

Closing the gap

Creating a framework for tackling the disability
employment gap in the UK

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SMF

Social Market
Foundation

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DATA USED IN THIS REPORT

Unless otherwise stated, analysis in this report is based on Labour Force Survey quarterly microdatasets¹ or Labour Force Survey five-quarter longitudinal microdatasets.² For cross sectional, quarterly analysis, the January – March quarter of each year is used. Analysis of the longitudinal data uses a pooled dataset that takes cases from the five latest available years – back to 2010 (this was required to ensure sample sizes were adequate to analyse characteristics of the disabled group moving into work).

ABOUT THE AUTHOR

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EXECUTIVE SUMMARY

The 2015 Conservative manifesto outlined an ambition to halve the disability employment gap. Since being elected, the Government has begun a series of reforms intended to move them closer to achieving this ambition. This report presents findings from an in-depth analysis to outline the scale of the challenge facing the Government. It uses lessons from past policy reforms to suggest a way forward in this Parliament and the ones that follow. It focuses on the role that the benefits system can play in providing the essential foundation of financial support. Future reports in this series will focus on the role that employment support and employers can play and the changes that will be needed in the UK's labour market and societal views if the gap is to be halved.

The scale of the challenge

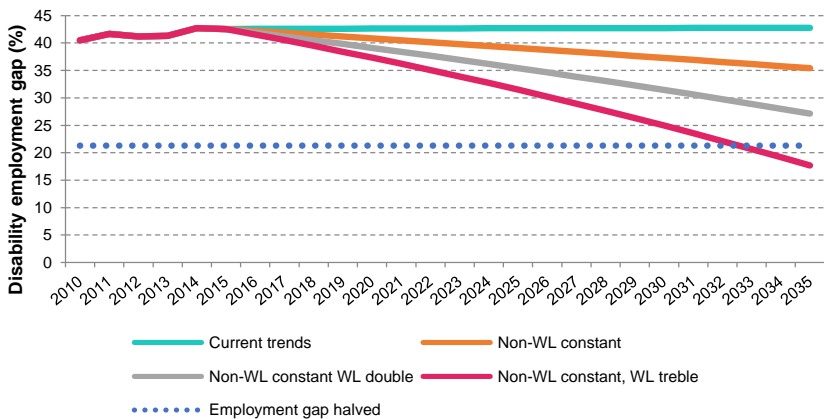
Based on analysis of the Labour Force Survey (LFS), around 5.5 million working age individuals have a work-limiting health condition or disability. Of this group, 44% are employed, compared to 87% of those who say they are not work-limited. The gap between the two, the disability employment gap as measured on this definition, is 43 percentage points, meaning that achieving the Government's ambition would mean helping 1.2 million more work-limited individuals into work.

The last 15 years have seen some success in increasing employment of people in the work-limited group. Some 350,000 more of the group are now employed and the employment rate has risen from 39% to 44%. However, the scale of increases has slowed over the last four years. Between 2011 and 2015, the level of employment increased by 23,000.

The employment rate of the non-work-limited group has also increased over the same period, meaning that the employment rate gap has stayed relatively constant.

If trends in employment for the work-limited and non-work-limited groups from the last 15 years continued into the future the employment rate gap would not fall. Significantly faster progress will be needed for the work-limited group if the ambition is to be achieved. As shown in Figure A, halving the gap over a 20-year horizon would mean trebling the growth in the employment rate of the work-limited group while holding constant the non-work-limited employment rate. Any growth in the non-work-limited employment rate would require an even greater increase in the growth of the non-work-limited employment rate.

Figure A: Scenarios for disability employment gap with different employment growth assumptions



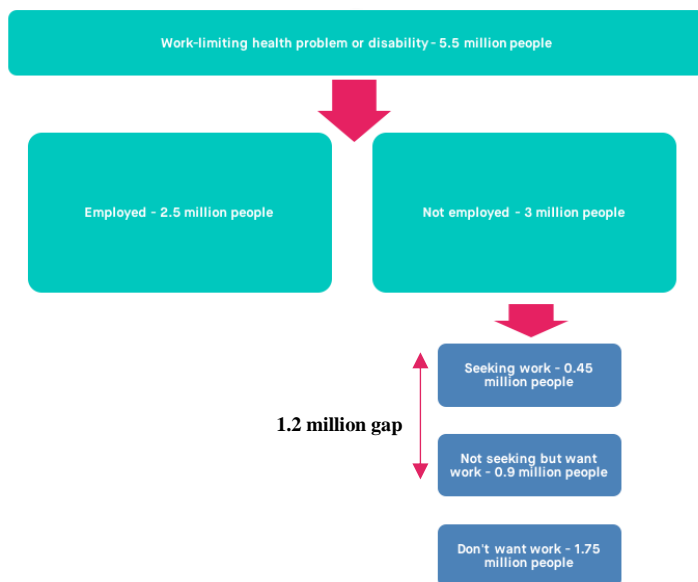
Source: Social Market Foundation (SMF) analysis of Labour Force Survey

To understand what this means in practice, we can look at the current labour market behaviour of the workless work-limited group. Analysis of the LFS shows that 14% of the group are actively seeking work. There will be good reasons for this. Some disabled people will be permanently or temporarily unable to work, others will have caring responsibilities that preclude employment or family arrangements that mean they do not need to. However, while understandable, it leaves nearly a third of the group

not wanting work and the remainder saying they want work, but not seeking it.

Figure B shows that halving the disability employment gap would mean helping all of those in the seeking work group and most of those wanting work but not currently seeking it, into work. However, in practice, this will require supporting far more individuals than this. Overall this means that to halve the disability employment gap, those in the two groups not seeking work will need to be supported into work. This will take a change in attitudes and ambitions and a more successful approach to support.

Figure B: The employment gap and labour market engagement



How feasible might this be?

To understand the feasibility of this, we can analyse the chance of these three groups moving into work, the characteristics of each group and how they compare to those who do move into work.

Analysis of the longitudinal LFS (that follows the same individuals over five quarters) shows that, of those in the workless work-limited group looking for work, around 30% move into work over a year. In contrast, less than 3% of those who do not want work end up finding work over the course of a year. This means that, overall, just 8% of the workless work-limited group move into work in any one year.

An analysis of those moving into work shows that, as well as actively seeking work, a range of characteristics are associated with increased chances of finding work. These include:

- Qualifications: compared to those with high qualifications (A-level and above), those with low or no qualifications are less likely (43% and 61% respectively) to enter work.
- Condition / disability type: those with a mental health condition are around 30% less likely to move into work than those with other conditions or disability.
- Improving condition: those with an improving condition are twice as likely to move into work.
- Age: the younger the person, the more likely they are to move into work.
- Time since last job: those who had been out of work for less than six months are eight times more likely to move into work than those who had been out of work for over five years.

An analysis of the characteristics of the work-limited group shows that, in terms of the characteristics that are linked with chances of employment, there are distinct differences between those in the work-limited group

who are already in employment and all other groups. On average, those currently out of work in work-limited group will be harder to help into work than those who have already moved into work.

In turn, the analysis also demonstrates large differences between those not currently in work, but who are seeking and those who are not seeking work. Overall, from this analysis, it is clear that this challenge is a significant one. It will require a step change in performance in helping this group and potentially significant investment to ensure that their outcomes improve.

Principles of reform

On the basis of this evidence it is clear that, without significant reform, the ambition of halving the disability employment gap will not be achieved. There are two principles on which development of policy proposals should be taken forward.

1 - Setting realistic ambitions, taking enough time: past experience of significant reform has shown that rushing policy formation and implementation can lead to significant failures. To ensure this does not happen again, the Government should be clearer about its short-term ambitions. Based on trends over the last 15 years, around 90,000 more disabled people might be expected to enter work by the end of this Parliament. The Government should set the ambition to increase this number to 190,000. Doing so would signify a positive step in closing the disability employment gap, would improve outcomes for those 100,000 individuals and their families and modelling suggests that it would produce additional savings for the Exchequer of around £1 billion a year by the end of the Parliament.

2 – A commitment to consult and test: It is important to be clear that there is little evidence to guide policy reforms to achieve this goal. In practice, knowledge of what works at a national scale in helping those with a work-

limiting health condition or disability into work is scant. The implication of this lack of knowledge for policymakers is that a silver-bullet solution will not be found at short-notice. Innovation will be needed, new ideas will need to be tested and promising results will need to be built upon and understood in terms of an approach that can be rolled out on a national scale.

For these reasons, it is essential that the Government commits to both properly consulting on proposals outlined in the upcoming White Paper and creating a framework within which testing, piloting and pathfinder approaches can be delivered through national, local government and private / third sector providers. Only then should they seek to roll out any interventions on a national scale.

A new system that helps

To build on these principles this report puts forward a set of options for reforms that could deliver a system that is both more supportive and more effective in closing the disability employment gap. It focuses on the role that the benefits system should have in providing the financial security and incentives on which interventions to help individuals move towards and into work can build.

Making benefits and conditionality work

A large number of reports have shown the inadequacies of the current system of benefits for disabled people and the requirements that are placed on them in return for their benefit. While well-intentioned, past reforms have failed to produce a system that provides adequate financial support to those who need it, alongside incentives to take on support to move towards work where that is feasible. The current system is unpopular with those who need it and, in practice, pushes people away from work in order for them to (understandably) receive a more certain

and higher level of income. As a result, just 8% of the workless work-limited group move into work each year.

