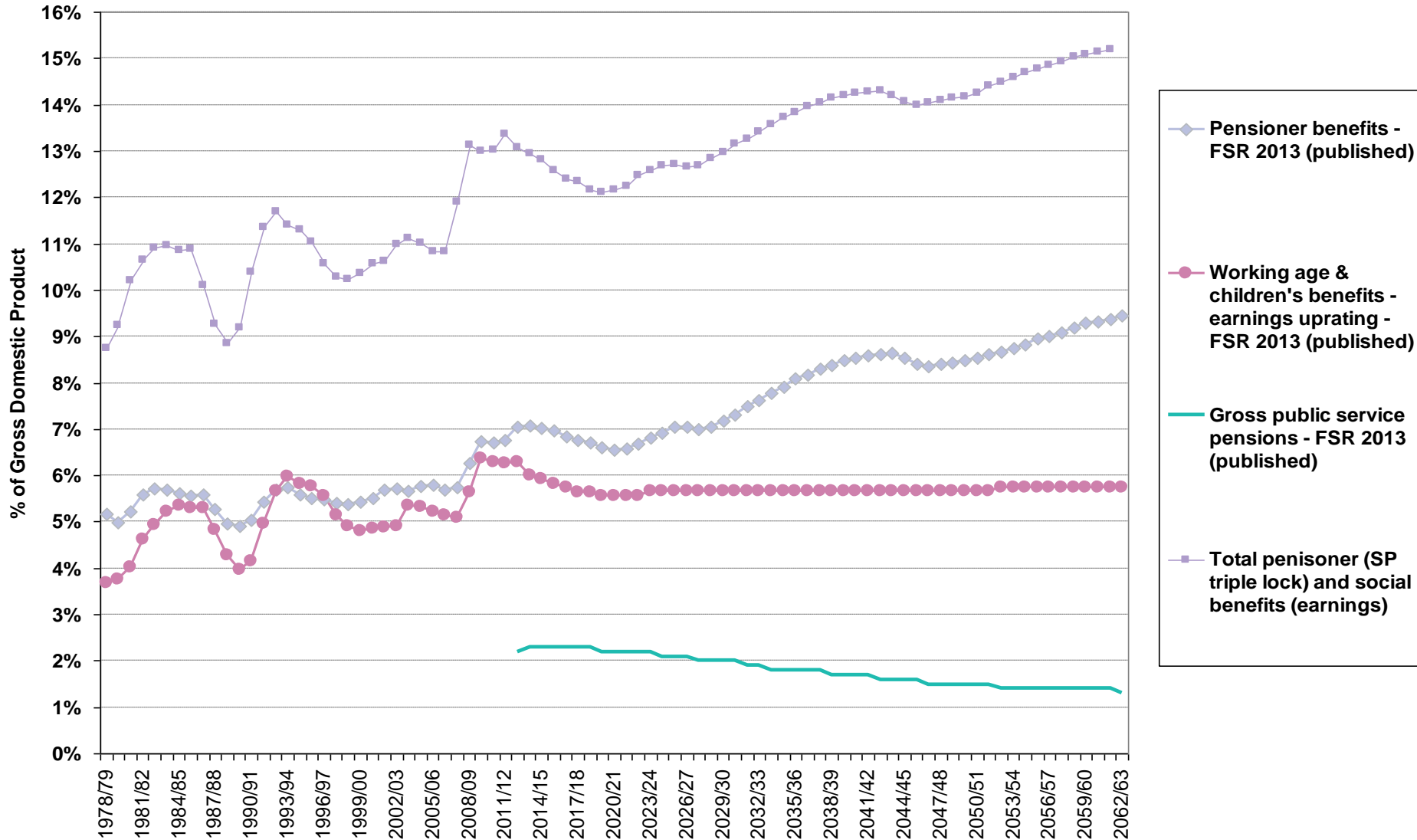
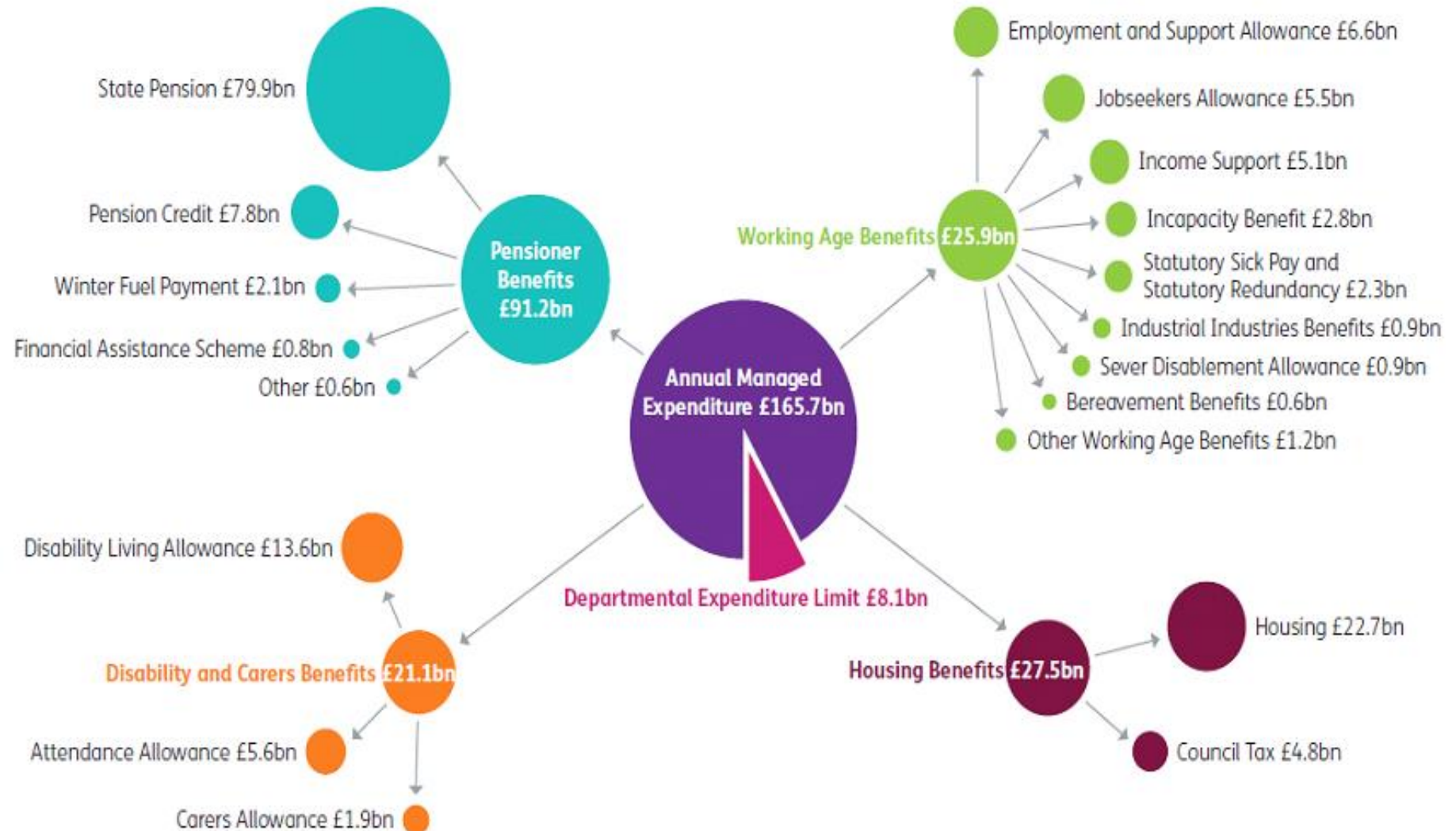


