable' of work, reinforces negative stereotyping. There is evidence that diagnostic labelling for people with mental illness, for example, can have a negative impact on them, including on their confidence and self-perceived work readiness.⁶
 - II. **Support by benefit type:** As both Dr Paul Litchfield and Professor Paul Gregg found in their independent reviews on, respectively, the WCA and conditionality, personalised support requires an open

⁵ Charlotte Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits* (Reform, 2016).

⁶ Paul Corrigan, "How Clinical Diagnosis Might Exacerbate the Stigma of Mental Illness," *Social Work* 52, no. 1 (2007); Patrick Corrigan and Amy Watson, "The Paradox of Self-Stigma and Mental Illness," *Clinical Psychology* 9, no. 1 (2002); Patrick Corrigan, Jonathon Larson, and Nicolas Rusch, "Self-Stigma and the 'why Try' Effect: Impact on Life Goals and Evidence-Based Practices," *World Psychiatry* 8, no. 2 (2009).

discussion about what a claimant can do, and in the current system this is hampered by the more pressing question of benefit eligibility.⁷ The Green Paper is right to seek to move away from a system that categorises people by benefit type, something that Universal Credit makes increasingly possible.

- III. **Emphasising the ‘can’t do’:** linking benefit eligibility to work capability requires claimants to emphasise their limitations; demonstrating capacity for (some form of) work becomes a negative. Dr Litchfield described the current model as having “perceived disincentives to being found fit for work”.⁸ This is particularly egregious given the well-evidenced benefits of work for most people. Furthermore, the disincentive to trying work, and therefore demonstrating capacity, is maintained as claimants fear not being re-awarded the higher rate if the employment is not successful.

2. Whilst supportive of the principle behind the new model, *Reform* does not, however, believe that in practice it will be sufficient to overcome these barriers. There are several reasons for this:

- I. **The proposed model does not in fact separate benefit eligibility from capacity to work.** The diagram of the possible new process clearly states: “Claimants assessed as being too ill or disabled to work or undertake work-related activities will receive additional financial support”. It also states that there would be re-assessments for everyone except claimants with the “most severe, lifelong conditions”, demonstrating that the top-up award remains contingent on someone being unable to work or take part in activity designed to help them move towards work. It therefore remains entirely rational, as is the case in the current model, for a claimant to seek to demonstrate how ‘incapable’ of work they are, rather than what they could do with the right support.

- i. International evidence indicates that the rate at which incapacity benefits are paid affects the likelihood of a claim and its duration. Whilst direct comparisons with the UK system are difficult, the behavioural effects seen in multiple countries (Sweden, France, the US, and Norway⁹) suggest that the higher rate paid to out-of-work claimants with a disability or health condition may inadvertently be trapping them on the benefit. Under Universal Credit, those in the equivalent of the ESA Support Group will receive double the standard allowance.
- ii. This is particularly important in the context of the risk claimants face in taking a job that they worry may not work out. In doing so they are demonstrating capacity for work or work related activity, and as such may not be able to return

⁷ Dr Paul Litchfield, *An Independent Review of the Work Capability Assessment - Year Five*, 2014; Paul Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support* (Department for Work and Pensions, 2008).

⁸ Litchfield, *An Independent Review of the Work Capability Assessment - Year Five*.

⁹ For a summary of the evidence see Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*, Chapter 1.

to the higher rate of benefit. This demonstrates a complete misalignment of incentives, and whilst a tapering away of the additional amount under UC is welcome, this would undermine the purpose of the top-up, which is to support those who *cannot* work.

- II. **There is a significant risk that the proposed new model does not separate the type of support someone receives from the benefit they receive.** The ambition to enable work coaches to design personalised support plans is the right one, but in allocating someone the higher rate of benefit because of their health or disability, the Department is communicating to claimants and staff that they are unable to engage in any employment-related activity. This potential contradiction in messaging would be profoundly unhelpful and confusing for claimants, and puts work coaches in a very difficult situation if the claimant does not wish to engage – which based on previous voluntary programmes is quite likely.¹⁰
 - III. **Reform believes that a single rate of benefit is needed for all out-of-work benefit claimants.**¹¹ This would enable, as Professor Roy Sainsbury and Professor Paul Gregg have previously argued,¹² a more personalised approach to support and conditionality, and would remove the perverse behavioural effects currently observed. So that those claimants with long-term and significant conditions do not lose out, a large part of the savings from moving to a single rate should be reinvested into Personal Independence Payments (the rest in support services). As a benefit designed to contribute to the extra costs incurred by someone with a long-term disability, it plays a role distinct from the out-of-work income replacement benefit, and has the advantage that it would continue to be paid if a claimant moved into work.
3. *Reform* welcomes the principle of making better use of existing data from the health and benefits system in any new assessment. Where appropriate, claimants should not have to endure multiple, duplicative assessments – particularly where a claimant has a severely limiting condition or disability. That said, different services and assessments have different objectives, and it is vital that information and data used in an assessment of distance from the labour market is judging the actual impact of a condition on the individual claimant, rather than assuming a specific impact based on a medical diagnosis.

¹⁰ See Ben Dobson, Charlotte Pickles, and Hannah Titley, *Stepping Up, Breaking Barriers. Transforming Employment Outcomes for Disabled People*. (Reform, 2016), Section 3.1.1.

¹¹ Pickles et al., *Working Welfare: A Radically New Approach to Sickness and Disability Benefits*.

¹² Roy Sainsbury, “Long-Term Benefits Reform – Should a Single Working-Age Benefit Be the Aim?,” *Disability Rights Bulletin*, February 2006; Kate Stanley Roy Sainsbury, “One for All: Active Welfare and the Single Working-Age Benefit,” 2007; Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*.