This view is supported by the last of the independent reviews of the Work Capability Assessment (WCA) and, commenting on a Paul Gregg lecture, Ben Baumberg summarises the argument succinctly:

“...it’s [the WCA] a self-defeating strategy because it makes people less likely to go back to work. Disabled people are more likely to ‘hunker down’ and cling onto their benefits rather than take the risk of working and then having to go through the claims process all over again.”

Significant reforms will be needed to improve the system and these should be properly consulted on. Four principles that should form the basis for reform of Employment and Support Allowance (ESA) and the WCA are outlined below. It is important to highlight that this would not be a cost-cutting exercise. The reforms proposed would combine existing money and aim to distribute it better on the basis of need.

- **Splitting benefit eligibility from setting conditionality**
As suggested in other reports, the assessment of eligibility for benefit should be split from the assessment of an individual’s ability to move towards and enter work. This would ensure that, no matter what the level of benefit an individual receives, they will still have an incentive to engage with the support available and move towards work if they are able to.
- **Creating a common income-replacement element in Universal Credit**
The most obvious way of delivering this would be to remove the WCA and create one aligned income replacement benefit within Universal Credit. Anyone out of work and claiming benefits would receive the same basic entitlement to Universal Credit.

- **Accounting for the extra costs of disability**

In effect, this would remove the Support Group element of ESA and align benefit rates for disabled and non-disabled claimants in Universal Credit. However, it is clear that those with a disability often face extra costs of living.

To meet these extra costs, existing spending on Personal Independence Payment (PIP) / Disability Living Allowance (DLA) and the support Group element of ESA should be brought together to finance a new extra costs benefit. Eligibility for this benefit should be determined on the basis of need, with an assessment replacing the WCA and PIP assessment and designed with extensive consultation.

Where individuals are unable to work, there should also be a principle that the level of benefit provided is sufficient to allow them to live comfortably and engage fully in society. In the longer-term, the Government should explore whether these benefits could be set to ensure that disabled claimants are lifted out of poverty with the income they receive.

- **Out on limb – contributory ESA (ESA(c))**

ESA(c) is currently expected to run alongside Universal Credit. However, these reforms will mean that the basis for determining eligibility (the WCA) to ESA(c) will be removed. This means that reform will be needed. Many reports have outlined arguments for strengthening the role of contributory benefits. Many of these have focussed on the role that a form of privately run social insurance could play in both increasing benefit generosity and improving the support that individuals get to manage their conditions and move back to work. These wider reforms of ESA would provide a much needed opportunity to revisit these

arguments and build a benefit system that is both more supportive and more sustainable in the long term.

Smarter conditionality

While conditionality is an important element of the system for many individuals (and, in particular, jobseekers) the reforms of the last two decades have shown that (as currently structured) it is not particularly effective for the work-limited group. To address this, a radical new approach needs to be tested.

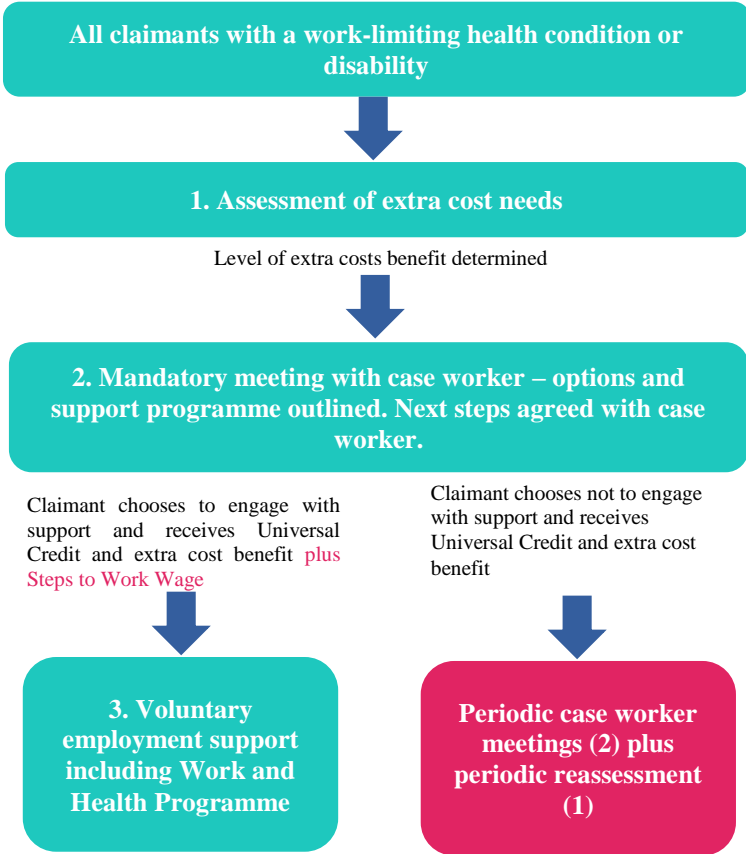
With the removal of the WCA, Support Group and Work Related Activity Group, a new process for understanding the ability of individuals to engage with employment support and take steps back to work needs to be created. This should be conducted after benefit eligibility and levels have been determined and the results of this should not impact on the level of benefit received.

- **A mandatory meeting to discuss support options**
All claimants with a work-limiting health condition or disability should be required to attend a meeting with a specialised case worker. This meeting would outline the range of support available, reassure people that their benefit would not be affected by taking on support and discuss next steps. Failure to attend this meeting without good reason would result in a sanction being applied. However, compared to the existing system, this meeting would not place extra burdens on the individual.
- **Voluntary support for those who want it**
Following this mandatory meeting, further support would be voluntary. Individuals could choose whether or not to engage with the support. If they chose not to, they would be able to do so, without fear of their benefits being affected.

- **Backed up with financial incentives**

Those who choose to engage with the system of support, whether at Jobcentre Plus, the Work and Health Programme, or elsewhere would be financially compensated through a Steps to Work Wage. The payment and conditions involved would be agreed between the case worker, individual and support providers and written in a contract, much like an employment contract. Failure to adhere to the terms agreed of the contract would mean the Steps to Work Wage would not be paid.

Figure C: Simplified indication of how a new system might look



Source: Social Market Foundation

Focus employment support where it will have most impact

Overall funding for employment support for disabled people is expected to rise over the course of this Parliament. However, the allocation of that funding has been changed substantially. For example, while the funding envelope for the Work and Health Programme will eventually rise to around £130 million a year, it is a significant cut to the envelope available under the current Work Programme. It is also still a relatively small and thinly spread budget.

As a basic example, assuming that helping 100,000 more disabled people into work would require working with 500,000 individuals (i.e. a 20% success rate), the combined support available through the Work and Health Programme (£130 million) and the £100 million support earmarked for those on ESA, would represent less than £500 a year for providers to invest in tackling the problems that each of these individuals faces.

This makes it clear that it will be impossible (and futile) to look to support all of those with a disability or ill health back to work. Instead, to ensure that the most impact is made with the available money, it should be targeted at those where the largest impact might be made. This will allow for better assessment of the interventions that work and more time to design more effective interventions that could be rolled out more broadly across the harder-to-help groups.

- **Focusing support on those closer to the labour market**

The first of the groups where early attention should focus is those who are already seeking work. This will be the most effective way of boosting the disability employment rate within any budgetary envelope. Those whose last job was less than six months ago are also significantly more likely to find work within a year. Over half of all new claims of ESA are from those leaving work because of the onset of a health condition or disability. Focussing

on stemming this flow into disability benefits would be an obvious way to try to close the disability employment gap.

- **Significant pilots to create the evidence base**

Since those closest to work are more likely to engage in voluntary support, the recommendation for voluntary programmes should help to ensure that employment support is targeted at the groups outlined above. However, the Government should go further in supporting this principle. In particular, it must ensure that local variations adopted through devolution deals and European Social Fund (ESF) funding follow this principle. To do this, it must outline that these pilots should not focus on the very-hardest-to-help. Given the very severe barriers to employment that many of these individuals face and their lack of desire for employment, doing so would likely set up the programme to fail. Instead, the approach of targeting support at those closest to work should be a required part of each of the pilots and new interventions rolled out.

Conclusion

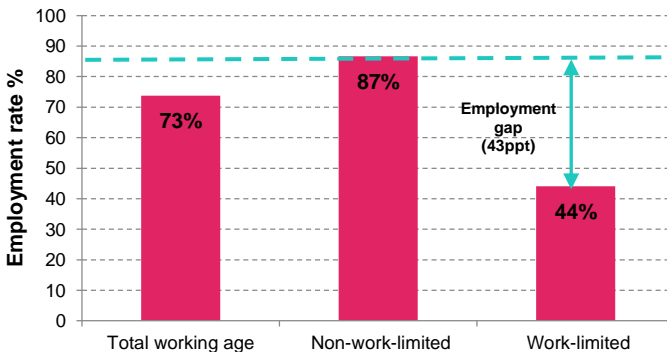
Halving the disability employment gap is a challenging ambition that should not be rushed. This report has set out a range of principles for how reform should progress and a number of areas where specific reforms should be considered. While they do not represent a blueprint for changes, if taken forward, they could provide the basis for an ongoing consultation on significant and wide scale changes to improve labour market outcomes of disabled people and those with a work-limiting health condition.

CHAPTER 1 – WHAT DOES HALVING THE DISABILITY EMPLOYMENT GAP MEAN?

The Government has committed to the ambition of halving the disability employment gap. In practice, this is not straightforward to measure and a number of estimates exist. The Government has tended to use the definition of disability as people classified as Equality Act disabled.³ This report uses data from the Labour Force Survey to create a slightly broader measure, which assesses whether people have a health condition or disability that limits the type or amount of work that they can engage in.