Benefit expenditure is rising

Long-term projections of benefit expenditure, United Kingdom

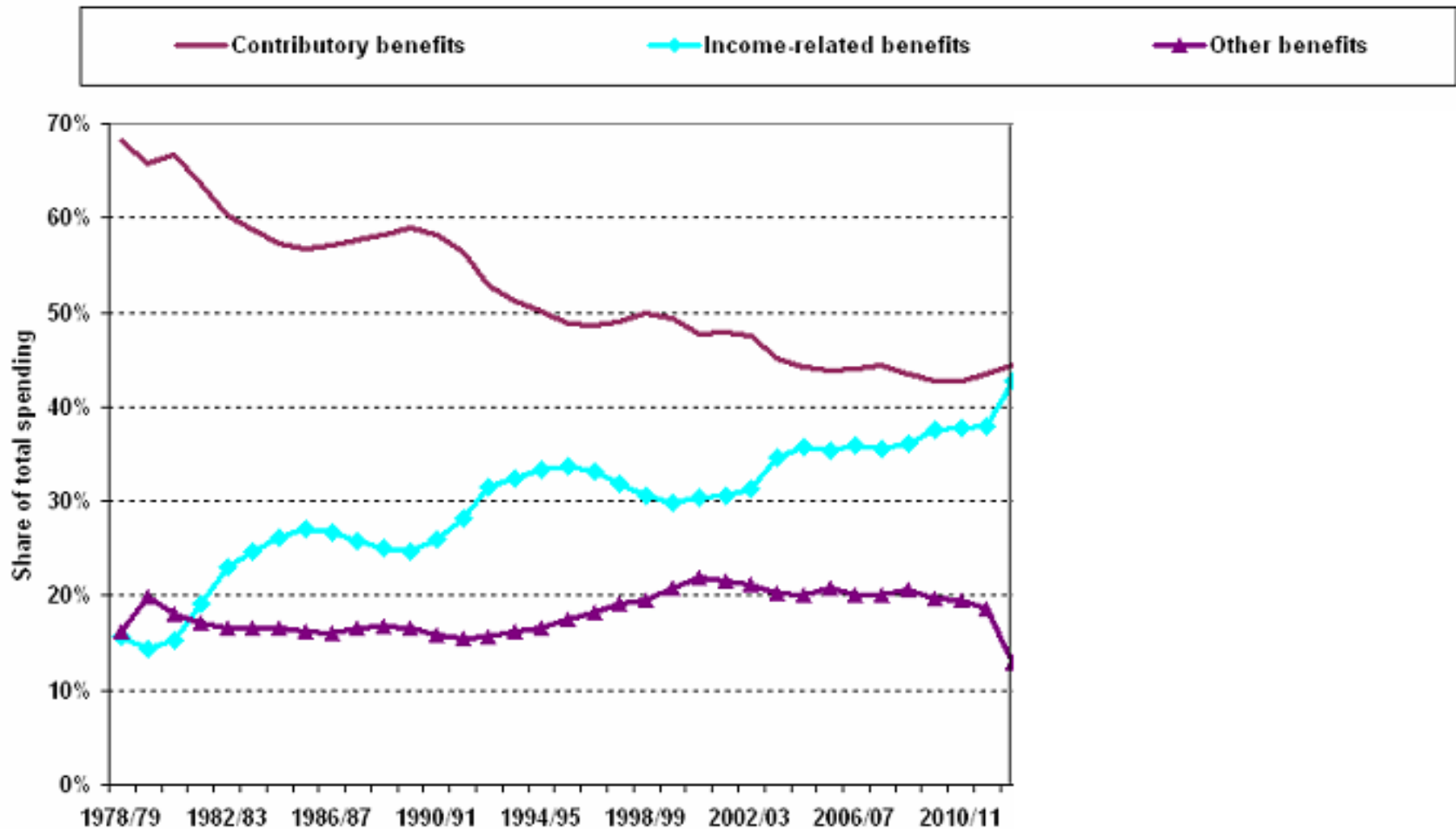


Where the benefit goes: spending plans 2012-13



A switching overtime from contributory to means tested benefits

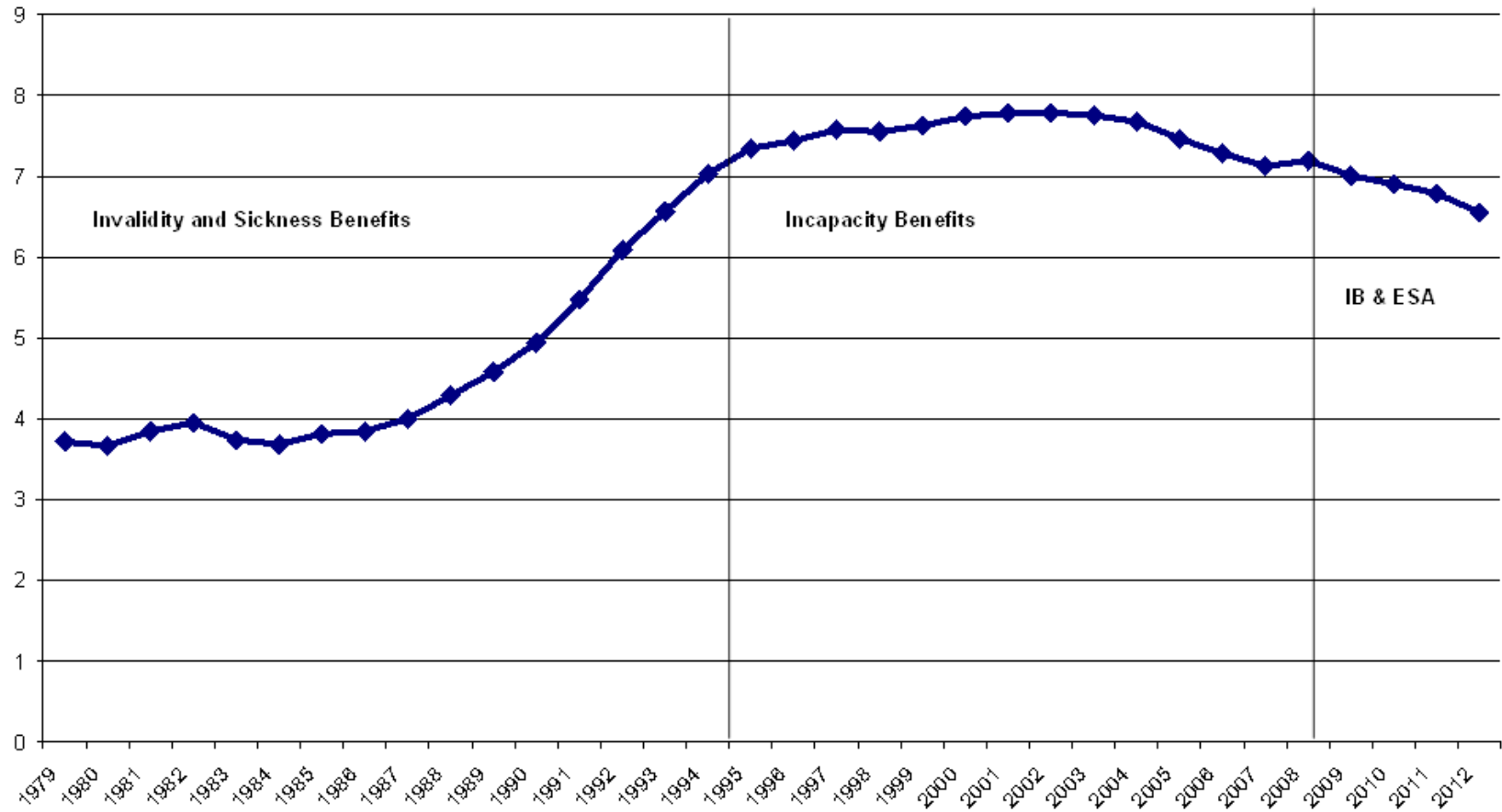
Benefits and tax credits expenditure, 1978/79 to 2029/30, by entitlement



Source: Budget 2012 forecasts, with Summer 2011 Fiscal Sustainability Report projections (price-uprating variant), adjusted for 2010-based population projections and SPA rising to 67 by 2028. Forecasting Division, Analytical Services Directorate

Total GB sickness benefits caseload as a proportion of the working age population

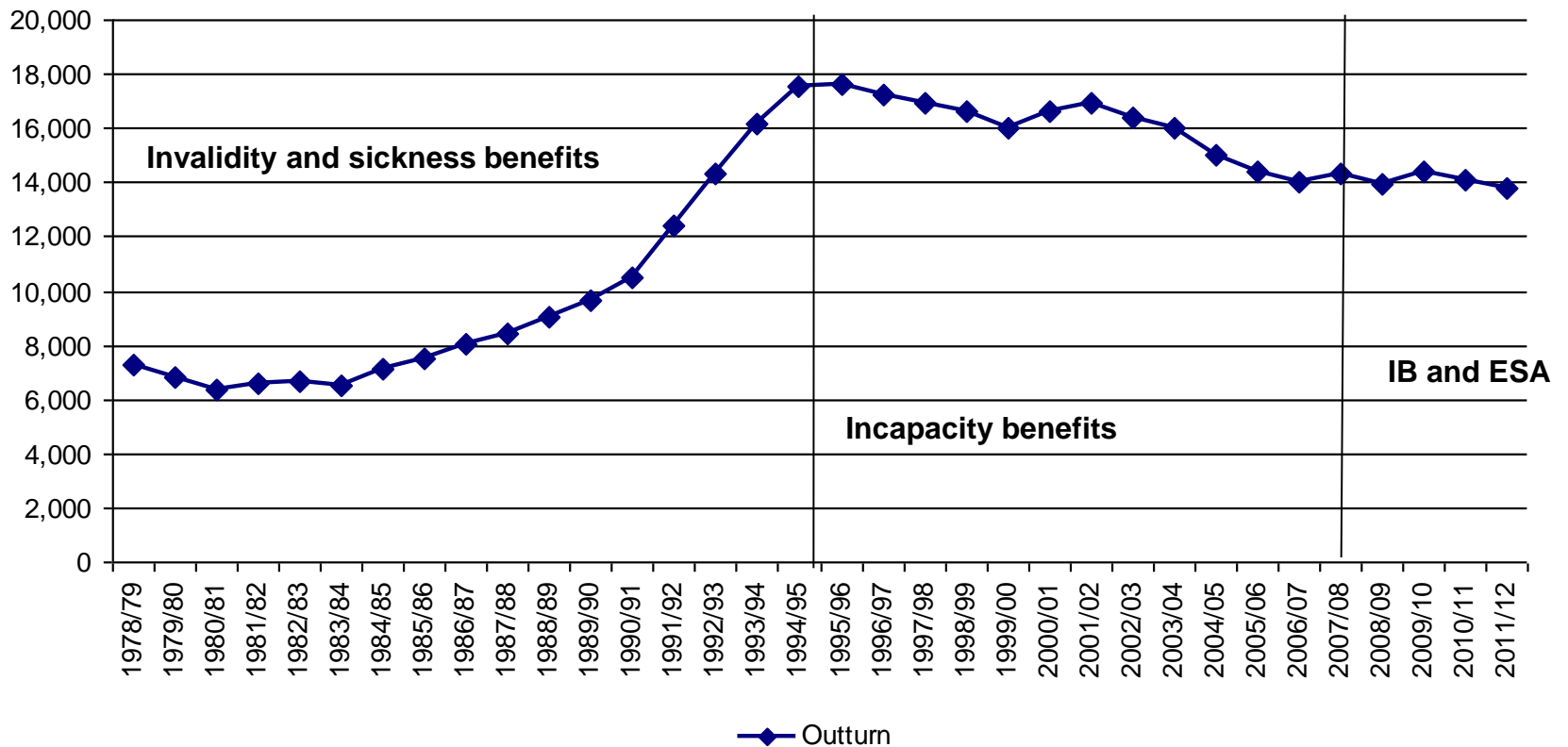
Total Incapacity Benefits Caseload as a Proportion of the Working Age Population



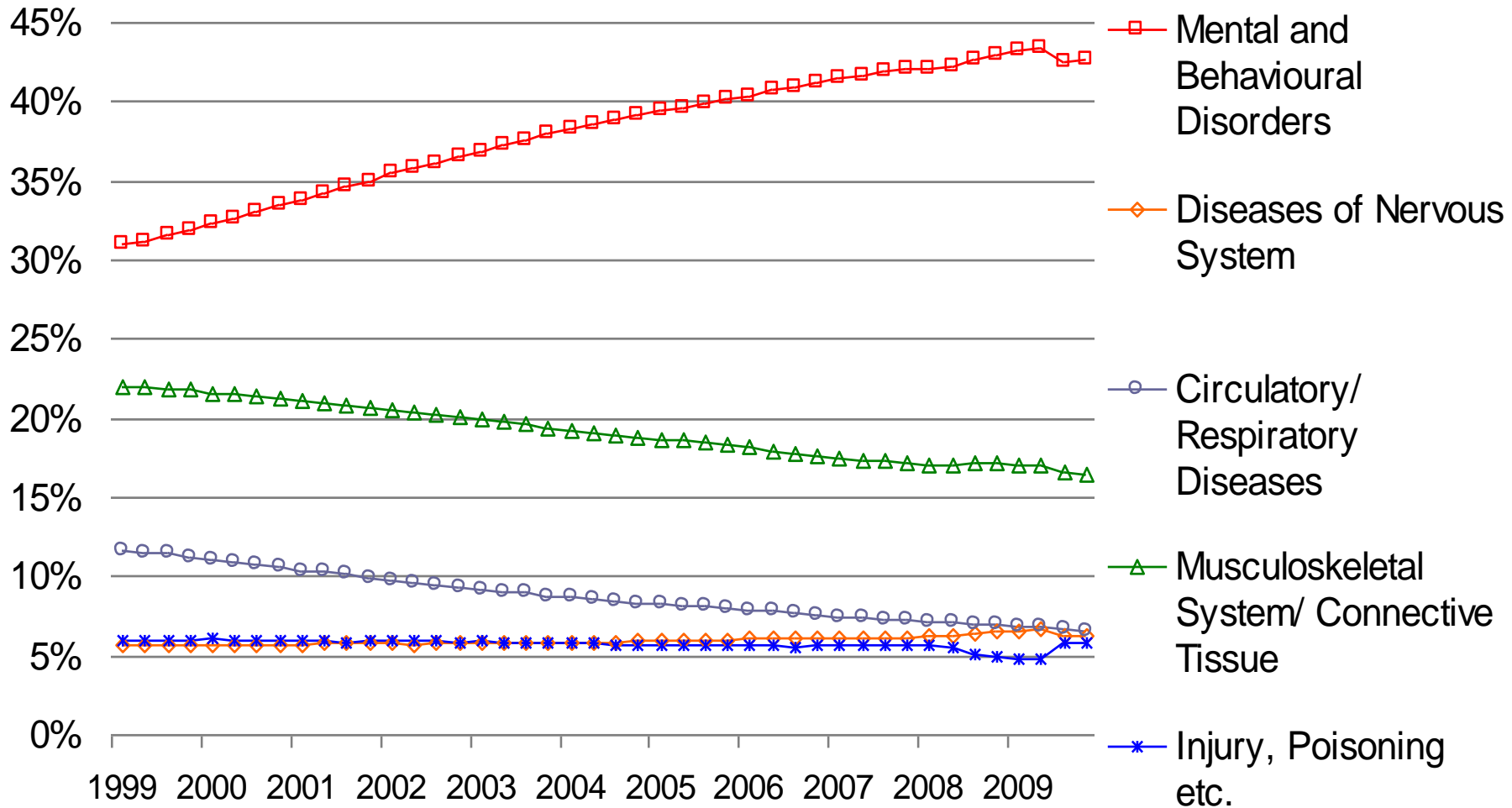
Source: NOMIS

Total GB sickness benefits expenditure £million (Real terms)

Total Incapacity Benefits Expenditure, £million (Real terms)



Growth of mental health conditions



How did we get here?

- **Prior to 1971**
 - Those unable to work because of illness generally not distinguished from those able to work.
 - Receive means tested support if poor enough.
- **Invalidity Benefit (1971)**
 - Following reports into the state of disabled people in UK and the growing cost of means tested sickness claims.
 - Fairly basic assessment of eligibility, largely determined by the claimants' own family doctor (GP) based on the person's medical condition.
 - Consideration of the capability to work was subjective and focussed on the applicant's last job/duties rather than their ability to find alternative work.
- **Invalidity benefit load more than tripled between 1970s and mid 1990s.**
 - Some evidence of people encouraged to claim to reduce local unemployment numbers because of intense political focus.
 - Tightening of conditionality on other benefits.
 - Financial attractiveness of incapacity benefits increased relative to other benefits.
 - Lack of support and expectation to return to work – features similar to a pension including an earnings component
 - Gateway compromised by doctors feeling conflicted and inappropriately placed to make occupational health recommendations.
- **Incapacity Benefit (1995)**
 - Assessment after six months focused on **function** and whether you should be expected to seek work or not.
 - But still lacked a focus on the positive effects of work and the interactions between recovery and work
 - Less generous than invalidity benefit, but still much more generous than JSA
 - Certain blanket exemptions based on condition, such as blindness; severe mental illness; higher rate DLA care

Employment and Support Allowance (ESA)

- **Introduced in October 2008, radical reform:**
 - Still high cost of incapacity benefits to the economy in lost output and to the exchequer
 - Long-term nature of the previous benefits (>50% individuals on >2yrs likely never to work again)
- Growing knowledge of importance of work to health and the scarring effects of worklessness
- ESA recognises that most disabled people and people with health conditions can and should move towards employment if they are given the appropriate support and encouragement.
- ESA aimed to be a short term benefit for the majority with regular reassessments of capability for work.

