

# Disability alliance

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## **R38 Evidence to the Work and Pensions Committee Inquiry: “Employment for all: assisting people with health problems and disabilities into work”**

### **Summary**

- ❖ There is no evidence that any Incapacity Benefit (IB) recipients are wrongly in receipt of the benefit. However, many people on IB would like to work, and with the right job and appropriate support could do so.
- ❖ The reasons for the high numbers of people on incapacity benefits are complex and a number of different trends can be identified. A substantial increase in numbers would be expected as a result of two major demographic changes: an ageing workforce and the increased participation of women in paid work. There has been little analysis of women IB recipients.
- ❖ **Jobcentre Plus has two main objectives:**
  - to help people get work or improve their chances of getting work, including advice on in-work financial help
  - to make sure that people are aware of all the benefits and other help available, are helped to access them and receive their entitlement quickly and accurately.
- ❖ **Removal of Risk:** moving into work involves enormous risks for someone who has been out of the labour market for any length of time. Emotional risks, health risks and financial risks all loom large. They can become major barriers. Government strategy needs to recognise this and act to remove or reduce risk wherever possible. Jobcentre Plus can help by ensuring people are getting their full benefit entitlements and by developing a personalised ‘Back to work diary’ to show individual people how their income will be affected as they move into work.
- ❖ **Job retention:** Everyone on IB once had a job. If help had been made available when their health or disability first began to cause difficulties it is very possible that many thousands of people could have been able to stay in work. Jobcentre Plus is ideally placed to develop work with employers on ‘job retention packages’.
- ❖ **Changes to the tax credit and benefits system:** there are a number of specific and relatively easy to make changes which would help disabled people maintain links with the world of work, minimise risk in the transition into work and help prevent people leaving employment when they develop ill-health or a disability.

## **Evidence to the Work and Pensions Committee Inquiry: “Employment for all: assisting people with health problems and disabilities into work”**

### **1. Introduction**

- 1.1 Disability Alliance is a national registered charity with the principal aim of relieving the poverty and improving the living standards of disabled people. Our eventual aim is to break the link between poverty and disability.
- 1.2 We are a membership organisation with almost 400 members who range from small self-help groups to major national disability charities. We are controlled by disabled people who form a majority of our Board of Trustees.
- 1.3 We provide information on social security benefits to disabled people, their families, carers and professional advisers. We run three telephone helplines and have an extensive programme of training courses aimed at professionals working in both the statutory and voluntary sectors.
- 1.4 We are best known as the authors of the Disability Rights Handbook, an annual publication with a print-run of 30,000, but also publish a range of other guides to the benefits system and a quarterly Disability Rights Bulletin.
- 1.5 We undertake research into the needs of disabled people - with a particular emphasis on income needs. We have just received funding to carry out a major piece of work, together with the Centre for Research in Social Policy at Loughborough University, into the extra costs faced by disabled people.
- 1.6 Our policy work is informed by our daily contact with disabled people and those who provide services for them.
- 1.7 We welcome the opportunity to submit evidence to this Inquiry and would be happy to provide oral evidence to the Committee. We have not attempted to answer all the questions raised by the Committee but have concentrated on those areas in which we have experience and expertise.

### **2. Do the high numbers claiming Incapacity Benefit represent ‘hidden unemployment’?**

- 2.1 If this is meant to imply, as the press often does, that there are many people on incapacity benefit (IB) who are not disabled at all but merely long-term unemployed then the answer is no. Everyone on IB has to go through a strict test carried out by DWP contracted doctors, unless their condition is so severe that they fall into one of the exempt categories. Government investigations have shown that problems of fraud<sup>1</sup> within IB are negligible.
- 2.2 However, it is certainly the case that many people on IB would like to work, and with the right job and appropriate support could do so. To this extent they are

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<sup>1</sup> DWP National Benefit Review, July 2001. This investigation found that fraud was estimated to affect up to 0.5% of cases. The numbers were so low as to prevent the production of robust central estimates of numbers of claimants and overpayment.

part of the 'hidden unemployed'. The term 'incapacity' is particularly unhelpful. What really matters is not whether someone is 'incapable' but that disabled people and those with serious health problems **are given a choice** about whether or not to work. What Government policy should be about is making that choice a real one – both for those who want to work and those who do not. This means help for those who want to work, which could include access to training and education, grants, equipment, and benefits advice, backed up by anti-discrimination legislation. And sufficient support for those who choose not to work, an adequate income to live on and access to good information about educational opportunities and other sources of care and support services. Social inclusion should not be restricted to those able to enter paid work.