Using this definition around 5.5 million working age non-retired, non-student individuals have a work-limiting health condition or disability. Of this group, 44% are employed, compared to 87% of those who say they are not work-limited. As demonstrated in Figure 1, the gap between the two, the disability employment gap as measured on this definition, is 43 percentage points.⁴

Figure 1: Employment rates by presence of work-limiting health condition or disability



Source: SMF analysis of Labour Force Survey

What is needed to halve the gap?

With the disability employment gap standing at 43 percentage points, all else equal, halving the gap would require an increase in the employment rate of those classed as having a work-limiting health condition or disability of 21 percentage points. That suggests helping some 1.2 million more of disabled people into sustainable work.

What is there to gain?

It is clear that doing so has the potential to bring significant benefits to the individuals involved, their families and communities and the whole UK economy:

- Numerous reports have highlighted both the health benefits of work and the positive effect that moving into work can have on those who are experiencing a health condition or disability.⁵
- Research also suggests that movements into work and improved health are also associated with better outcomes for children and, more broadly, the incomes of those moving into work would also be increased.⁶
- There are significant geographic clusters of both the incidence of health conditions or disabilities and worklessness. In some areas, disability employment rates are as high as 70% and in others, they are approaching 30%. Improving employment within areas with both a high concentration of disability and health conditions and significant worklessness could boost local economies and help regenerate areas.⁷
- For the UK economy, closing the disability employment gap and boosting labour supply could significantly boost growth.⁸
- With disability benefits (Employment and Support Allowance, Personal Independence Payment and Disability Living Allowance) currently costing the state well over £20 billion a year

and expected to rise in the future,⁹ there could be gains to be had from helping more people into work, reducing the benefit bill and being able to invest this money elsewhere.

- For individual firms, the costs of sickness absence, sick pay and associated costs is in the tens of billions a year.¹⁰ Reducing this could significantly boost productive investment, profits and employee remuneration.

Given this range of potential benefits, the Government's ambition of halving the disability employment gap is a significant opportunity. This report considers what achieving this would mean in practice, what historic experience tells us about the likelihood of success and the principles for reform that will need to be taken forward to ensure that the Government succeeds. It focuses on the system of benefits for disabled people and those with a work-limiting health condition.

It is clear that the benefits system is not the only factor that impacts on disability employment. Other factors like the role that employers can play, societal views and attitudes and the approach to training and skills and schemes like Access to Work all have an important role. However, by providing financial security, the benefits system acts as the foundation to all of those things. Without this financial security any attempt to support people to tackle the barriers to work they face and, ultimately, move in to work is unlikely to be successful.

By setting out reforms to improve security and make the benefits system work better, this report provides a firmer foundation on which to build. Future reports from the Social Market Foundation will consider wider reforms of the support available to disabled people and the role of business and society.

CHAPTER 2 – THE SIZE OF THE CHALLENGE

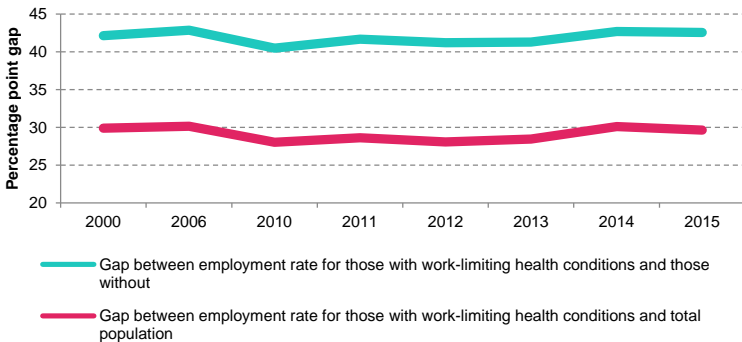
Chapter 1 outlined the benefits of closing the disability employment gap. This chapter assesses historic progress and what that means for the likelihood of future success.

The (lack of) progress over time and what’s needed for the future

Over the last 15 years, the number of people with a work-limiting health condition or disability in work has increased by around 350,000 and the employment rate has increased from 39% to 44%.

However, employment increases have slowed over the last five years. While, as the Government demonstrates, disability employment increased by over 200,000 between 2014 and 2015, the rise between 2011 and 2015 is just 23,000. Longer-term progress has also reflected a stronger labour market performance overall. The employment rate of those without a work-limiting health condition or disability has also increased, which means that, as shown in Figure 2, the disability employment gap has remained broadly constant over the last 15 years.

Figure 2: Disability employment gap over time

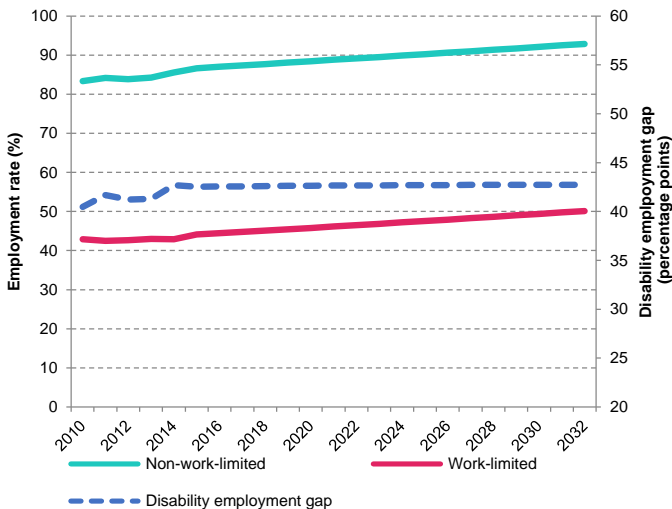


Source: SMF analysis, Labour Force Survey

If these trends continue into the future, even if disability employment continues to rise, the disability employment gap would not fall.

Figure 3 shows the situation where annual growth in employment rates between 2000 and 2015 are projected forward: employment rates of both those with a work-limiting health condition or disability (work-limited) and those without a work-limiting condition of disability (non-work-limited) increase over time, but the disability employment gap remains constant.

Figure 3: Changes in employment rates and disability employment gap with constant employment rate growth trends



Source: SMF analysis, Labour Force Survey

What would it take?

Figure 3 also demonstrates that much greater progress than the last 15 years will be needed if the disability employment gap is to be halved.

Doing so will require that the employment rate of the work-limited group rises significantly faster than the non-work-limited group.

To understand what this means in practice, Figure 4 shows projections for the disability employment gap based on:

- Current trends; and
- The non-work-limited employment rate held constant and combined with various growth rates of the work-limited employment rate.

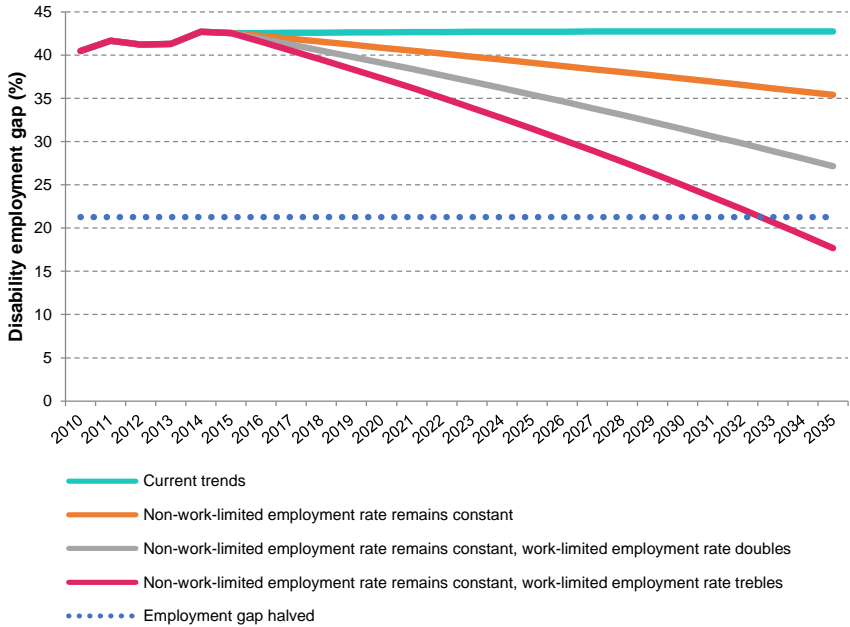
As with Figure 3, it shows that, with existing trends, the disability employment gap will not close. Even with a constant non-work-limited employment rate, based on current trends for the work-limited group, the gap only closes by around a quarter of the level needed. It then shows scenarios for doubling and trebling (compared to the trend over the last 15 years) the growth in employment rates for the work-limited group.

Given the previous slow progress on closing that gap, a reasonable benchmark for time need to halve the gap might be 20 years. In the past, this length of time has seen significant changes in the employment gap of women and lone-parents, so we know that a lot can be achieved in this timeframe.

Figure 4 shows that, to meet the ambition of halving the disability employment gap to a level of 21 percentage points within the next 20 years, the rate of employment rate growth for the work-limited group would need to treble and the employment rate for the non-work-limited group would need to remain constant.

All else equal, this would imply helping some 66,000 additional people from the work-limited group into work each year, compared to the current situation of just over 22,000.¹¹

Figure 4: Scenarios for disability employment gap with different employment growth assumptions



Source: SMF analysis, Labour Force Survey

Barriers to employment

Given the size of the challenge that trebling the growth of the employment rate for those with a work-limiting health condition or disability represents, it is likely to need significant policy reform. It will need improved employment support services for those recently losing their job, better support to help people experiencing the onset of a condition or a fluctuating condition to stay in work where possible and better support for those who have not been in the labour market for a long time. To understand what this might take, the remainder of this

chapter assesses the characteristics and barriers to employment of the work-limited group and how these relate to movements into work.