Employment and Support Allowance

- **Contributions based**

- Entitlement based on National Insurance (tax) contributions
- Can claim even if have other income or savings in household
- Claim for up to 12 months (time-limit introduced in 2012)

- **Income based**

- Entitlement based on income
- If have other income/savings in household may not be eligible or benefit reduced
- No time limit

Employment and Support Allowance

- **Assessment phase: Doctor certifies that unwell**
 - From application to assessment: Target of 3 months
 - No conditionality
 - Trialling voluntary support offer
 - Same payment rate as unemployment benefit
- **Work Related Activity Group: Appropriate help to prepare for work**
 - Higher rate of benefit paid
 - Keeping claimant closer to labour market so ready to start work when able
 - Specially trained staff
 - Attend interviews and complete activities (resumes, training) according to capabilities
 - Last resort of open-ended benefit sanctions
- **Support Group: those with most serious conditions**
 - Higher rate of benefit paid
 - No expectation to prepare for work
 - Trialling voluntary support offer

Work Capability Assessment (WCA)

“Previous assessments (before WCA) and benefit regimes lacked a focus on the positive effects of work and the interactions between recovery and work. They relied upon a medical model that took a binary approach to incapacity, considering the curing of incapacity as the only route back towards work. This approach helped to reinforce the myth that you have to be fully fit to work.” (Prof Harrington 1st review, 2010)

- The Work Capability Assessment (WCA) identifies people as:
 - Having Limited Capability for Work Related Activity (Support Grp), or
 - Having Limited Capability for Work (WRAG) or
 - Fit for Work
- Recovering costs of the WCA
 - Average cost per assessment: around £100
 - Weekly sickness component (WRAG): £28

Cost recovered in around 4 weeks

Work Capability Assessment : Background

- The Work Capability Assessment (WCA) was developed in consultation with medical and other experts, including representative groups and was introduced in October 2008 to assess entitlement to Employment and Support Allowance (ESA).
- The premise of the WCA is that eligibility for benefits should not be based on a person's condition, but rather on the way that condition limits their ability to function.
- The objective of the WCA is to move from assessing a person's incapacity to assessing their capacity

WCA: Process

- The WCA considers an individual's ability in various "activities" relating to lower limb function, upper limb function, sensory function, continence, consciousness and Mental Function.
- The assessment is based on "descriptors" in these areas. Descriptors are defined in the legislation and "describe" a restriction in an activity – for example "Cannot single-handedly use a suitable keyboard or mouse".
- The descriptors are presented in a hierarchical manner and attract various points. The descriptor representing the most severe level of disability is at the top in each activity.
- This highest descriptors attract 15 points - meaning the person will be considered as having limited capability for work and be placed in the Work Related Activity Group (WRAG). In many cases this will also mean the restriction is so severe that the person is considered as having **no** work expectations and would be placed in the Support Group.

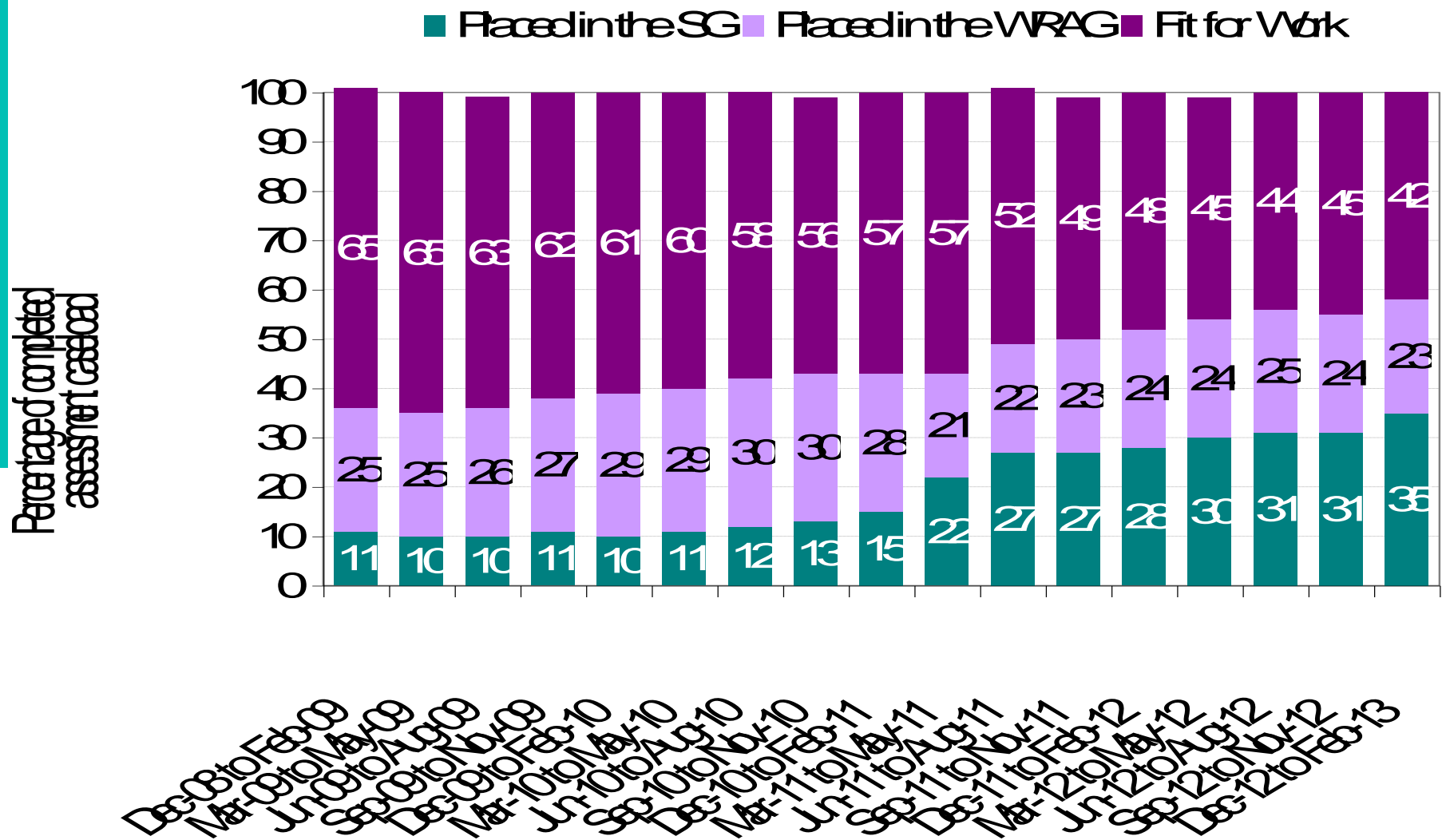
Work Capability Reviews - continual improvement

- WCA has been controversial
- 3 independent reviews on WCA by Professor Harrington – all recommendations accepted:
 - Trialling audio recording of assessment
 - Automatically Treat those awaiting or recovering from cancer treatment as having limited capability for work
 - Evidence Based Review is examining the performance of the WCA compared with an alternative version of the assessment that has been developed with specialist disability representative groups.
- 4th independent review by Dr Paul Litchfield soon to report - evaluating the operation of the assessments and their effectiveness in correctly identifying those claimants who are currently unfit for work as a result of disease or disability.

Work Capability Assessment: Outcomes changing over time

- **3 million new ESA claims between Oct 2008 and Feb 2013.**
 - 11 per cent were assessed as suitable for the Support Group;
 - 15 per cent were assessed as suitable for the WRAG; and
 - 32 per cent were assessed as being fit for work.
 - The remaining 42 per cent of claims either left ESA before completing assessment or assessment is still in progress.
- **Latest stats (October 13) – of those who have had an assessment between Mar 13 and May 13:**
 - 34% in the Support Group;
 - 24% in the WRAG;
 - 42% assessed as fit for work.

Initial WCA outcomes – New Claims by Start Date

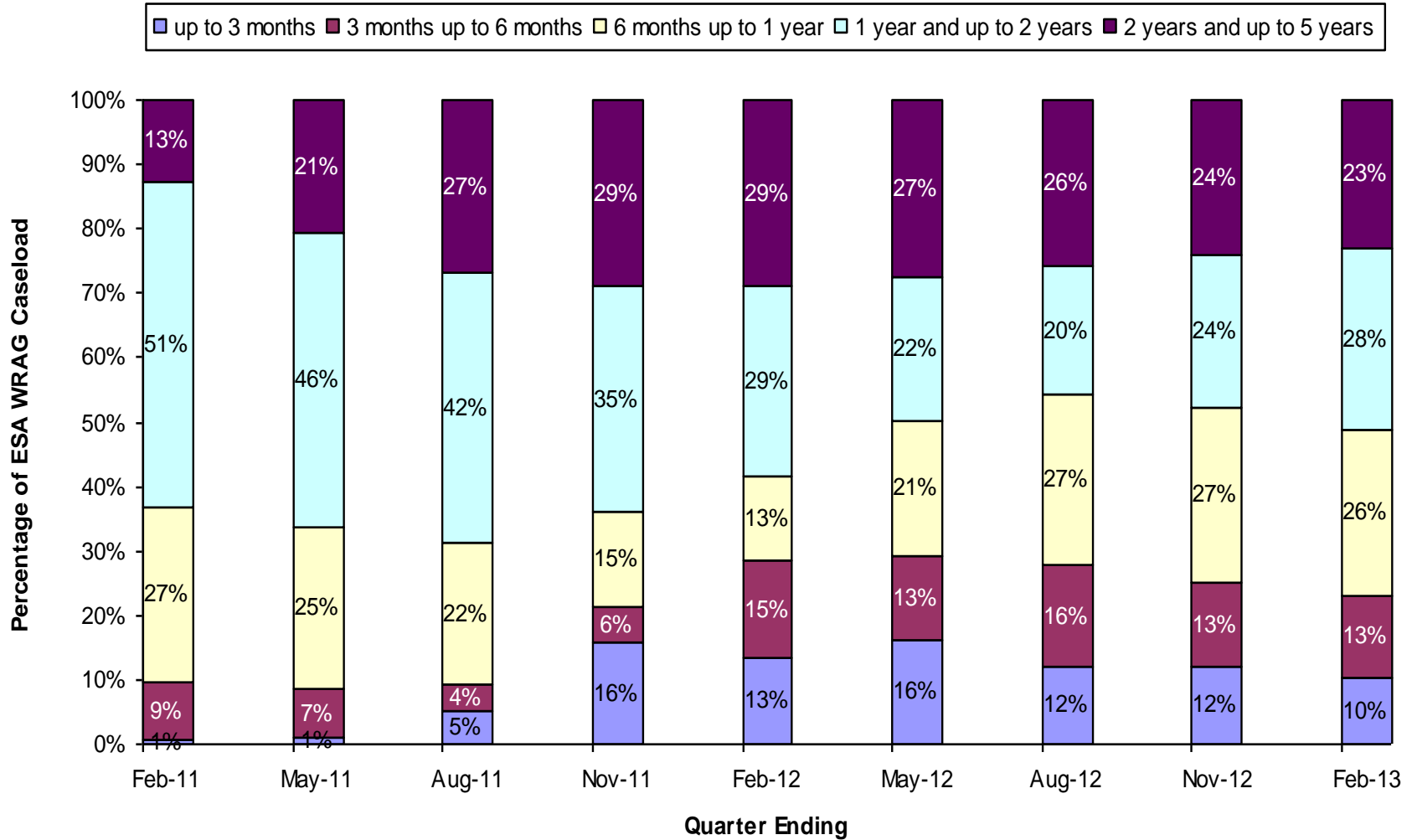


Source: WCA Outcomes: Quarterly Statistical Bulletin

Incapacity Benefit (IB) Reassessment

- **Legacy of previous systems: Large volumes of claimants with long claims**
 - Little support offered and few expectations
 - 91% of IB claimants on benefit for over 5 years
- **National reassessment started in April 2011 and two thirds complete.**
 - Approx 1.5m people will be reassessed.
 - Will generate benefit savings of around £300m per year up to end of 2013/14.
 - Aim for all claimants to move off benefits or into a single regime with same financial and employment support