- 2.3** It is also important to analyse why the number of people on incapacity benefits is so high (see Appendix 1). Much media comment implies that numbers are far higher than should be expected and increasing in an out-of-control fashion. In fact neither is true. The position and the underlying trends are quite complex. Demographic factors should have led to an increase in numbers. For example, given the link between age and disability/ill-health we would expect there to be more people on IB in older age groups. This is in fact the case and, as there are now proportionately more people in these age groups in the population, the numbers on IB are correspondingly higher. But there have also been increases amongst younger age groups and in some older age groups numbers have in fact been falling.
- 2.4** There has been a steady increase in the number of women IB recipients as more women now work and pay the national insurance contributions necessary to be eligible for IB. What is not known is whether in previous years the same proportion of women were disabled/suffered ill-health but were not visible because they did not have access to IB (weren't in paid work or paid the married women's stamp which did not give access to IB) or whether work has a negative affect on women's health and more women are now disabled/in ill-health.
- 2.5** There needs to be a detailed analysis (not possible from DWP published statistics) of women IB recipients. What impairments and medical conditions do they have, what is their employment history and in what areas of the country do they live. Without such information the Government may well miss the opportunity provided by Jobcentre Plus to develop the most effective policies and programmes to help disabled women back to work.

### **3. What is or should be the role of Jobcentre Plus?**

- 3.1** We see Jobcentre Plus as having two main objectives for disabled people or those with ill-health:
- to help people get work or improve their chances of getting work, including advice on in-work financial help
  - to make sure that people are aware of all the benefits and other help available, are helped to access them and receive their entitlement quickly and accurately.

- 3.2** It is important to note that, whilst we see both these objectives as important in their own right, successfully meeting the latter will also help achieve the former. If people become comfortable in dealing with Jobcentre Plus as an organisation, and develop a favourable impression of its services, they are more likely to return at a later date for help if they feel employment has become a possibility.
- 3.3** If Jobcentre Plus connects people to the benefits system quickly, comprehensively and without hassle, people are likely to be more relaxed about coming off IB (and other benefits) to try out work. They will have the security of knowing that they will be able to renew their entitlement quickly, with the help of Jobcentre Plus, if the job doesn't work out.
- 3.4** Jobcentre Plus needs to offer more than just bringing the previous services (Benefits Agency, Employment Service) under one roof. It should be offering a better, more rounded service to its clients. The service should provide for the full range of customers with impairments or health problems:
- people keen to move into work, who may need advice on tax credits and in-work benefits, help with job-seeking, access to training and information about special schemes (such as Access to Work);
  - people not yet ready for work who may need advice on benefits, access to training courses or education and information about support organisations; and,
  - people for whom work is not appropriate, who need advice on benefits, information about where to go for community care and similar services and details of local and national support organisations.
- 3.5** We see three broad areas where Jobcentre Plus could be providing an enhanced service compared to that previously offered by ES and BA:- giving people an accurate picture of their income levels, in and out of work; providing accurate advice and information; and liaising effectively with other local delivery organisations. How this could be done is described in the following paragraphs.