Likelihood of movements into work

To understand the characteristics of individuals that are related to an increased likelihood of moving into work, this report uses the longitudinal version of the Labour Force Survey. This follows the same households over five consecutive quarterly surveys (a year), allowing the user to track movements in and out of work. To ensure an adequate sample size, data between autumn 2010 and spring 2015 were used.

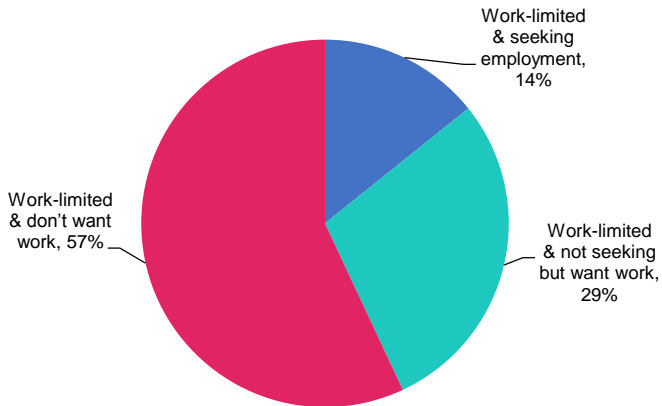
At the highest level this can be used to assess the incidence of a person with a limiting health condition or disability moving from being workless in a given year, from the first wave (survey) to being employed in any of the following four waves (surveys). The results show that very few of the overall work-limited group move into work over the course of a year.

While data from the Department for Work and Pensions suggests that around 1% of Employment and Support Allowance claimants move off the benefit each month, this is not limited to movements into work (for instance, movements off ESA might simply mean someone leaving the labour market completely or just moving to a different benefit). Analysis of the LFS longitudinal data suggests a much lower figure of just 8% of the work-limited group moving into employment in any one year.

However, there is significant variation between different groups within the overall work-limited group. One obvious variation is likely to come from the extent to which people in the work-limited group want and are seeking employment. Figure 5 shows how the workless work-limited group breaks down by their labour market engagement. The results suggest that the majority of the group are neither seeking nor wanting work. Just 14% of the group are actively seeking work. There will, of course, be good reasons for this. Some disabled people will be permanently or temporarily unable to work, others will have caring responsibilities that preclude

employment or their family arrangements mean that they do not have need to work (for example they may have a partner who is already in full time work). However, while understandable, it shows how challenging the Government's ambition is.

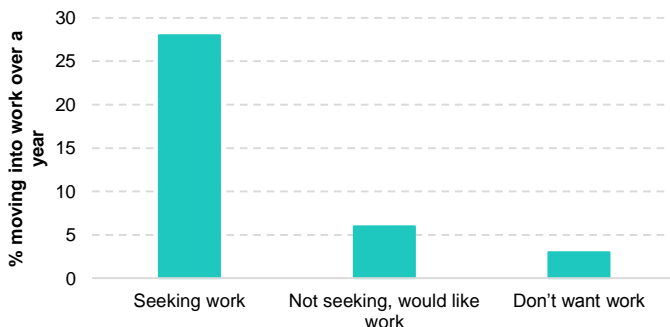
Figure 5: Workless work-limited group by labour market engagement



Source: SMF analysis, Labour Force Survey

In terms of the impact that this engagement behaviour has on movements into work, Figure 6 shows that close to 30% of the work-limited group seeking work actually move into work each year, whereas less than 3% of those who do not want work end up finding and entering employment.

Figure 6: Proportion of workless work-limited group moving into work over the course of a year, by labour market engagement



Source: SMF analysis, Labour Force Survey

Looking beyond these headline figures, a more detailed understanding of the likelihood of moving into work can be gained by undertaking a regression analysis. Box 1 summarises the results and shows that seeking work, having high qualifications, not having a mental health condition and having a relatively short time since your last job all have a large and statistically significant impact on the chances of the individual finding work.

Box 1: Characteristics associated with the likelihood of moving into work

Labour market engagement: compared to those who are seeking work:

- Those not seeking but wanting work are 74% less likely to enter work;
- Those who do not want work are 85% less likely to enter work.

Qualifications: compared to those with high qualifications (A-level and above):

- Those with low or no qualifications are less likely (43% and 61% respectively) to enter work.

Box 1 (continued)...

Condition / disability type: those with a mental health condition are around 30% less likely to move into work than those with other conditions or disabilities.

Improving condition: those with an improving condition are twice as likely to move into work.

Age: the younger the person, the more likely they are to move into work.

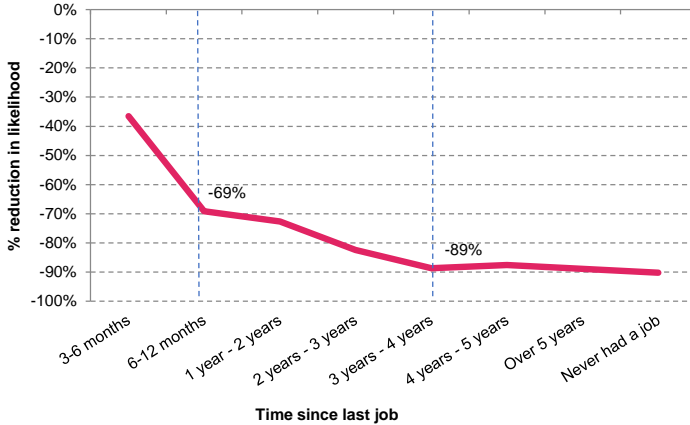
Time since last job: this is a major driver of likelihood of employment with those who had been out of work for less than six months being eight times more likely to move into work than those who had never had a job or who had been out of work for over five years.

Other characteristics controlled for included gender (no impact), family type (small impact) and time (small positive impact).

Interestingly, the analysis suggests that region of residence and regional unemployment rates have no statistically significant impact on the likelihood of movements into work from the workless work-limited group. What this suggests is that personal characteristics and depth of barriers are more important than local labour markets in driving the probability of employment. This is a result that should be investigated further with data that allows analysis to a more granular geographic level.

One of the biggest impacts is the length of time since an individual's last job. Figure 7 shows that (after controlling for all other observable differences) compared to those whose last job was less than three months ago, those whose last job was 6-12 months ago are 69% less likely to enter work over the course of a year. Those whose last job was more than four years ago (or have never had a job) are around 90% less likely to move into work.

Figure 7: Change of likelihood of finding work within a year, by length of time since last job (compared to those whose last job was less than three months ago)



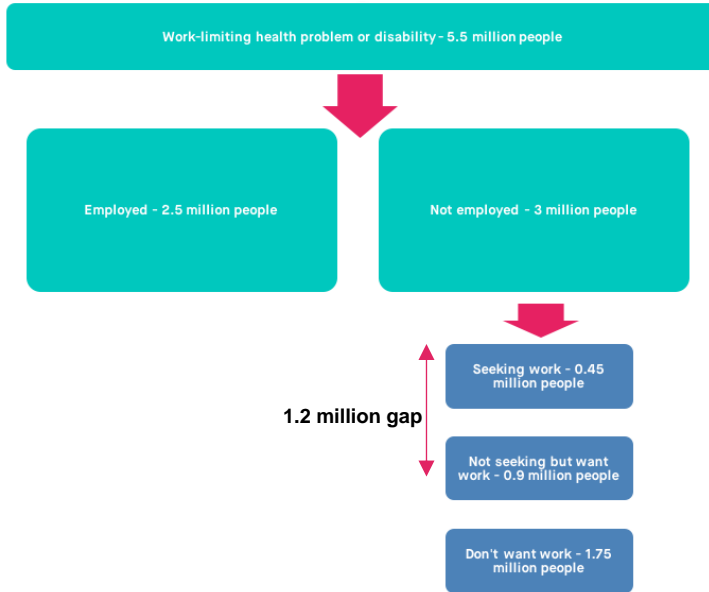
Source: SMF analysis, Labour Force Survey

Characteristics of the workless work-limited group

To understand what these results mean for the likelihood of halving of the disability employment gap, they need to be viewed alongside the characteristics of the workless work-limited group.

The first thing to note is that the gap cannot be halved simply by helping those who are already seeking work into a job. As demonstrated by Figure 8, given that 14% represents just 450,000 individuals, the disability employment gap would not even reduce by a quarter if all of these individuals were able to find work. This means that to halve the disability employment gap, those in the two groups not seeking work will need to be supported into work. This will take both a change in attitudes and ambitions and a new, more successful, approach to support.

Figure 8: Labour market engagement and the size of the disability employment gap



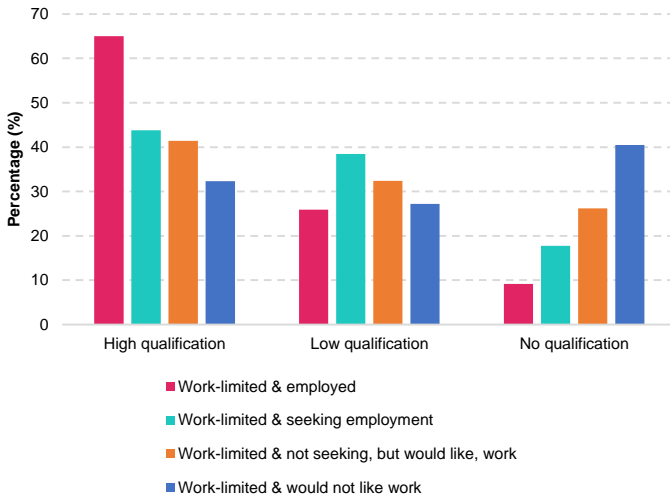
Source: SMF

However, we have already seen that the two groups not seeking work are far less likely to move into work than those who are seeking work. Looking at the composition of the three groups, this is not surprising.