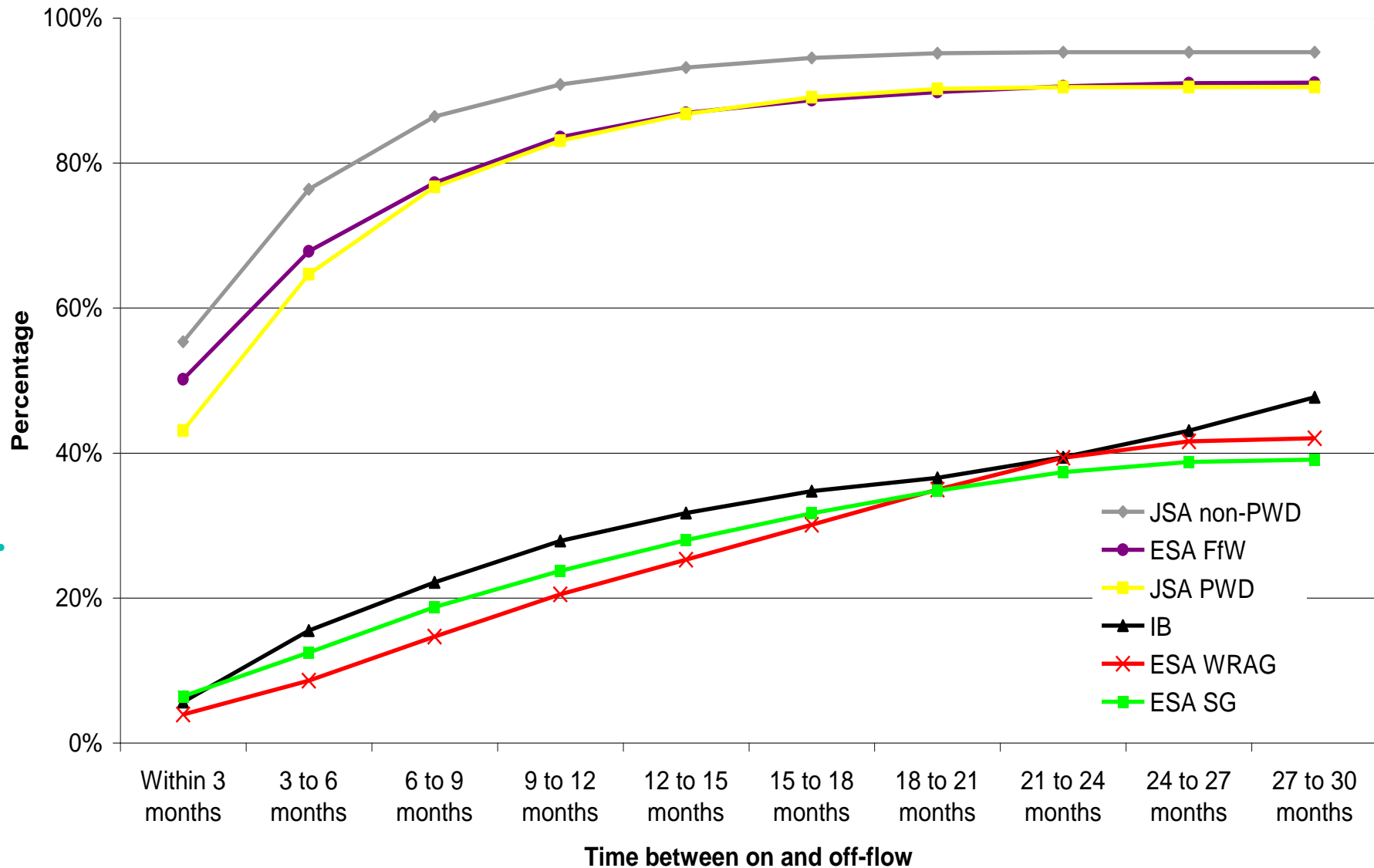
ESA WRAG caseload over time by duration of claim



Source: Work and Pensions Longitudinal Study, Feb. 2013

Leaving benefits

Off-flow rates



Providing effective support for the ESA Work Related Activity group

- **Conditionality works**

Clear evidence of the overall impact of conditionality for jobseekers. Requiring those on Jobseekers Allowance to jobsearch and attend fortnightly found to reduce time on benefit by over 6 days over the average claim.

But evidence of effectiveness of conditionality for those on long-term sickness benefits is inconclusive. So:

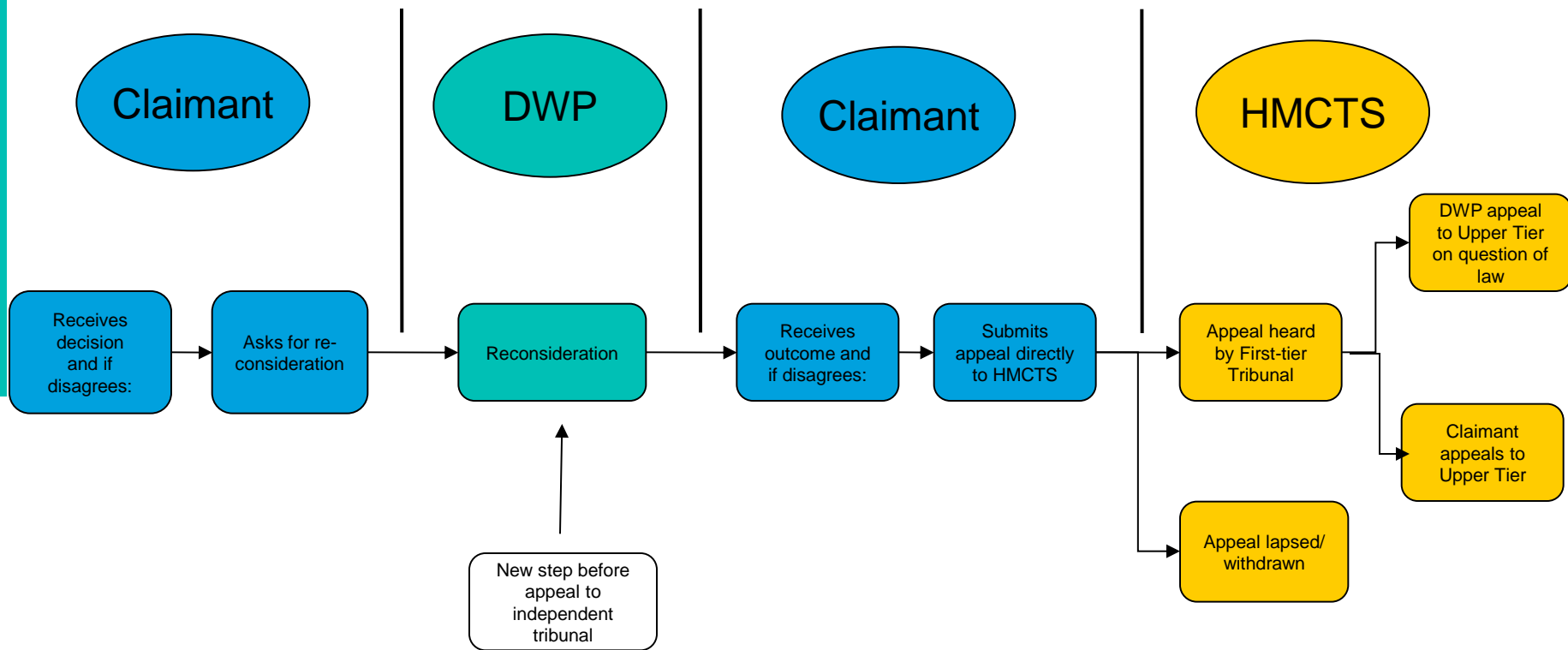
- **How keep sick claimants close to the labour market and motivated to prepare for work?**

- Specialist advisers
- Work Programme for those with less than 12 months prognosis
- Specialist support programmes - Access to Work, Workchoice
- Work closely with local charities and addiction support groups

- **Continuing to learn what works Piloting new approaches:**
- New toolkits for advisers to identify barriers to work
- Voluntary support offer before WCA takes place



New process for appeals from October 2013



Appeals Strategy

- **Our appeals strategy is focussed on addressing the following issues:**
 - Decisions overturned by Tribunal are high, and in relation to ESA are rising – for ESA overturn rate rose from 37% in 2010/11 to 43% in 2012/13
 - High appeals and overturn rates may affect public and Parliamentary confidence in decision making.
- **We are working to improve quality and accuracy of our original decisions:**
 - Introduced a Quality Framework for making decisions
 - Increased number of checks
 - Trained dedicated site Coaches.

Where are we now?

- **Still a challenging situation**

- Over 1 million WCAs per year
- Costs of administering the benefit and high rate of appeals
- Off-flows from WRAG: Majority of people on the WRAG for > 3 years
- Must continue to improve performance of programmes to help claimants with health conditions into work

- **But have made progress**

- Fewer people overall on sickness benefits
- More benefit claimants kept closer to the labour market and offered support into work
- Work Capability Assessment continually improving

What next?

What we've learnt

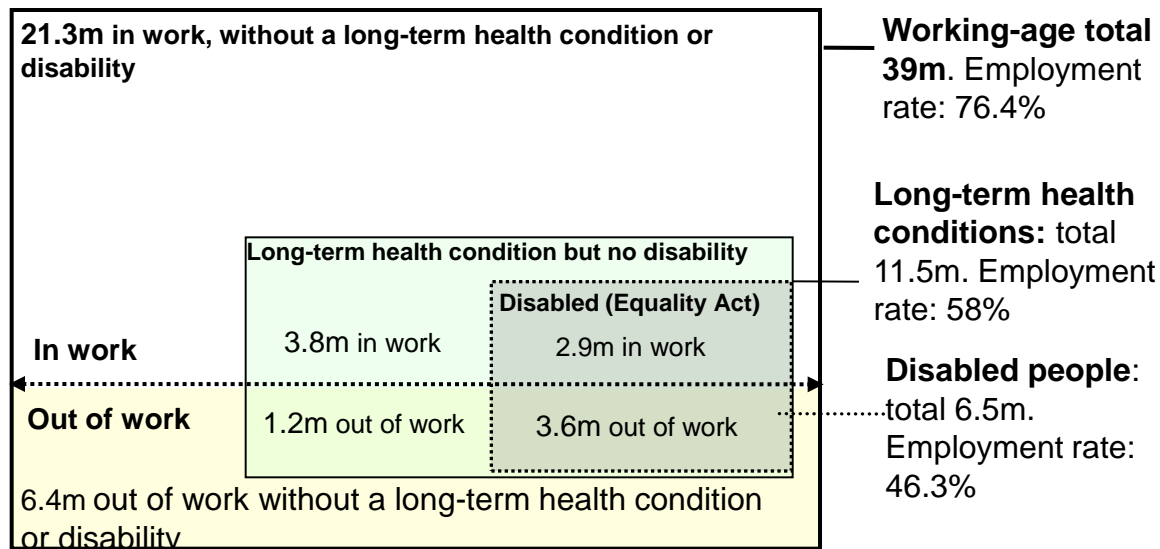
- Need to work hard to get assessments right – involving outside experts
- Need to change attitudes and language around sickness and the benefits of work
- Need to support our staff to offer specialist personalised support
- Need, where appropriate, to keep claimants activated and closer to the labour market

Future challenges

- Offering more support to more claimants to keep them closer to the labour market
- Making sure advisers are fully trained and equipped
- Speeding up the application process
- Keeping claimants in-work
- Health and Work service: better support for employers and employees

Disabled people are significantly less likely to be in employment than non-disabled people

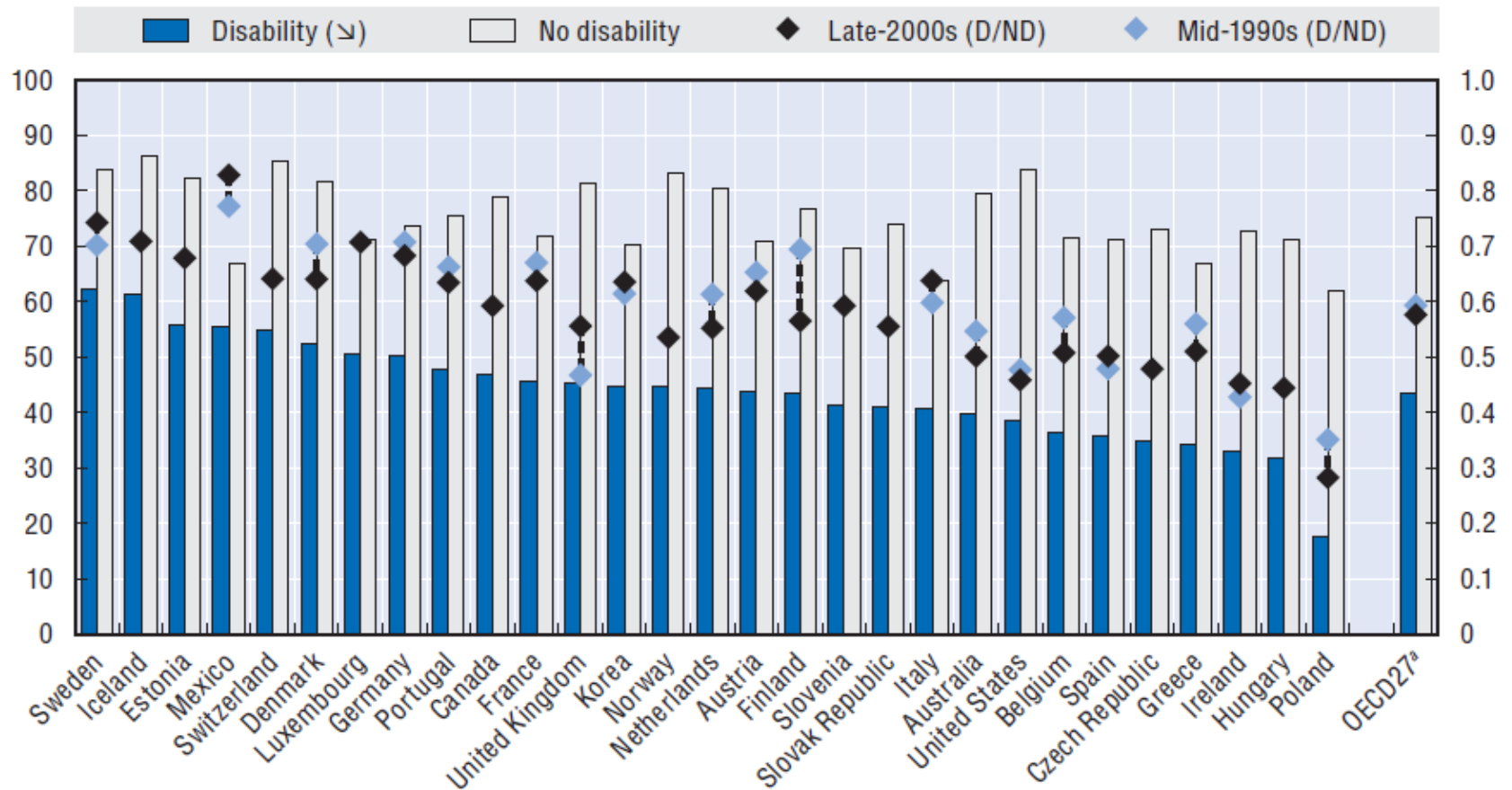
- 46.3% of working age disabled people are employed (*LFS, Q2 2012*).
- 76.4% of the non-disabled working age population are employed. (*LFS, Q2 2012*)
- **There is therefore a 30.1% employment rate gap between disabled and non-disabled people, representing over 2 million people (*LFS, Q2 2012*).**