#### **4. Giving people an accurate picture of their income levels, in and out of work.**

- 4.1** Jobcentre Plus currently offers better-off in-work calculations using a software programme designed for the purpose. However, we believe this concept needs to be developed to encompass both a **full benefits check** and a **'Moving into work diary'**.
- 4.2 Full benefits check:** Disabled people and those with health problems should be able to rely on being given full information about all the different benefits to which they might be entitled. We would like to see a benefits calculation programme which helps people to maximise their benefit income in the period for which they are unable to work, rather than one which is restricted to looking at people's financial position once in work. Disabled people could then be assisted with claiming entitlements to benefits such as Disability Living Allowance, Housing Benefit and Council Tax Benefit. This could be supplemented by having a telephone available for people to call the benefits enquiry line or forms completion service. It will be important that this holistic

assessment encompasses the whole family or 'claiming unit', not just the person claiming or moving into work, otherwise there is the danger that eligibility for carers' benefits will be missed.

- 4.3 **A 'moving into work diary':** This would provide a more detailed calculation which shows people how their income will be affected in the transition to work. This is particularly important for people operating on very tight budgets who need to see how their income flow will be affected in the short-term. This will need to take into account the impact of non-benefit financial help such as free school meals, free prescriptions and local concessionary travel arrangements.
- 4.4 The idea behind the 'moving into work diary' is that the Jobcentre Plus personal adviser would provide the disabled person with a diary covering a period of about six weeks. In the diary would be marked reminders to the disabled person about things they had to do. For example, return form X to office Y, notify Council office B. It would also record the date when one benefit (eg incapacity benefit) stopped and the date they could expect to receive their first payment of any new benefit (eg tax credit) and the date they should expect to get a jobfinders grant (or similar). This would enable the disabled person to plan ahead for the period during which they moved into work. It would reassure them about when particular payments were due (and the diary could include notes to say what they should do if a payment or form didn't arrive when it was supposed to) and ensure that they were aware of their responsibilities to notify various agencies about their changed circumstances.
- 4.5 In the nature of such a thing it would have to be individually tailored but could be done from a menu of choices available to the personal adviser on a software programme.
- 4.6 We have already raised this suggestion with Jobcentre Plus and are due to be meeting officials to discuss it further in the near future.

## **5. Providing accurate advice and information**

- 5.1 The benefits system can appear complex. Jobcentre Plus advisers should be helping people find their way through it by knowing, and being able to tell people, about the range of support on offer both from Jobcentre Plus and from other delivery organisations.
- 5.2 We see the following areas as essential elements of the advice and information that should be given by Jobcentre Plus:
  - Advice on the full range of statutory benefits provided by the DWP;
  - Advice on the Social Fund and help to make an application if appropriate;
  - Liaison with local authorities for housing and council tax benefits and council tax discounts and reductions;
  - Advice about other services which receipt of benefit affects e.g. free prescriptions and school meals;
  - Information and referral to the Family Fund (for parents with severely disabled children);

- Information about other relevant services (this could be through the provision of leaflets) like the blue (formerly orange) badge scheme, disabled facilities grants, codes of practice and special schemes run by energy companies and BT;
- Information and referrals (i.e. making an appointment for the client) to Social Services and/or health authorities for community care assessments or a carer's assessment;
- Information about other sources of advice available locally such as citizen's advice bureaux, law centres and local authority welfare rights units; and
- Information about local and national disability or carers' organisations.

## **6. Liaising effectively with other local delivery organisations**

- 6.1 It is important for Jobcentre Plus to work with key partners at both a strategic and a day-to-day level. Strategically there should be links with local authorities and other delivery partners, for example through Local Strategic Partnerships and Joint Investment Plans on welfare to work for disabled people. It is important for Jobcentre Plus to be involved in these to ensure joined-up service delivery. A joined-up approach is essential if disabled people are to be able to access the grants and equipment necessary to assist them in finding work, given the multiplicity of sources from which these are available.
- 6.2 On a day-to-day level there should be links with partners who deliver direct services to customers, for example local authority departments providing housing and council tax benefits, and voluntary organisations which offer advice. A key element here is the extent to which a Jobcentre Plus personal adviser takes the lead where individuals need to deal with a number of agencies and organisations. This is particularly important where other organisations deliver services on behalf of Jobcentre Plus, for example external job brokers in the New Deal for Disabled People.