Figure 9 shows that those in the work-limited group who are employed have a much higher level of qualifications than those who are not employed, nearly two-thirds have A-levels or above, compared to well under half for each of the other groups. It also shows that, compared to those who are workless but seeking work, a much larger proportion of the

groups not looking for work have no formal qualifications. Of those who do not want work, over 40% have no formal qualifications.

Figure 9: Highest qualifications, by presence of limiting condition and labour market activity



Source: SMF analysis, Labour Force Survey

A similar story is told by Figure 10, which shows that nearly eight in ten of those who do not want work have either never had a job or were in their last job over five years ago. By contrast, less than half of those seeking work are in that situation. Nearly a third of the seeking work group have been employed at some point in the last two years.

Figure 10: Length of time since last job, by presence of limiting condition and labour market activity



Source: SMF analysis, Labour Force Survey

The not-seeking group are also older (median age of 51 compared to the seeking median age of 39), more likely to have a larger number of health conditions and less likely to have a health condition or disability that is improving.

Overall this shows that, in terms of the characteristics that are linked with chances of employment, (perhaps unsurprisingly) there are distinct differences between those in the work-limited group who are already in employment and all other groups. This suggests that, on average, those currently out of work in work-limited group will be harder to help into work than those who have already moved into work.

In turn, the analysis also demonstrates large differences between those not currently in work, but who are seeking and those who are not seeking work. The implication is that even if all of those seeking work were helped

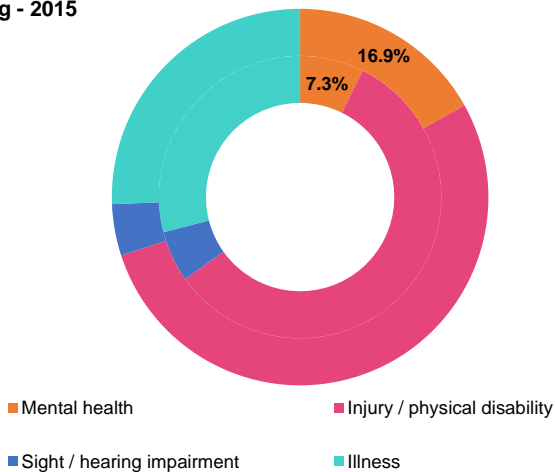
into employment, if the Government is successful in encouraging others to seek work, they will be (on average) significantly more difficult to help into work.

Focus on mental health

There have also been changes over time in the characteristics of the workless work-limited group. As documented in other reports, a particularly stark change has been in the incidence of mental health conditions.¹² Figure 11 demonstrates that the proportion of the work-limited group who state a mental health condition as the first reported health condition in the LFS has more than doubled over the last 15 years.¹³

Figure 11: First health condition/disability mentioned for those with limiting health condition or disability

Inner ring - 2000
Outer ring - 2015



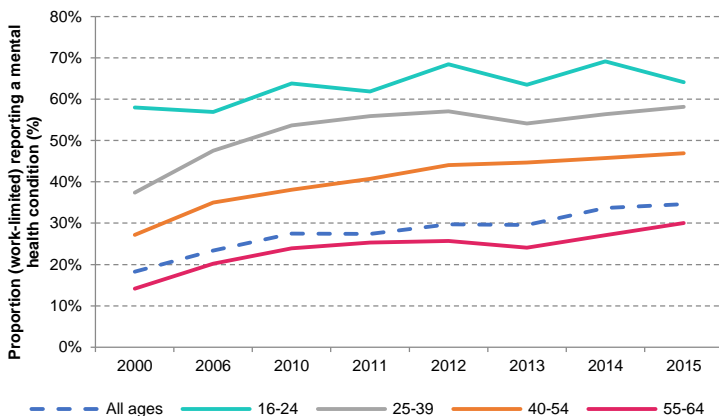
Source: SMF analysis, Labour Force Survey

Looking beyond the first condition reported, the prevalence of mental health conditions grows significantly. Figure 12 shows that 35% of the work-limited group report a mental health condition as one of the health conditions they have.

There is also a distinct age consideration here. The prevalence of mental health conditions is significantly higher for younger age groups, with 64% of 16-24 year olds in the work-limited group reporting a mental health condition and 58% of the 25-39 year-old work-limited group. Just looking at those 16-24 year olds who are workless and in the work-limited group, some 88% report having a mental health condition.

Given the results earlier that showed that, compared to those with other conditions, those with a mental health condition are around a third less likely to enter work, this trend is particularly concerning.

Figure 12: Proportion of work-limited group reporting a mental health condition (not necessarily as first problem), by age group



Source: SMF analysis, Labour Force Survey

What does this mean?

This chapter has presented a picture of the challenge that the Government faces to meet its ambition of halving the disability employment gap. Conclusions include:

- To halve the disability employment gap, over 1.2 million more people with a work-limiting health condition or disability need to be helped into sustainable employment;
- Currently, just 8% of workless people in the work-limited group move into employment in any one year and flows into the workless work-limited group negate the majority of the impacts of these flows. So to achieve this within 20 years would require at least a trebling of the growth of the disability employment rate compared to the last 15 years. The growth rate will need to increase even faster if the non-work-limited employment rate continues to rise;
- For this to happen, many of those who are currently not seeking or not wanting work will need to be supported and helped to find work;
- Both of these groups are significantly more disadvantaged (in terms of their employability) than those in the work-limited group who are currently in work or seeking work;
- All of this is becoming more challenging as the prevalence of mental health conditions, particularly in young people, increases steadily over time.

From this analysis, it is clear that this challenge is a significant one. It will require a step change in performance in helping this group and potentially significant investment to ensure that their outcomes improve.

CHAPTER 3 – PRINCIPLES FOR REFORM

Chapter 2 demonstrated the scale of the challenge that halving the disability employment gap presents. On the basis of this evidence it is clear that the current system of benefits and support for disabled people and people with a work-limiting health condition are simply not effective enough. In short, without significant reform, the ambition will not be achieved.

This has already been understood by the Government. From the start of this Parliament, it has been clear that they intend to undertake significant reform to try to help more disabled people back into work. A range of policies have already been announced or put in place, including:

- The Work and Health Programme will replace the Work Programme and Work Choice when it rolls out in 2017 and will focus its employment support efforts predominantly on those with a health condition or disability.¹⁴
- Creating the Disability Confident scheme to help support employers to recruit and retain more disabled people.¹⁵
- Funding for Access to Work has been increased.¹⁶
- The Work and Health Unit has been set up to try to break down the siloes in working between the Department for Work and Pensions and the Department for Health. With it comes funding for innovation and a commitment to carry forward work to create a Social Impact Bond.¹⁷
- A fund of £60m - £100m has been committed to helping claimants of Employment and Support Allowance (ESA) to find and enter work.¹⁸
- There have also been changes to benefits, with the level of benefit received by those in the Work Related Activity Group of ESA being reduced to match that of Jobseeker's Allowance claimants.¹⁹

On top of these, it is likely that the upcoming White Paper will both announce significant reforms and outline a broader direction of travel for future reform. The Secretary of State has already outlined a number of potential areas for reform in a speech given in the summer of 2015.²⁰ These included reform of ESA and the Work Capability Assessment that determines the level of benefit an individual receives and the broad level of requirements placed on them; asking more of employers; joining up health and work services, including the new Fit for Work service; and a focus on providing extra help to those with mental health conditions.

Taking some of these ideas forward will undoubtedly be controversial. They will draw a mixed response from disabled people, businesses, commentators and lobby groups. However, the intention to improve outcomes for disabled people and fix a broken system is clear. In this spirit, this chapter outlines principles for future reform.

Setting realistic ambitions, taking enough time

The relatively slow rate of progress over the last 15 years and the scale of the remaining challenge suggests that the disability employment gap will not be halved in this Parliament. Chapter 2 outlined that, even if growth in the disability employment rate trebled, all else equal it would take some 20 years for the gap to be halved. In short, this must be a long-term goal, not one to attempt to rush.

This is vital to keep in mind. While the Government will, no doubt, be keen to progress ideas quickly and legislate soon, previous attempts at significant policy changes have shown the dangers of rushing reform. Examples include reform of tax credits,²¹ the Child Support Agency,²² the design of the Work Capability Assessment²³ and, more recently, Universal Credit.²⁴ Each has been plagued with issues including implementation delays, IT failures and project management conditions, undermining confidence in the programmes and costing the Government more than they should.