United Kingdom middle-ranking in disability employment levels in OECD

Employment rates by disability status in the late-2000s (left axis) and trends in relative employment rates since the mid-1990s (people with disability over those without, right axis)



Communications

Established the case for change (systematic & individual) by:

- Leveraging third party support, looking beyond ‘the usual suspects’ to grassroots examples, and
- Cultivating case studies to illustrate the human impact of change (pull and push)
- Ensuring press and media was aligned with & integrated into wider narrative;
 - E.g. through Jobcentres, Work Programme providers, employers and social media

Developed two proactive campaigns to ensure disabled people have the opportunities to fulfil their potential and realise their aspirations

- 1) Role Models: Inspire a generation (to inspire young disabled people), and
- 2) Disability Confident (working with employers to remove barriers and increase understanding).

Partnership marketing enabled delivery through low/no cost mechanisms

Example: Case Study Poster

Transforming the lives of disabled people across the UK



**disability
confident**

make it
your business

find out more at:

gov.uk/dwp/disabilityconfident

Employer story

Dave Hawkins is the Managing Director of Cyclone Technologies. A leading supplier of bespoke, lightweight wheelchairs, they are the UK's foremost rehabilitation and training specialist.

Dave, who himself is paraplegic, says he prides himself on his workforce. With an expert team boasting 120 years' combined experience of life in a wheelchair, their main objective is to transform the lives of disabled people by helping them regain a new level of independence and control in their lives.

Dave says...

"I think when an employer is looking for a good accountant; they should find a good accountant. And if that accountant happens to be a wheelchair user or has an arm missing or a speech impediment, if he is a good accountant then why will it matter?"

Employee story

Chris Chegwen is a mobility specialist at Cyclone Technologies. He had an accident as a teenager and has been in a wheelchair for over 30 years.

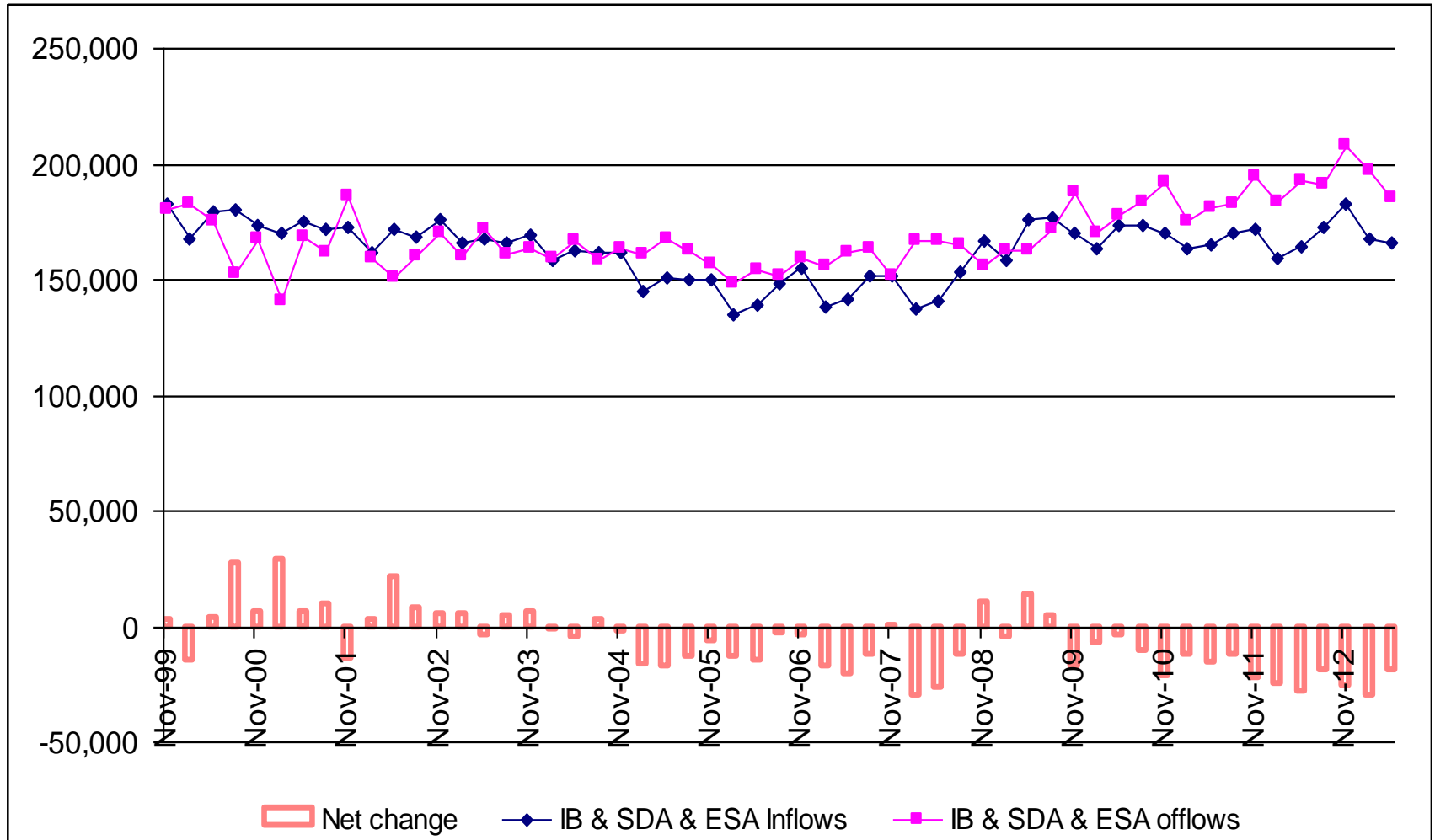
He says he was lucky because shortly after his accident he asked a local employer for a job in his accounts office. Chris was nineteen years old and thinks he was lucky that he was taken on straight away. At the time he was studying accountancy at the local college but he climbed through the ranks of the company and eventually became a part-owner!

Chris says...

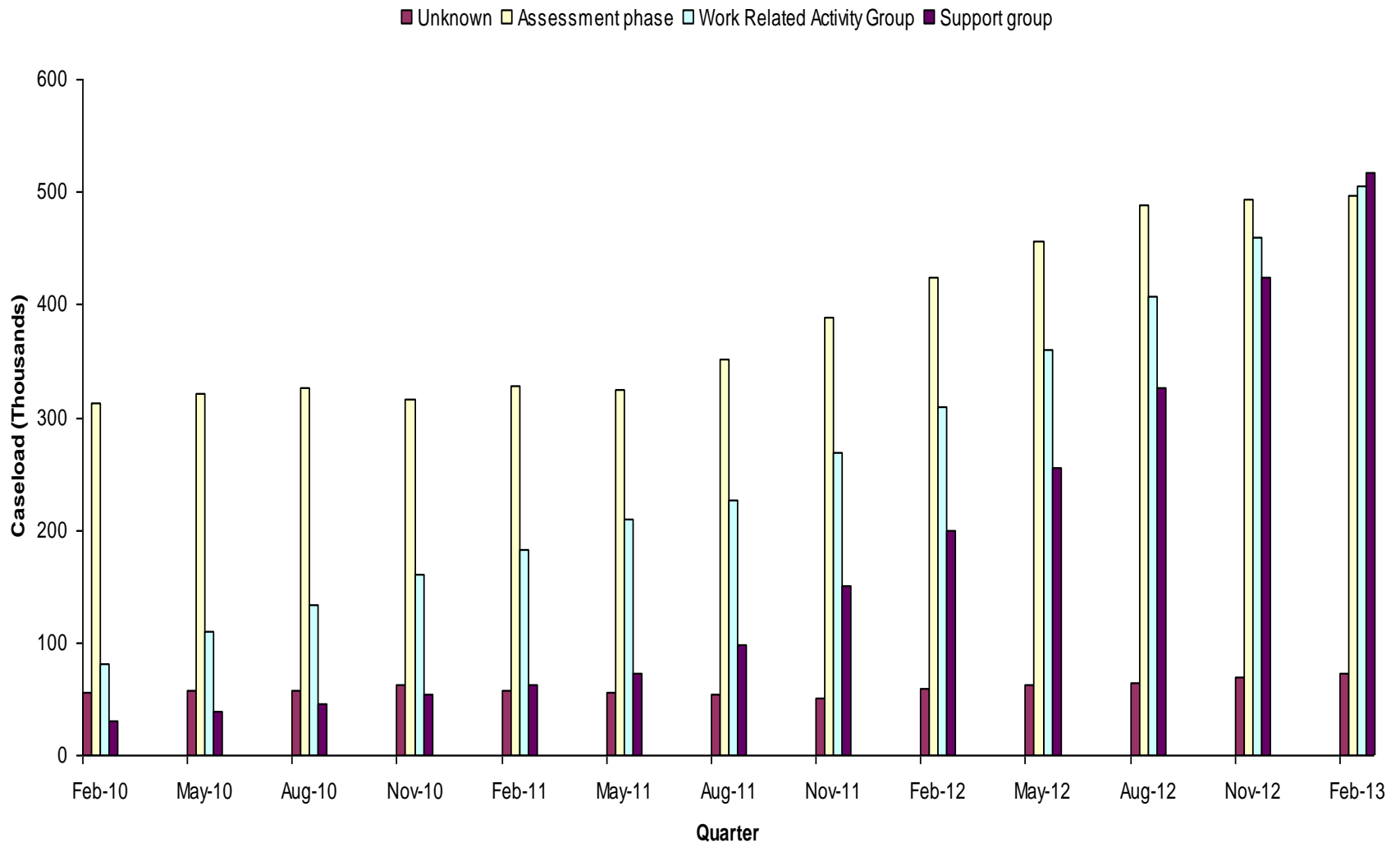
"These days there are lots of ways your workplace can be adjusted or even physically altered to make it accessible. You've still got your brain, so go out there and use it!"