## **7. Removal of Risk**

- 7.1 Moving into work involves enormous risks for someone who has been out of the labour market for any length of time. Emotional risks, health risks and financial risks all loom large and can become major barriers. The Government needs a strategy to recognise this and act to remove or reduce risk wherever possible.
- 7.2 It is our experience that people who have been on IB are especially fearful about losing their benefit income. They fear that if they are seen to be looking for work they will be regarded as fit for work and have their IB taken away. They find themselves on the receiving end of mixed messages from Government:- encouragement to engage in jobseeking activities on the one hand and anti-fraud initiatives on the other. If Government is to be successful in assisting IB recipients back into work then there has to be a clear and unequivocal message that it is not just acceptable, but desirable, that IB recipients get involved in jobseeking and work-related activities.

- 7.3** People also fear that taking a job will prompt an automatic review of their Disability Living Allowance (DLA) award. This fear is particularly severe amongst people who have fluctuating conditions, such as ME, or are getting benefit on grounds of mental ill-health. In fact often the first few months in a new job are more stressful than being on benefit. We would argue strongly that that people moving into a job after a period on an incapacity benefit should be given a 'settling-in guarantee' that their DLA will not be reviewed for at least six months.
- 7.4** Moving from one benefit regime to another is a financially risky period for anyone on a low income. Good and comprehensive better-off calculations and advice are essential. We are aware of people who were led to believe that they would be significantly better off with a tax credit, only to find much of the increase clawed back because of the housing benefit taper. Others were not told they would lose eligibility to free prescriptions. In the examples we came across people would probably still have taken the job on offer but would have been clear about their financial position and better able to plan ahead. We are particularly keen to promote the concept of a 'back to work diary' as outlined above.
- 7.5** People also need to be reassured that they can return to their old level of benefit quickly if the job doesn't work out. There are linking rules which allow for this but they are poorly publicised.

## **8. Job Retention**

- 8.1** Everyone on IB once had a job. If help had been made available when their health or disability first began to cause difficulties it is very possible that many thousands of people could have been able to stay in work. We believe this should be made a priority for Jobcentre Plus and see it as a dual service to individuals and employers. The service should cover both those people placed into a job, to ensure that they are able to sustain their employment, and people who might otherwise leave the labour market due to failing health or the onset of disability. Jobcentre Plus will be able to build on the expertise and functions of the Disability Employment Advisers, who are already experienced in this field.
- 8.2** The Access to Work scheme is popular but poorly advertised and little known amongst employers. Yet knowledge of the help available could make a huge difference to an employer's attitude about retaining an employee who had become disabled. We would like to see the scheme enhanced and publicised.
- 8.3** There are also changes which could be made to the new tax credit scheme which would help promote job retention and these are outlined under 9 below.

## **9. The tax and benefits system – is it too complex? Should it be reformed to reduce financial disincentives to find work?**

- 9.1** The tax and benefits system is complex, some of it unavoidably so. There are changes that could be made relatively simply that would help make things easier

for disabled people to move into, or remain in work. However, we are sceptical about the size of the 'financial disincentives problem'. Our experience is that disabled people want to work and are often quite prepared to take jobs that do not pay very much more than benefits. We believe that financial risk is much more of a disincentive factor – see 7 above.