To ensure that this does not happen again, the Government must be clearer about its short-term ambitions. Based on trends over the last 15 years, around 90,000 more disabled people might be expected to enter work by the end of this Parliament. The Government should set the ambition to increase this number to 190,000. Doing so would signify a positive step in closing the disability employment gap, would improve outcomes for those 100,000 individuals and their families and modelling suggests that it would produce additional savings (in terms of benefit reductions and tax increases) for the Exchequer of around £1 billion a year by the end of the Parliament.²⁵

A commitment to consult and test

As progress over the last four years has shown, helping an additional 100,000 disabled people into work in the space of four years will be a significant achievement. However, it is important to be clear that there is little evidence to guide policy reforms to achieve that goal. In practice, knowledge of what works at a national scale in helping those with a work-limiting health condition or disability into work is scant. An OECD report on the subject summarised that:

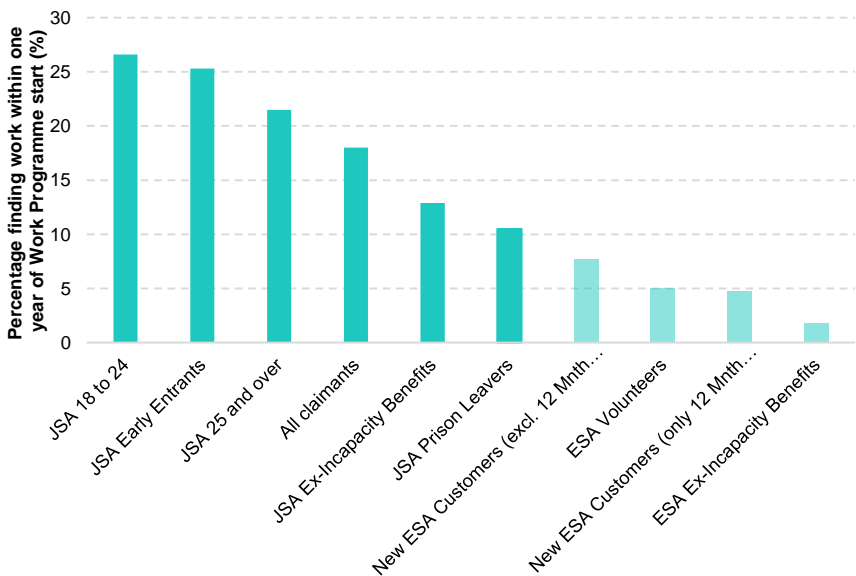
Rigorous evaluation of particular programmes, especially employment and rehabilitation measures, and policy components is scarce all over the OECD. This lack of evidence is a major bottleneck for identifying what works, and for whom, for people with health problems or disability.²⁶

The impact that this lack of evidence is clear in the lack of success that the UK has had in closing the disability employment gap. It is also clear when the performance of individual programmes is assessed. For example, Figure 13 shows the performance of the Work Programme for different groups of claimants. As outlined earlier, it shows that only

between 5% and 10% of ESA claimants referred to the programme found sustainable work within a year of being on the programme.

This is not to say that the programme was a failure. It performed as well, or better, than programmes that came before it, at a lower cost.²⁷ However, it highlights the general conclusion that little is known about what can successfully help disabled people and those with a work-limiting health condition into sustainable work.

Figure 13: Percentage of each group finding sustainable work within a year of starting the Work Programme²⁸



Source: SMF analysis, Labour Force Survey

The implication of this lack of knowledge for policymakers is that a silver-bullet solution will not be found at short-notice. Innovation will be needed,

new ideas will need to be tested and promising results will need to be built upon and understood in terms of an approach that can be rolled out on a national scale. As such, it will not be possible to put forward a complete blueprint of a new system of benefits and support that will lead to halving the disability employment gap.

Attempting to do so could have potentially serious implications for those that the Government is trying to help. Where programmes, benefit reforms or interventions are not effective, they risk worsening health conditions or disabilities, reducing incomes and making outcomes worse for this group.

For these reasons, it is essential that the Government commits to both properly consulting on proposals outlined in the White Paper and creating a framework within which testing, piloting and pathfinder approaches can be delivered through national, local government and private / third sector providers. Only then should they seek to roll out any interventions on a national scale.

CHAPTER 4 – A SYSTEM THAT HELPS

Chapter 3 outlined a set of principles that should be used to guide reform of benefits and support for disabled people and those with a work-limiting health condition. This chapter builds on these principles and puts forward a set of options for reforms that could deliver a system that is both more supportive and more effective in closing the disability employment gap. It focuses on the role that the benefits system should have in providing the financial security and incentives on which interventions to help individuals move towards and into work can build. Future reports from the Social Market Foundation will focus more on the role of employers and the wider societal changes that might be needed.

Making benefits and conditionality work

While little is known about what works for helping disabled people into work, what has been attempted has appeared to have little effect. Alongside the extra costs benefit²⁹ Personal Independence Payment (PIP) (and previously Disability Living Allowance (DLA)), the introduction of Employment and Support Allowance (ESA), Work Capability Assessment (WCA) and Work Related Activity Group was designed to provide adequate financial support to those temporarily or permanently unable to work, whilst simultaneously helping to provide incentives and support for claimants to move closer to (and ultimately into) work where they were able.

However, in practice, this has not been the case. There are a number of well-documented concerns that will need addressing if the disability employment gap is going to be halved.

Other reports have made strong arguments in favour of significantly reforming ESA and the WCA.³⁰ Key arguments include that, contrary to the initial intent, the vast majority of ESA claimants are now placed in the

Support Group, meaning that ESA is no more of an “active” benefit than Incapacity Benefit, which it replaced. The assessment is extremely unpopular with claimants, charities and advocates for disabled people³¹ and it has been suggested that the assessment itself can have a significant negative impact on health (and by implication the likelihood of someone finding work).³²

Given the structure of the system in place this is, perhaps, unsurprising. Uncertainty around the outcomes from the assessment process, concerns and fears around conditionality and sanctions and financial benefits of being in the Support Group create a situation where claimants are encouraged to aim to be placed in this group. Given the greater financial security this delivers for them and their family, this is a completely rational and understandable response to the system that has been created. However, by doing so, it focuses attention on securing benefits and appealing where the result is not what they wished, rather than focussing on attempts to move closer to work. Once benefits have been secured, the fear of reassessment reduces the incentive to move towards work and access to employment support and other forms of Government help are limited. With the reduction in rate of benefit for the Work Related Activity Group, this incentive is likely to become more stark.³³

Ultimately, it is possible that the whole process means that the individual is less likely to ever move back to work than if it were not in place. This view is supported by the last of the independent review of WCA, which suggested that “...determining benefit eligibility and supporting employment outcomes may not be compatible objectives”.³⁴ Similarly, commenting on a Paul Gregg lecture, Ben Baumberg summarises the argument succinctly:

“...it’s [the WCA] a self-defeating strategy because it makes people less likely to go back to work. Disabled people are more likely to ‘hunker down’ and cling onto their benefits rather than take

*the risk of working and then having to go through the claims process all over again.*³⁵

Overall, perhaps the most important criticism is that, with the system in place for several years, the flows off the benefit and into work are incredibly low. As shown in chapter 2, while off-flows from ESA remain relatively high, just 8% of workless people with a work-limiting health condition or disability move into work in any year.

While the problems are clear, there are no easy answers and reform of ESA and the system of assessment for eligibility should not be undertaken lightly. Any reforms should be properly consulted on and undertaken with support of the various interested parties. The White Paper should set out a process for doing that.

To help frame that discussion, there are four principles that should form the basis for reform of ESA and the WCA:

- **Splitting benefit eligibility from setting conditionality**
As suggested in other reports, the assessment of eligibility for benefit should be split from the assessment of an individual's ability to move towards and enter work. This would ensure that, no matter what the level of benefit an individual receives, they will still have an incentive to engage with the support available and move towards work if they are able to.
- **Creating a common income-replacement element in Universal Credit**
The most obvious way of delivering this would be to remove the WCA and create one aligned income replacement benefit within Universal Credit. Anyone out of work and claiming benefits would receive the same basic entitlement to Universal Credit.

- **Accounting for the extra costs of disability**

In effect, this would remove the Support Group element of ESA and align benefit rates for disabled and non-disabled claimants in Universal Credit. However, it is clear that those with a disability often face extra costs of living.³⁶

To deliver this, the existing costs of PIP / DLA and the Support Group element of ESA should be brought together to finance a new extra costs benefit. Eligibility for this benefit should be determined on the basis of need, with an assessment replacing the WCA and PIP assessment and designed with extensive consultation.

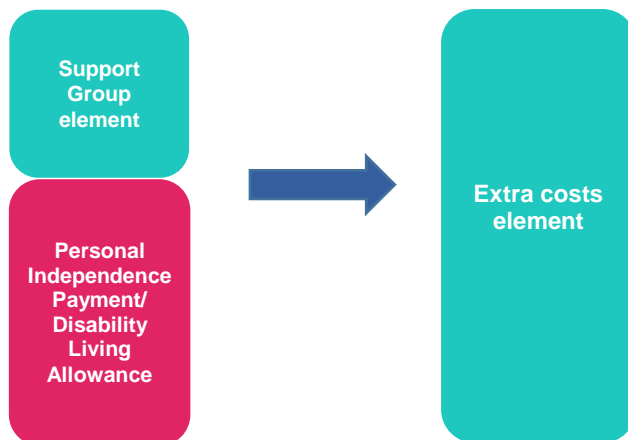
Where individuals are unable to work, there should also be a principle that the level of benefit provided is sufficient to allow them to live comfortably and engage fully in society. In the longer-term, the Government should explore whether these benefits could be set to ensure that disabled claimants are lifted out of poverty with the income they receive.

Overall, this would mean that this is not a reform that saves money (see Figure 14). Instead it would be an attempt to ensure both that the available money is distributed more effectively according to need and that the system does not create perverse incentives. In the longer term lifting benefits to a level that lifts disabled claimants out of poverty could cost more per claimant. However, with the ambition of ensuring that less disabled people are out of work, the overall benefit bill should still fall, while those on benefits are better protected.