Annex

Sickness benefit quarterly in-flows and off-flows

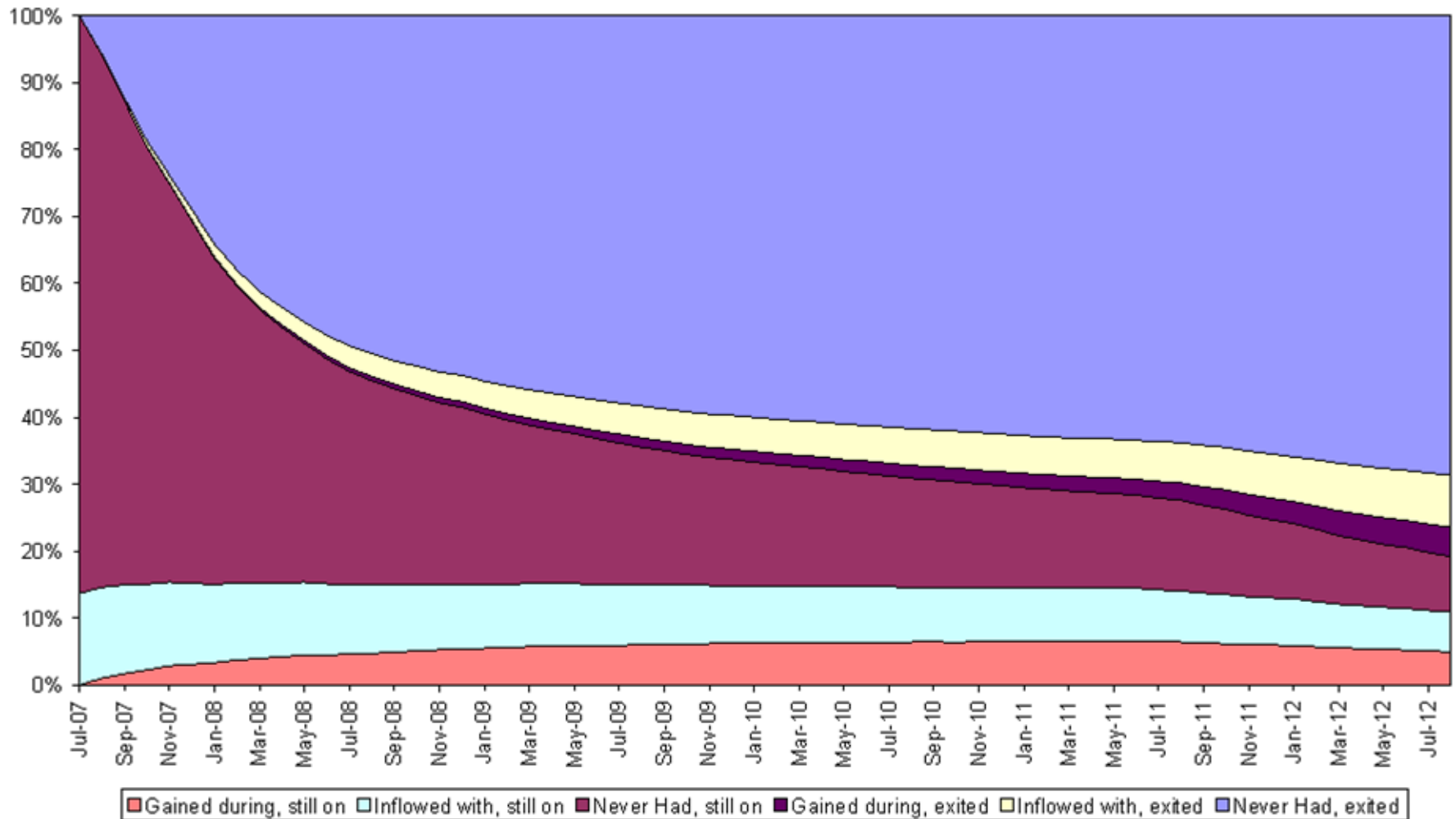


ESA / WRAG Caseload over time by group

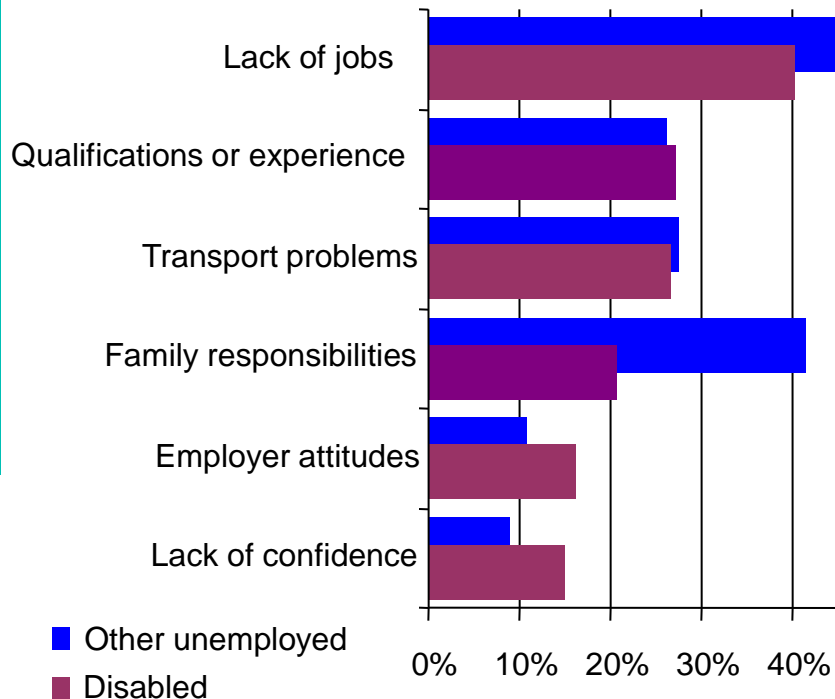


Source: Work and Pensions Longitudinal Study, Feb. 2013

IB inflows May-Jul 07, by IB/ESA status (relating only to 1st spell on IB/ESA) and DLA



Disabled people perceive a range of barriers to work



Most working age disabled people see their **health condition as the main barrier to work**. One in three says modified hours would help.

Then **similar issues to other unemployed**, though fewer family responsibilities.

This group are **less qualified** than other claimants on average, but 30% are qualified beyond GCSE level.

They perceive barriers on **employer attitudes** and **confidence**.

OVERTURN RATES BY TRIBUNAL : 6 June 2013

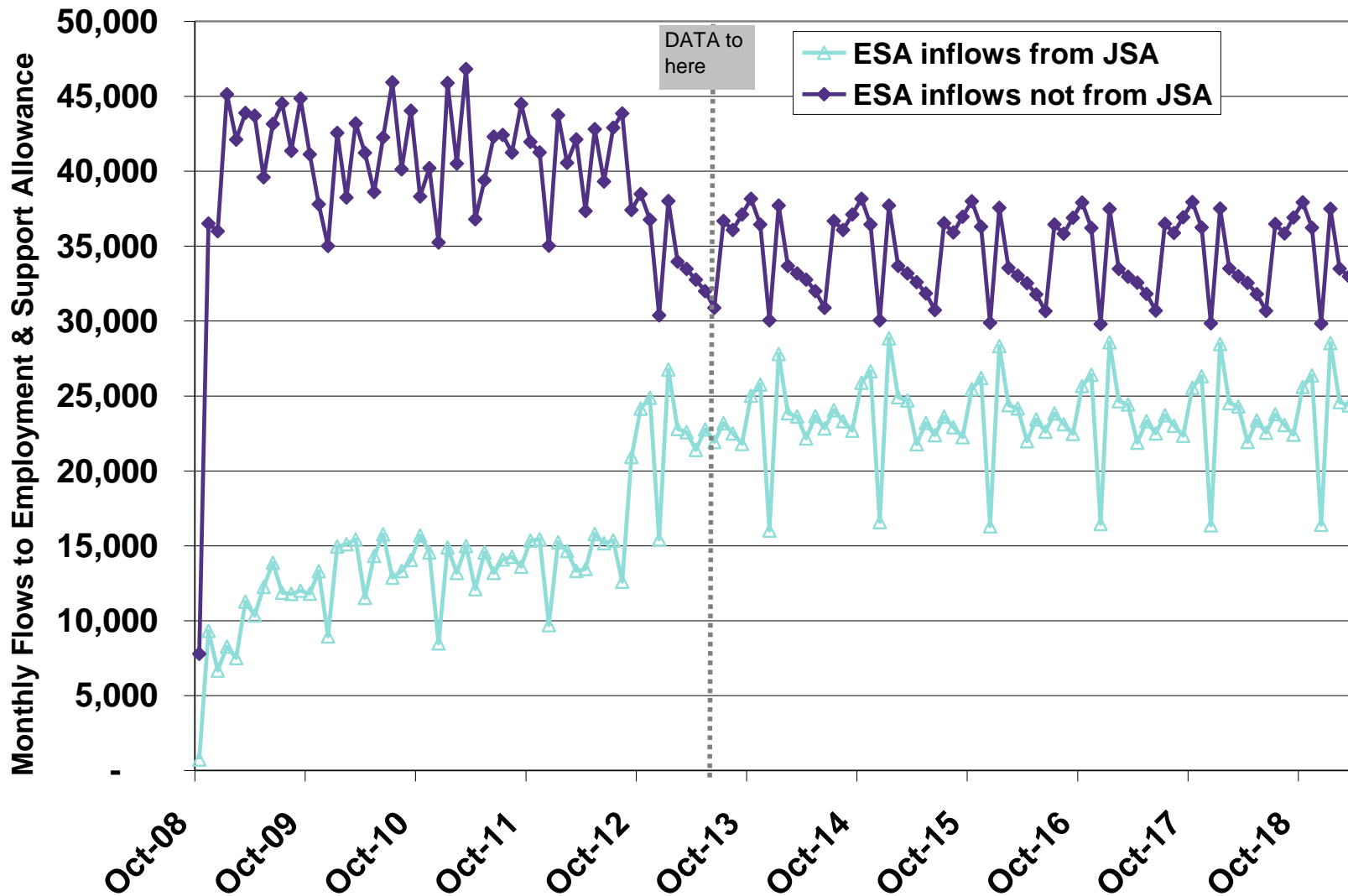
OVERTURN RATES BY TRIBUNAL

	09/09	09/10	10/11	11/12	12/13	Q1 13/14
SSSda, of which	42%	38%	35%	35%	38%	38%
ESA (including ER)	4%	3%	3%	3%	4%	4%
DAMP	4%	4%	3%	4%	4%	4%
JA (including LM)	2%	1%	1%	1%	1%	1%

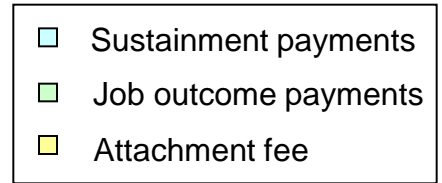
HMS and DV/CLERICALS (VEES)