- 9.2 **Earnings disregards:** Disabled people and those with health problems who have been out of work for some time need the opportunity to build up confidence and stamina as well as updating, and learning, new skills. For many people the most realistic way of doing this is to start with a few hours a week. Unfortunately, because the incapacity benefits system is based on a very inflexible fit/unfit division it has been poor at supporting people who want to try out work while on benefit. A recent, very positive development has been the extension of eligibility for 'permitted work' but it is still generally the case that the system does little to support people who cannot work as much as 16 hours a week (the threshold for eligibility for tax credits as a disabled person). For people on means-tested benefits, like Income Support, there is a maximum weekly earnings disregard of £20. This equates to only a few hours a week, if that. Yet there is much evidence to show that maintaining a link with the world of work is an important factor in both facilitating an eventual return to the labour market and in promoting social inclusion. When earnings disregards were first introduced they were worth a great deal more and did play a role in allowing people to keep in touch with work. Had it maintained its value over the years the disregard would now be worth about £35pw. We would like to see it raised to that level.
- 9.3 **Tax credits and disabled workers:** The new Working Tax Credit (WTC), coming in from April 2003, is both more generous than the credit it replaces and more inclusive. Disabled people will now claim the same credit as everyone else and get an extra disability payment on top, rather than having to claim the completely separate Disabled Persons Tax Credit (DPTC). Disappointingly however, some of the limiting features of the old DPTC have been maintained.
- 9.4 **The 16 hours rule:** DPTC can only be claimed by someone working 16 or more hours per week. This rule has been transferred over into the new Working Tax Credit. There has been no movement on relaxing the 16 hour rule to accommodate those disabled people who cannot work as much as 16 hours but who want to work more than the few hours envisaged by the earnings disregard provisions. This rule adversely affects several groups of disabled people:
- i) those who could gradually build up their hours capacity but are likely to take some time to do so (people who can do so quickly, within 26 weeks, can make use of the new permitted work rules);
  - ii) those who are unlikely to ever be able to do as much as 16 hours but who either command earnings some way above the minimum wage or who could do 12 or more hours regularly; and

- iii) those who are in work, and may have been so for many years, but whose condition means they can no longer do the 16 hours needed to qualify for financial support.
- 9.5 The first two groups could be helped in several ways. By an increase in the earnings disregard; by a reduction in the 16 hours rule for tax credit; and by an extension of the period allowed for permitted work. The latter group, of people currently in work, could be easily helped by allowing them to remain on WTC with a disability element (perhaps with a qualifying condition of having been in work continuously for a specific period beforehand) even if their hours drop below 16. The aim being to help people remain in work as long as they are able and wish to do so. This would also be of advantage to employers who would be able to retain experienced staff.
- 9.6 **Access to the disability element of WTC:** access to DPTC has always been complicated. Unlike its sister credit, the Working Families Tax Credit, for which you merely needed children and a low wage, applicants for DPTC needed to be on low wages **and** in receipt of a qualifying benefit (or to have just come off such a benefit). Unfortunately, the new WTC has incorporated the same qualifying conditions as DPTC for access to the disability element. The Inland Revenue found it incredibly difficult to publicise DPTC. The qualifying conditions are so complex they cannot be used on posters or in radio/TV adverts, yet not to mention them risks misleading people and generating unsuccessful claims. The fast-track (see below) proved completely impossible to publicise. It would be a lot easier if all that was needed was to be disabled and on a low wage.
- 9.7 **The fast-track gateway:** This was introduced to enable people who became sick or disabled while in employment to access DPTC. Prior to this people had to give up their job, go onto IB, and then find another job before they could qualify for DPTC. The idea was good but the restrictions placed on access to the gateway made it virtually unworkable. The 'fast-track gateway' is only available to people who have been off sick for 20 weeks **and** returned to a lower salary. It is no surprise that only about 60 people have been able to access DPTC via the fast-track. It is a real shame that these restrictive rules have been incorporated into WTC.
- 9.8 It would be more useful if someone could move on to WTC (disability element) without the need to take time off sick. For example, an employee with deteriorating sight could negotiate re-deployment to a lower paid post and claim WTC disability element without ever being off sick. Similarly, an employee with a condition such as multiple sclerosis could negotiate reduced hours, and claim WTC disability element, again without taking time off sick. This has clear advantages for both employer and employee. The test which is used for renewals of the disability element, plus supporting medical evidence, could easily be used to decide on eligibility.

- 9.9 The other requirement of the 'fast-track gateway' is that the disabled person must show that their earnings have dropped before becoming eligible for DPTC. Yet this never applied to families claiming Working Families Tax Credit, it was always just enough that they passed the means-test. It seems unnecessary and discriminatory to impose this additional hurdle for disabled people. We would argue strongly that the requirement that a fast-track applicant for the disability element needs to suffer a reduction in earnings should be dropped.

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