In the short term, as with any reform, there could be some individuals who would be worse off under the new system. For instance, not all those in the Support Group claim PIP, meaning that a reduction in the base level of benefit could impact on them. However, the intention would be to replicate the support available through the new extra costs benefit and

should reform be taken forward, the Government should consider protecting those already claiming benefit from potential losses.

Figure 14: Combining the Support Group element with PIP to create a new extra costs benefit



Source: SMF

- **Out on limb – contributory ESA**

Contribution-based ESA is currently expected to run alongside Universal Credit. However, these reforms will mean that the basis for determining eligibility (the WCA) to contribution-based ESA will be removed. This means that reform will be needed. Many reports have outlined strong arguments for strengthening the role of contributory benefits.³⁷ For instance, these have focussed on the role that a form of privately run social insurance could play in both increasing benefit generosity and improving the support that individuals get to manage their conditions and move back to work. These wider reforms of ESA would provide a much needed opportunity to revisit these arguments and build a benefit system that is both more supportive and more sustainable in the long term.

Smarter conditionality

With the removal of the WCA, Support Group and Work Related Activity Group, a new process for understanding the ability of individuals to engage with employment support and take steps back to work needs to be created. This should be conducted after benefit eligibility and levels have been determined and the results of this should not impact on the level of benefit received.

- **A mandatory meeting to discuss support options**

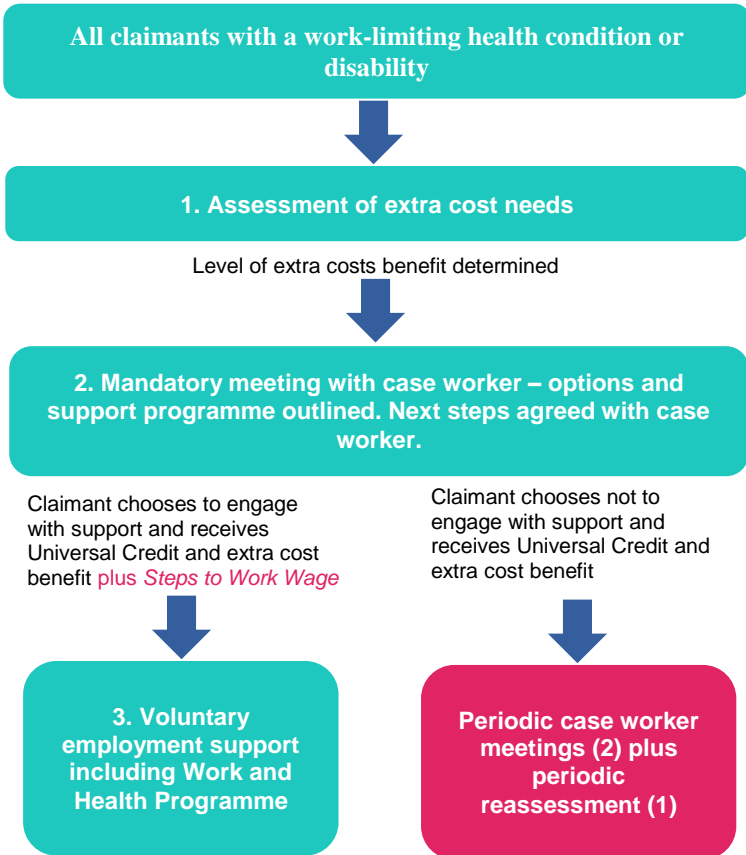
All claimants with a work-limiting health condition or disability should be required to attend a meeting with a specialised case worker. This meeting would outline the range of support available, reassure people that their benefit would not be affected by taking on support and discuss next steps. Failure to attend this meeting without good reason would result in a sanction being applied. However, compared to the existing system, this meeting would not place extra burdens on the individual.
- **Voluntary support for those who want it**

Following this mandatory meeting, further support would be voluntary. Individuals could choose whether or not to take it up. If they chose to disengage from the system, they would be able to do so, without fear of their benefits being affected.
- **Backed up with financial incentives**

Those who did choose to engage with the system of support, whether at Jobcentre Plus, the Work and Health Programme, or wider services would be financially compensated for their time through a Steps to Work Wage. The level of payment and conditions involved would be agreed between the case worker, individual and support providers and written in a contract, much like an employment contract. Failure to adhere to the terms agreed to in the contract would mean that the Steps to Work Wage would not be paid.

Figure 15 provides an outline example of how this new system of eligibility assessment and conditionality might look.

Figure 15: Simplified indication of how a new system might look



Source: SMF

An approach like this would completely turn around the principles of conditionality and sanctions. Rather than claimants having to comply with requirements in order to receive their benefit, they would be compensated for the efforts they make to move towards and enter work. There are precedents for taking such an approach. The Employment Retention and Advancement demonstration incentivised participants to undertake training whilst in work and had positive impacts on the take-up (particularly for the most disadvantaged group) and wages.³⁸ Looking more broadly, financial incentives have also been used to encourage participation in post-16 education through the Education Maintenance Allowance. Evidence also shows that these incentives improved participation and outcomes for the groups targeted.³⁹

However, building a whole system around this principle would clearly come with fiscal (and non-fiscal) risks. If these risks were deemed to be too great, the principles outlined above could be included as part of a wider package of reforms or more narrowly targeted. For instance, the principle of compensation for engagement could be piloted within a City Region, or targeted on the existing support group. Doing so could provide firmer evidence of the potential effectiveness of this approach with lower risks to the Treasury.

Focus employment support where it will have most impact

Overall funding for employment support for disabled people is expected to rise over the course of this Parliament. However, the allocation of that funding has been changed substantially. For example, while the funding envelope for the Work and Health Programme will eventually rise to around £130 million a year, it is a significant cut to the envelope available under the current Work Programme.⁴⁰ It is also still a relatively small and thinly spread budget.

As a basic example, assuming that helping 100,000 more disabled people into work would require working with 500,000 individuals (i.e. a

20% success rate)⁴¹, the combined support available through the Work and Health Programme (£130 million) and the £100 million support earmarked for those on ESA, would represent less than £500 a year for providers to invest in tackling the problems that each of these individuals faces. While this is a simple example (other support is available elsewhere and employment support will not be the only route through which the disability employment gap can be reduced), it highlights the financial challenge that is present in helping those individuals who do have significant barriers to employment.

The example also shows that with the funding envelope set out, it will be impossible (and futile) to look to support all of those with a disability or ill health back to work. Instead, to ensure that the most impact is made with the money it should be targeted at those where the largest impact might be made. This will allow for better assessment of the interventions that work and more time to design more effective interventions that could be rolled out more broadly across the harder-to-help groups.

- **Focusing support on those closer to the labour market**

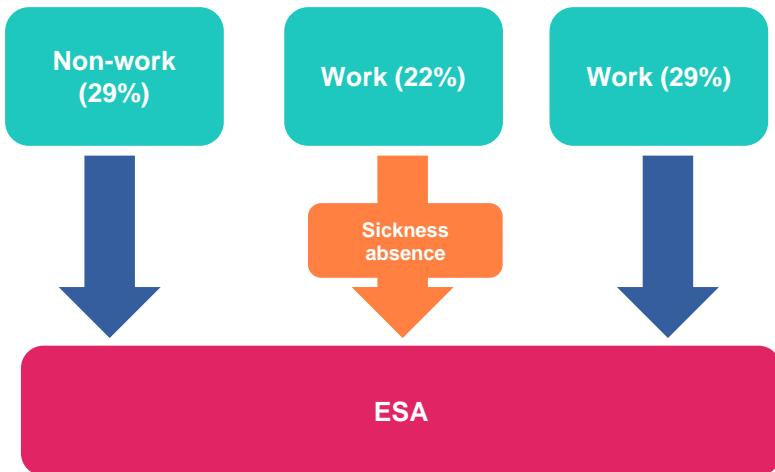
The first of the groups where early attention should focus is those who are already seeking work. This will be the most effective way of boosting the disability employment rate within any budgetary envelope.

Chapter 2 demonstrated that those who want and are seeking work have less barriers to employment and are around six times more likely to enter work than those who say they do not want work. There are around 450,000 in this group, so focussing support could have a significant impact on the disability employment gap and our understanding of what interventions work.

Chapter 2 also demonstrated that those whose last job was less than six months ago are significantly more likely to find work

within a year. Figure 16 shows that over half of all new claims of ESA are from those leaving work because of the onset of a health condition or disability. Focussing on stemming this flow into disability benefits would be an obvious way to try to close the disability employment gap. This will require improving support available through programmes like Fit for Work and Access to Work and consideration of factors like the role and structure of Statutory Sick and how businesses can support individuals experiencing the onset of a health condition or disability to stay closer to work and move back to work more quickly. These issues will be considered in our next report.

Figure 16: Routes into Employment and Support Allowance⁴²



- **Significant pilots to create the evidence base**
Since those closest to work are more likely to engage in voluntary support, the recommendation for voluntary programmes should help to ensure that employment support is

targeted at the groups outlined above. However, the Government should go further in supporting this principle.

It is clear that over the next five years, a significant number of variations in policy and pilots are likely to be tested. City Regions with devolved powers, Local Authority trials, innovation pilots from the Health and Work Unit, European Social Fund investment and the £100 million ring-fenced for support of ESA claimants should all lead to innovative interventions being trialed. To ensure that this money is best spent, the Department needs to take a strong leadership role. It must ensure that a consistent framework for assessment of outcomes is established and that all pilots and new programmes have a comprehensive evaluation strategy. Doing so will mean that lessons can be learnt from these new approaches and they can be rolled out more widely where they are shown to be successful.