	09/09	09/10	10/11	11/12	12/13	Q1 13/14
SSSda	107	144	195	232	18	18

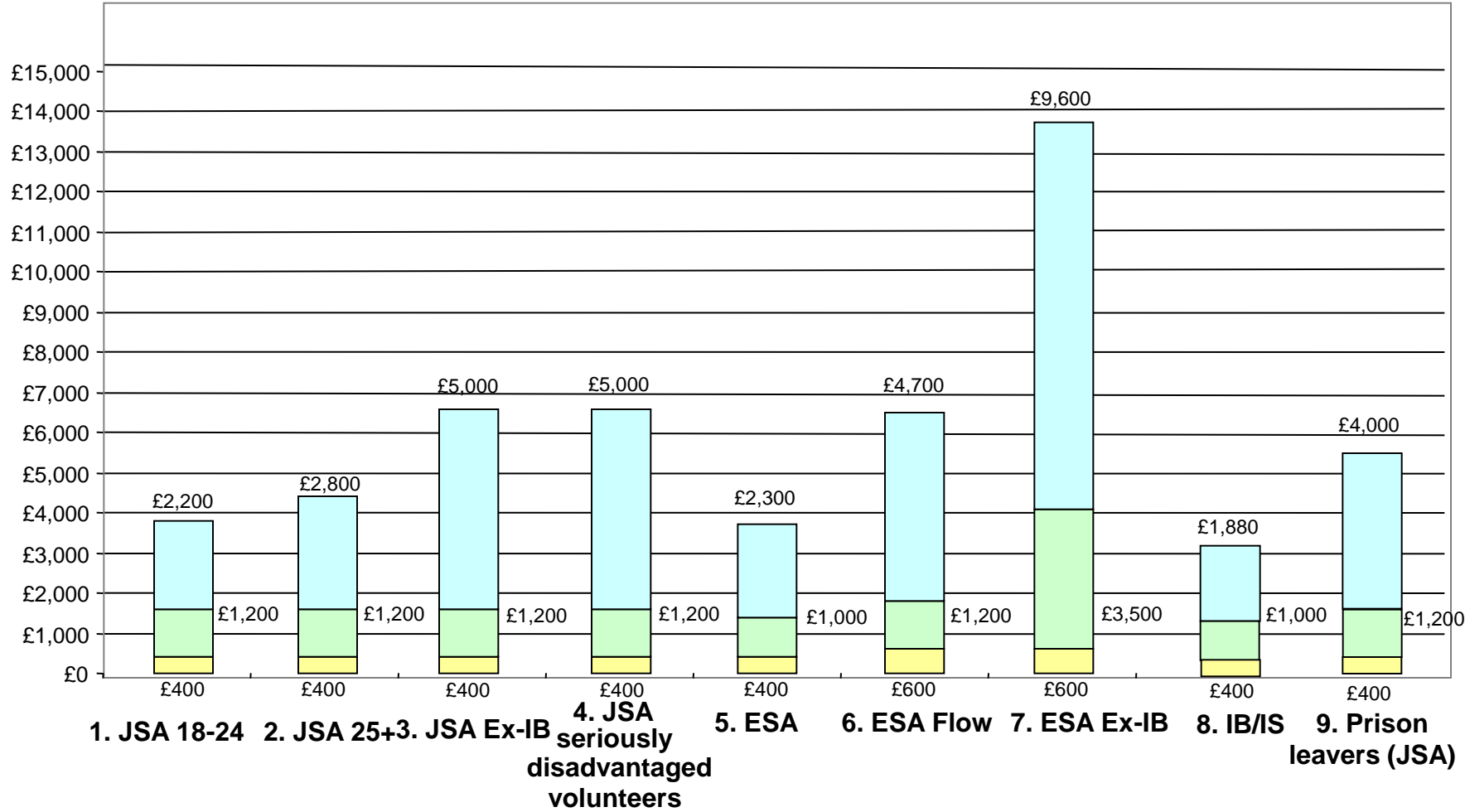
Employment & Support Allowance



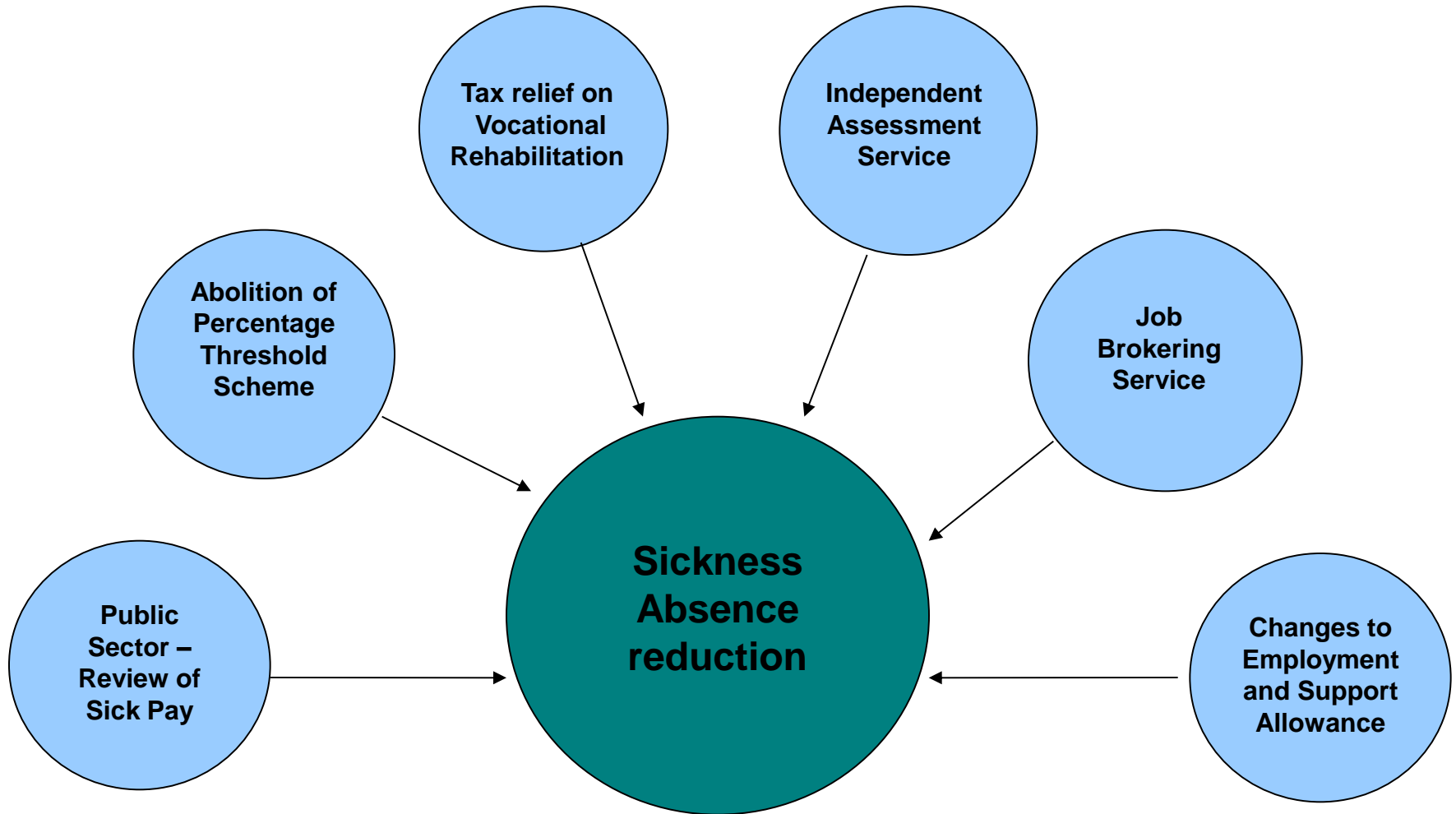
Differential pricing – providers are incentivised to work with the harder to help claimant groups



Maximum payments



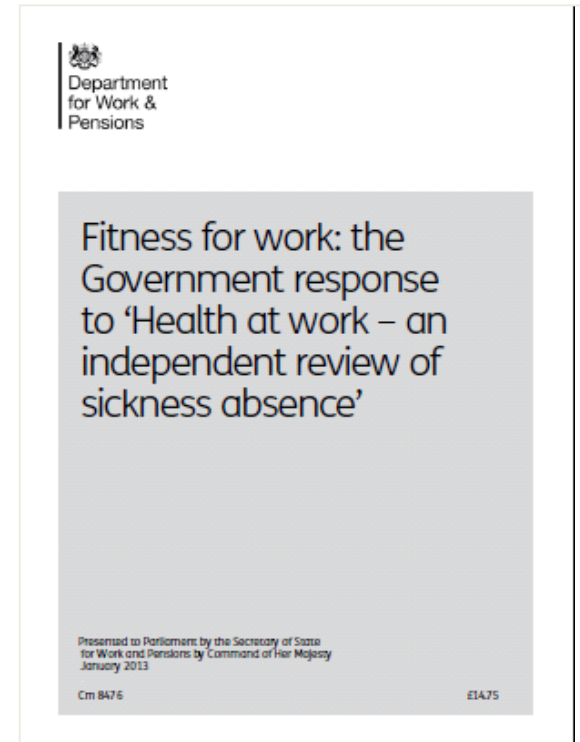
Sickness Absence Review Recommendations



The new milestone

Fitness for Work: the Government response to “Health at Work – an independent review of sickness absence”

Published 17 January 2013



Key measures

- **A state-funded Health and Work Service from 2014**
- Funded through abolition of the Percentage Threshold Scheme
- Access to Universal Jobmatch for those requiring job change
- Retention of tax relief on Employee Assistance Programmes
- Budget 2013 announced removal of tax disincentives for employer funded vocational rehabilitation interventions recommended by the Service
- Abolition of Statutory Sick Pay record-keeping requirements
- Publication of revised fit note guidance

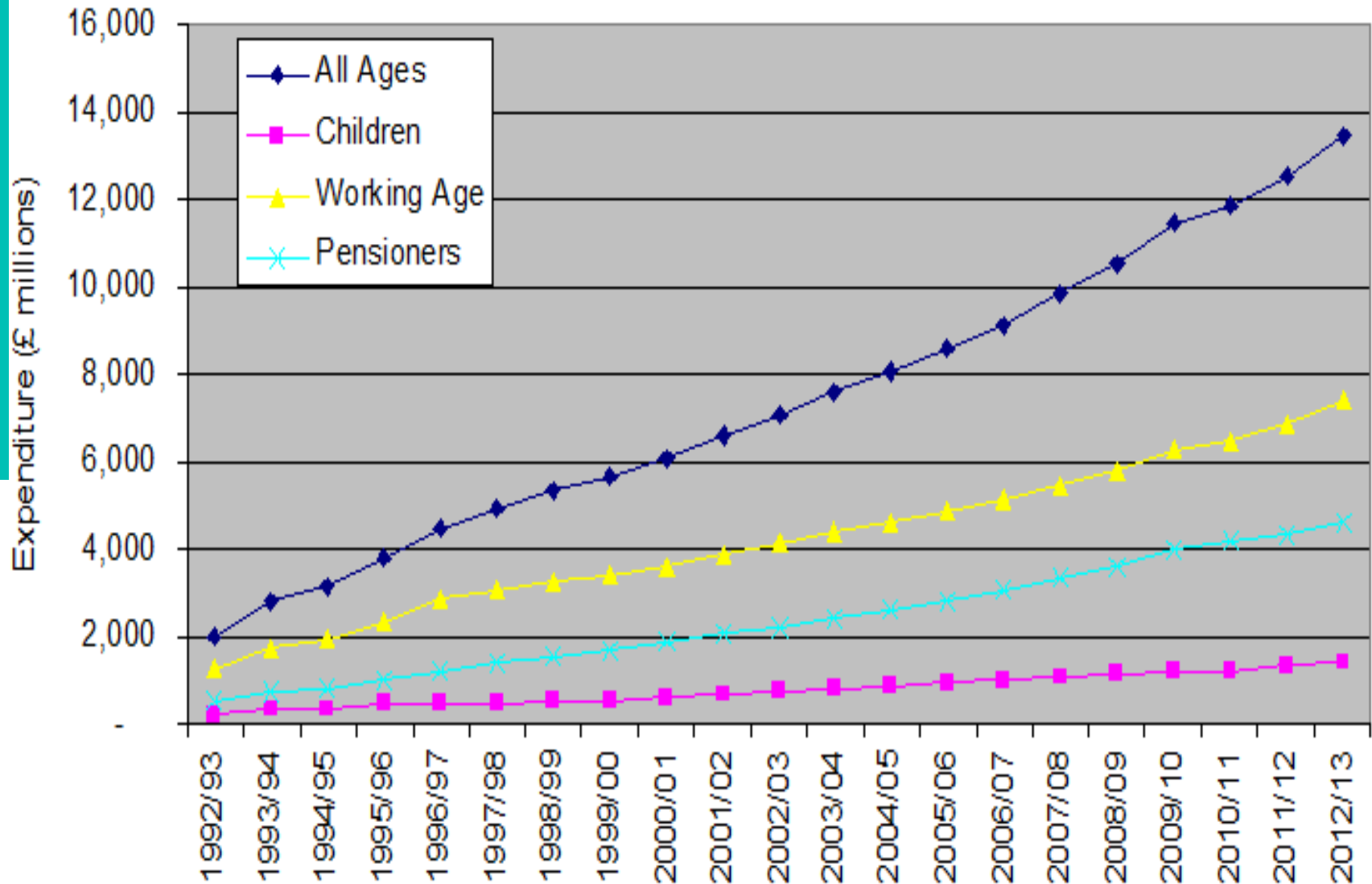
Disability benefits

- Disability Living Allowance (DLA) introduced in 1992
- tax-free benefit to help with the extra costs people may have because they are disabled
- Paid in and out of work with no means test
- DLA can be worth between £21 (\$34) and £134.40 (\$220) a week

What we are changing

- Loosely defined, outdated eligibility
 - 40% of decisions which are appealed are overturned
 - Lack of confidence that benefit is focused on those in greatest need
- Reliance on self-assessment
 - Less than 50% of DLA awards corroborated by a medical professional and only 6% have a face-to-face assessment with a health professional
 - Based on unclear criteria - inconsistent awards
- No systematic award review mechanism
 - Over 70% of DLA recipients have an indefinite award
 - DLA lacks basic checks of ongoing entitlement

Expenditure not sustainable



Personal Independence Payments

- PIP has two new components; 'daily living' and 'mobility'
- Each component has two different rates, standard and enhanced; set at the same level as DLA (April 2013);
- New assessment criteria *developed with independent health, social care and disability experts*
 - Fairer – focuses on needs arising from a condition rather than the condition itself
 - Consistent – because the eligibility criteria more detailed and more clearly defined
 - Objective – all cases will be considered by a health professional
- Systematic and active awards
 - Normally fixed awards, with regular reviews based on individual needs
- These reforms will result in reducing projected working-age expenditure by 20 per cent in 2015/16

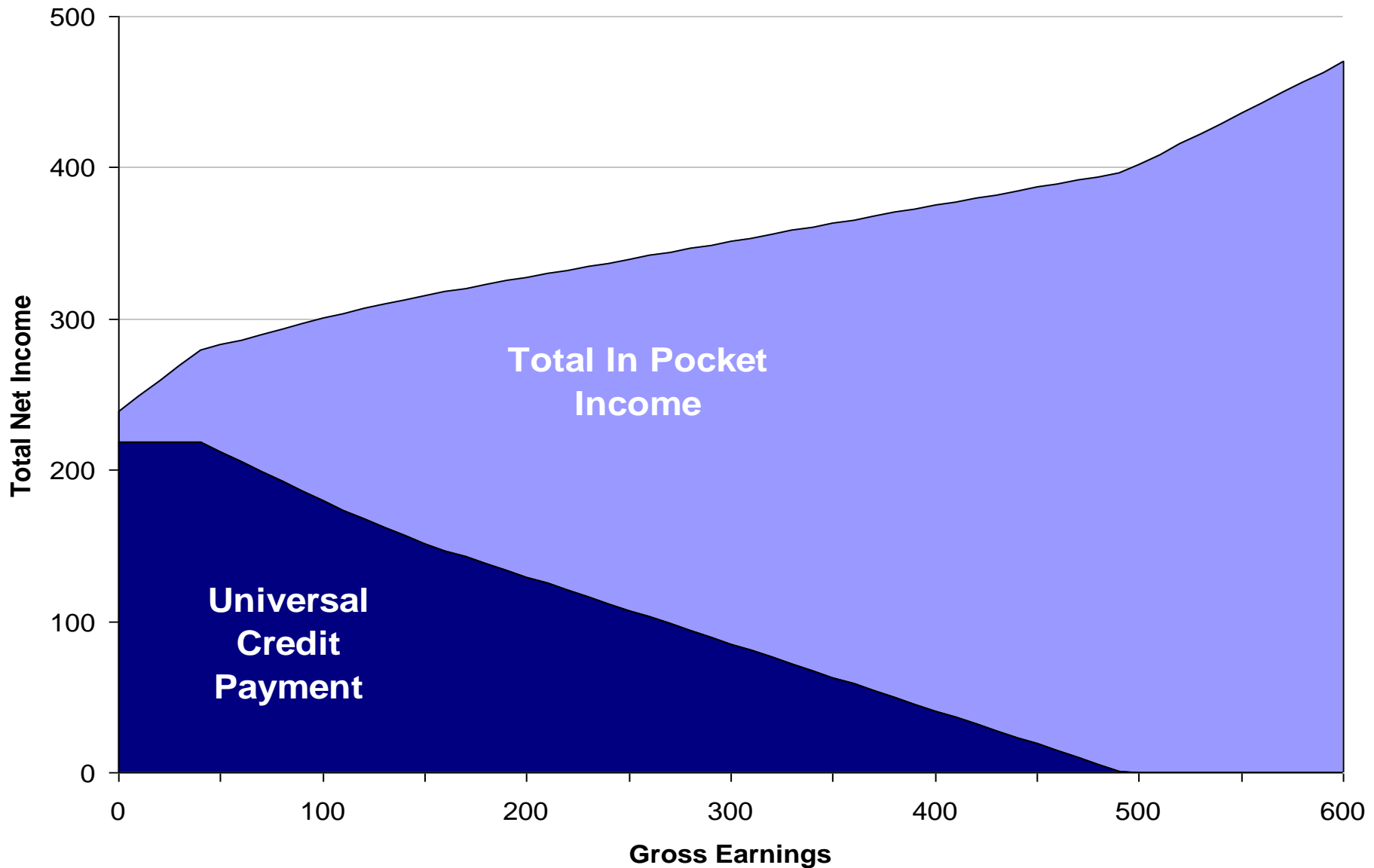
The case for welfare reform

- **Encourages dependency**
- Gains to work slight
- Lack of transparency and certainty
- Work as risk rather than reward
- **Is too complex**
- 25+ benefits
- 4 agencies
- 10,000 pages of guidance
- **Costs too much**
- £3.5bn to administer
- £5bn a year is lost to error and fraud
- £54bn forecast for working age benefit spending in 2012-13 (just DWP benefits)

The value of work

- 5m working age people in receipt of out-of-work benefits
 - 1.4m (28%) for nine of the last ten years.
 - There are currently more than 30 benefits and many more potential combinations of benefits and additional premiums.
 - The financial incentives to work in the current benefits system can be very weak:
 - Around 1.1 million households face losing between 70 per cent and all of their earnings if they move into work of ten hours a week at the National Minimum Wage.
 - Around 700,000 individuals in low paid work would lose more than 80 per cent of an increase in their earnings because of higher tax or withdrawn benefits. Some households face deduction rates as high as 91 per cent.
- 2m children are growing up in households where no-one works
- Worklessness is associated with poor health and premature death –
- Employment is generally the most important means of obtaining adequate economic resources, which are essential for material well-being and full participation in today's society;
- • Work meets important psychosocial needs in societies where employment is the norm;
- • Work is central to individual identity, social roles and social status;
- • Employment and socio-economic status are the main drivers of social gradients in physical and mental health and mortality;
- **viii Is work good for your health & well-being?**
- • Various physical and psychosocial aspects of work can also be hazards and pose a risk to health.

So what will Universal Credit offer?



Not just valuing work financially – mimicking it
A simpler and clearer offer:

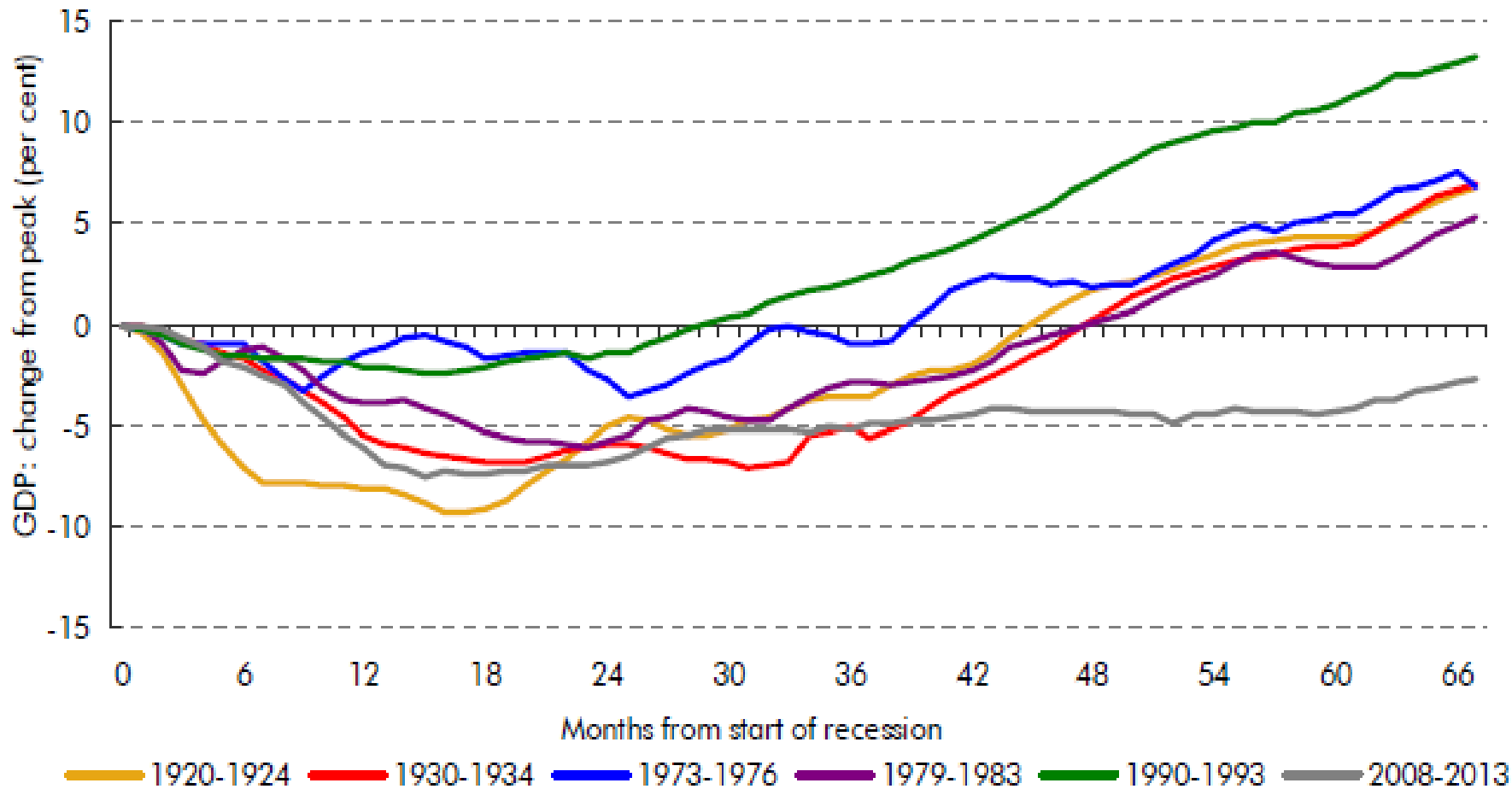
A single taper rate and a simple system of earnings disregards, integrating in and out of work benefits and tax credits

Clear conditionality rules that strike a balance between dependency and support – the claimant commitment

Using a direct, up to date earnings feed from employers,
Real Time Information
no need to ‘sign-off’ benefits to take an employment opportunity

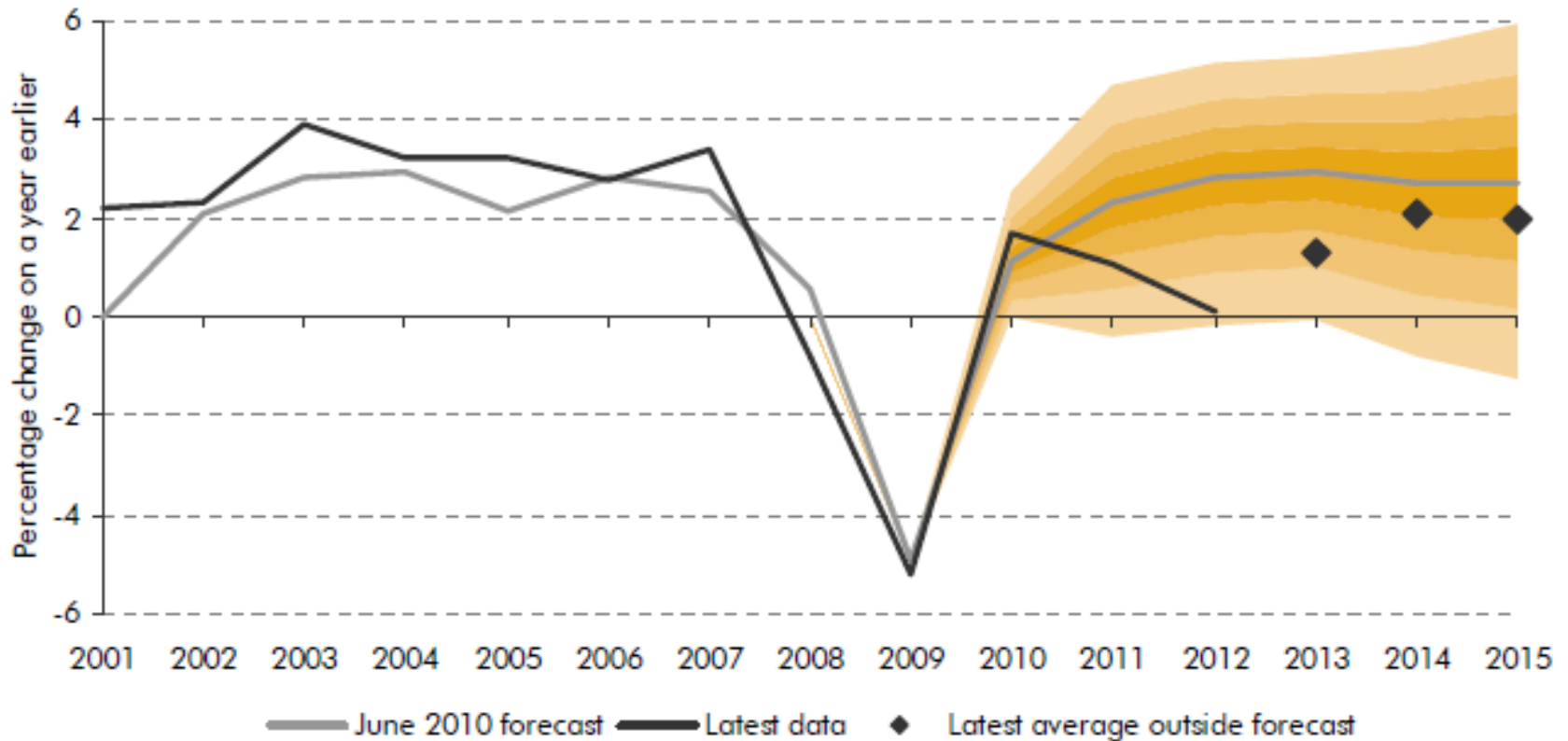
Automating the delivery of the system

Investment in making work pay, in the macroeconomic context



Source: NIESR

...more



Source: ONS, HM Treasury, OBR