The Department and Treasury should also be open to new (and old) ideas being tested. The evidence above demonstrates both that (as so few of the group currently move into work) the “deadweight” associated with supporting this group of benefit claimants is extremely low and that early intervention is essential for securing better long-term outcomes. These facts point to programmes where intervention is targeted much earlier than has previously been the case and approaches that invest more upfront to leverage benefit savings in the future (so-called DEL-AME switches).

CONCLUSION

This report has outlined the scale of the challenge that the Government will face in halving the disability employment gap. The benefits of doing so are clear. Disabled people, their families and communities and the wider economy all stand to gain significantly. However, achieving this ambition will take significant reforms. Progress over the last 15 years has been slow and, as more disabled people enter work, those remaining workless will (on average) be harder to help than those who came before.

While significant reforms are needed, they should not be rushed, doing so would repeat the mistakes of the past and risk creating worse outcomes for those the Government is trying to help. To ensure that this does not happen, this report has set out a range of principles for how reform should progress and a number of areas where specific reforms should be considered. While they do not represent a blueprint for changes, if taken forward, they could provide the basis for an ongoing consultation on significant and wide scale changes to improve labour market outcomes of disabled people and those with a work-limiting health condition.

ENDNOTES

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³ “Having a physical or mental impairment that has a 'substantial' and 'long-term' negative effect on your ability to do normal daily activities.”

⁴ Note that, unless otherwise stated, all analysis of employment rate in this report uses working age (16-64) population, excluding full-time students and those who have retired.

⁵ Waddell, G., and Burton, A.K., (2006), *Is work good for your health?* TSO, Norwich.

⁶ Millar, J., and Ridge, T., (2001), *Families, Poverty, Work and Care: a review of literature on lone parents and low income couples*. Department for Work and Pensions Research Report No.153.

⁷ Beatty, C., & Fothergill, S., (2011), *Incapacity benefit reform: the local, regional and national impact*. CRESR, Sheffield. Available at <https://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/incapacity-benefit-reform.pdf> Accessed 17/02/16.

⁸ Scope, (2015), *A million futures: halving the disability employment gap*. Scope, London. Available at <http://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/A-million-futures-halving-the-disability-employment-gap.pdf> Accessed 17/02/16.

⁹ DWP, (2016), *Benefit expenditure and caseload tables 2015*. Available at <https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2015> Accessed 17/02/16.

¹⁰ Black, C., & Frost, D., (2011), *Health at work- an independent review of sickness absence*. HMSO, London. And see <http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/07/15/rising-sick-bill-costs-uk-business-163-29bn-a-year.aspx> Accessed 17/02/16.

¹¹ Note that the Government has shown that 256,000 more disabled people were employed in 2015, compared to 2014. However, much of this increase reflected a significant dip in the figures in 2014. Between 2013 and 2015, there was an increase in employment of around 21,000.

¹² Litchfield, P., (2014), *An independent review of the Work Capability Assessment – year five*. HMSO, London.

¹³ Note that this result does not match with the those of the Adult Psychiatric Morbidity Survey. However, it does match what we know from other reports (e.g. Litchfield, 2014) and data on reason for ESA claims.

¹⁴ HM Treasury, (2015), *The Spending Review and Autumn Statement*. <https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>. Accessed 18/02/16.

¹⁵ See <https://www.gov.uk/government/collections/disability-confident-campaign> . Accessed 18/02/16.

¹⁶ HM Treasury, (2015), The Spending Review and Autumn Statement. <https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>. Accessed 18/02/16.

¹⁷ <https://www.whatdotheyknow.com/request/304982/response/749658/attach/html/2/5005%20reply.pdf.html> Accessed 18/02/16.

¹⁸ HM Treasury, (2015), The Summer Budget. <https://www.gov.uk/government/topical-events/budget-july-2015>. Accessed 18/02/16.

¹⁹ Ibid.

²⁰ Iain Duncan Smith, (2015) Speech on work, health and disability. 24th August, 2015. Available at: <http://www.reform.uk/publication/rt-hon-iain-duncan-smith-mp-speech-on-work-health-and-disability/> Accessed, 17/02/16.

²¹ For example, see: <http://www.computerweekly.com/news/2240053888/Inland-Revenue-should-not-put-all-blame-for-tax-credit-failure-on-sacked-supplier> Accessed, 17/02/16.

²² For example, see: <http://www.theguardian.com/politics/2007/jul/05/children.publicservices> Accessed, 17/02/16.

²³ For example see: Work & Pensions Select Committee, (2015), Benefit Delivery. Available at: <http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/372/37211.htm> Accessed, 17/02/16. And Kennedy, S., (2012), The Work Capability Assessment for Employment and Support Allowance. House of Commons Library, Standard note SN/SP/5850.

²⁴ For example, see Public Account Committee, (2016), Universal Credit: progress update. Available at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news-parliament-2015/universal-credit-progress-update-report-published-15-16/>

²⁵ Modelling using the WPI Economics Employment Support Costing Model. It assumes that 190,000 more disabled people are in work than now; that they enter work at similar wages and hours as disabled entrants currently do (based on an analysis of the LFS); and that the system of Universal Credit is in place. Calculated savings are “additional” (i.e. after deadweight) and based on estimates of reduced benefit expenditure and increased tax take.

²⁶ OECD, 2010, *Sickness, Disability and Work: Breaking the Barriers*. A synthesis of findings across OECD Countries. Available at:

http://ec.europa.eu/health/mental_health/eu_compass/reports_studies/disability_synthesis_2010_en.pdf Accessed, 17/02/16.

²⁷ NAO (National Audit Office) (2014), *The Work Programme: Report by the Comptroller and Auditor General*. HC 266, Session 2014-15, 2 July. London: NAO

²⁸ DWP (2015a) *Work Programmes statistical summary: Data to 30 June 2015*. London: DWP. Available at: <https://www.gov.uk/government/statistics/work-programmes-statistical-summary-data-to-30-june-2015> (accessed on 3 November 2015)

²⁹ Extra cost benefits are intended to provide support for the extra costs of living that disabled people face compared to other benefit claimants.

³⁰ Holmes, E., Pickles, C., & Tittley, H., (2015), *Employment and Support Allowance: the case for change*. Reform, London. Baumberg, B., Warren, J., Garthwaite, K., & Bamba, C.,(2015), *Rethinking the Work Capability Assessment*. DEMOS, London.

³¹ For example see <http://www.cpag.org.uk/content/whither-wca> and <http://www.mind.org.uk/news-campaigns/news/nearly-20-000-people-call-for-overhaul-of-fit-for-work-test/#.VsSePfkLSUk>

³² Barr, B., Taylor-Robinson, D., Stuckler, D., Loopstra, R., Reeves, A., & Whitehead, M., (2015), "First, do no harm": are disability assessments associated with adverse trends in mental health? A longitudinal ecological study". *J Epidemiol Community Health* doi:10.1136/jech-2015-206209.

³³ See <https://www.rethinkingincapacity.org/why-the-budgets-cut-to-esa-may-backfire/> , Accessed 17/02/16. Written evidence for the Welfare Reform and Work Bill Committee from Scope, (2015). <http://www.publications.parliament.uk/pa/cm201516/cmpublic/welfarereform/memo/wrw19.htm> Accessed 17/02/16.

³⁴ Litchfield, P., (2014), *An independent review of the Work Capability Assessment – year five*. HMSO, London.

³⁵ See <https://inequalitiesblog.wordpress.com/2012/09/27/paul-gregg-disability-employment-speech/> Accessed 17/02/16.

³⁶ Morciano, M., Hancock, R., & Pudney, S., (2012), *Disability costs and equivalence scales in the older population*. ISEER Working Paper No. 2012-09.

³⁷ Hughes, S., (2014), *Making contributions count: Reforms to create a social security system for the 21st Century*. Policy Exchange, London. Bell, K., & Gaffney, D., (2012), *Making a contribution: social security for the future*. Trade Unions Congress, London.

³⁸ Sianesi, B., (2011), 'Employment Retention and Advancement (ERA) demonstration: The Impact on Workers' Outcomes'. Department for Work and Pensions Research Report No.759. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214534/rrep759.pdf Accessed 21/02/16.

³⁹ Bolton, P., (2011), 'Education Maintenance Allowance (EMA) statistics'. House of Commons Library Standard Note, SNSG/5778. See also CRSP & IFS (2005), 'Evaluation of Education Maintenance Allowance Pilots: Young People Aged 16 to 19 Years Final Report of the Quantitative Evaluation'. Department for Education and Skills Research Report RR678. Available at <http://dera.ioe.ac.uk/5734/1/RR678.pdf> Accessed 22/02/16.

⁴⁰ See <http://www.learningandwork.org.uk/our-thinking/news/dwp-employment-programme-funding-set-80-cut> . Accessed, 17/02/16.

⁴¹ Note that this is a significant improvement on performance of, for instance, the Work Programme. However, the voluntary Work Choice programme achieves outcomes in excess of this.

⁴² Sissons, P., & Barnes, H., (2013), 'Getting back to work? Claim trajectories and destinations of Employment and Support Allowance claimants', *Journal of Poverty and Social Justice*, vol. 21 (3) (2013): 233-246. Cited in Holmes, E., Pickles, C., & Titley, H., (2015), *Employment and Support Allowance: the case for change*. Reform, London.