

R56: Disability Alliance response to Reducing dependency, increasing opportunity: options for the future of welfare to work (the Freud review)

- 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.
- 2) We are a membership organisation with over 365 members ranging 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.
- 3) We provide information on social security benefits and tax credits to disabled people, their families, carers and professional advisers; undertake research into the needs of disabled people, with particular emphasis on income needs and promote a wider understanding of the views and circumstances of all disabled people.
- 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 have a range of other guides and provide a telephone helpline and a popular website. The *Disability Rights Handbook* provides clear and concise information on the welfare benefits and tax credits systems, as well as other areas such as social and residential care and a range of other issues relevant to disabled people and their families. We feel this makes us particularly well-placed to comment on the complexities of the UK benefit system.
- 5) Our policy work is informed by our daily contact with disabled people and those who provide services for them. We undertake research into the needs of disabled people, with a particular emphasis on income needs. For example, together with the Centre for Research in Social Policy at Loughborough University, we undertook a major piece of work, into the extra costs faced by disabled people – '*Disabled people's cost of living – more than you would think*'. Other work has covered disabled parents and families with more than one disabled child.

Introduction

- 6) The UK has a diverse population of 11 million disabled adults and 770,000 disabled children. Disabled people are more likely to live in poverty than non-disabled people and disabled people with children are at particular risk of poverty. Only 50% of disabled people of working age are in employment compared with 80% of non-disabled people.
- 7) Disabled people of working age have incomes that are, on average, less than 50% of that earned by non-disabled people. Many disabled people may never be able to enter the labour market and will depend on benefits their whole lives. Yet,

levels of benefit are inadequate. Incapacity benefit, which replaces earnings for people unable to work, is worth £4,082 a year. Take-up of disability benefits is also low, with only an estimated 40% to 60% of those eligible for disability living allowance (DLA) actually claiming it.

8) Day-to-day living is more expensive for disabled people. Disabled people experience additional costs in most areas of everyday life, from specialist equipment to higher ongoing expenses for food, heating, transport and recreation. The weekly income of disabled people solely dependent on benefits is approximately £200 below the amount required for them to ensure an acceptable and equitable quality of life.

Inadequate involvement and consultation

9) In chapter 1, Freud notes steps taken by Government to remove some of the barriers disabled people face when moving into work. These steps form part of a wider strategy to create an equal society in which disabled people can fully participate. He notes the Disability Equality Duty (DED) as a key element requiring everyone in the public sector, from policy makers to frontline services, to promote equality for disabled people.

10) In light of this, it is extremely disappointing that the timescales and approach of the Freud review have prevented adequate active involvement of disabled people. As the policy development in this particular area has a direct effect on their lives it seems shocking that this approach has been adopted. Clearly, given the number of disabled people who rely on the welfare state for financial assistance and more, any moves by government to take forward specific recommendations of Freud without appropriate involvement of disabled people from the outset, could be deemed unlawful under the DED.

11) Further, we point out that this 'consultation' demonstrably fails to satisfy the Government's own Code of Practice on Consultation. This has six guiding principles:

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-coordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

The vague nature of DWP requests for responses to this report alongside a closing date that far from satisfies the 12 week consultation period noted in guideline 1 above, clearly undermines the credibility of the process of consultation and any policy initiative arising directly from the report.

Freud and disability

12) Beyond these fundamental requirements, Freud notes the improved employment outcomes for disabled people, making reference to the success of the Pathways to Work programme. Whilst Disability Alliance has been broadly supportive of the new approach to longer term incapacity benefit claimants and agree that the approach of Pathways could be more productive in assisting disabled people into work, there is also a strong feeling that Freud has failed to recognise the converse of these 'successes'.

13) Whilst the percentage of disabled people in employment has risen over the last 10 years, approximately 50% of disabled people are still not in employment; one of the worst labour market outcomes of any group. Disabled people may want to work in suitable high-quality sustainable jobs, they may be able to work with the appropriate support and/or encouragement, they may have tried to work or have previously been working. Yet, the fact remains that in addition to the complex effects on welfare benefits when moving into employment, there are many other factors that prevent disabled people being able to find and retain good quality, sustainable employment.

14) These factors include issues such as employer attitudes, direct and indirect discrimination, lack of transport, lack of in-work support, etc. Thus, to ensure that disabled people do not have to live in poverty, welfare provision must provide financial security as a fundamental requirement. In addition to financial security, the welfare state can also offer a great deal of assistance and support to disabled people to overcome barriers and move towards work. However, it is our view that forcing all disabled claimants to repeatedly engage with private and voluntary sector contractors as a condition of entitlement to benefits is potentially demeaning and demoralising.

Contracting-out provision

15) The foundations of Freud's notion to contract out support for all claimants that have been in receipt of welfare benefits for more than a year appears to be based on shaky ground with a lack of robust evidence to support some of his assertions. Indeed, Freud notes that there is:

'no conclusive evidence that the private sector outperforms the public sector on current [employment] programmes'

16) Indeed, there is strong evidence to suggest high levels of concern about proposals for contracting out such a large part of the welfare system. A recent report from the Public Accounts Committee¹, looking at Department for Work and Pensions' (DWP) support for disabled people, found evidence of poor management information. Without this information it becomes difficult to determine whether current employment programmes deliver value for money.

17) Further, the report found that cost and outcome data, collected by the DWP about employment programmes, is patchy and inconsistent. In addition, there is limited information about clients of these programmes which makes it hard to establish whether programmes are meeting the specific needs of different groups. The quality of service provided to customers varies considerably across the country. Despite a contractual requirement to accept all valid self-referrals to the New Deal for Disabled People, some providers are discouraging those people who need more help than others.

18) In light of such alarming findings, it is clear that there needs to be more initial testing and piloting work, specifically in relation to issues identified above, before any move is made to actively contract out larger functions of the welfare state. Freud notes the need for a '*world class contracting capability*' being developed by DWP. However, the PAC report, as well as the number of failed DWP contracts in relation to information communication technology projects, makes us very skeptical about their ability to achieve this aspiration currently.

Rights and responsibilities

19) Freud notes that employment and support allowance (ESA) is a good example of how rights and responsibilities need to change during the life of a benefit claim. Given the fact that the Welfare Reform Act has only just been given Royal Assent, and that ESA will not be introduced until October 2008, Disability Alliance feels that this is an unsubstantiated assertion. The proposal to align the conditionality aspect of all 'inactive' benefits with, for example, the conditionality aspect of jobseekers allowance, is something that we would strongly resist. We think that disabled people are already expected to demonstrate compliance with rigorous rules regarding their entitlement to welfare benefits and making that entitlement dependent on further conditionality, with risk of financial sanctions, is unfair and unnecessary.

20) We support the proposal that the administration of sanctions should remain within the remit of Jobcentre Plus. We also see the proposal to hold formal interviews and give written warnings following any breach of the conditionality requirement as being a fairer approach to conditionality than a financial sanction. Further, we would support the views contained with the response from One Parent Families insofar as the proposals regarding lone parents are concerned.

¹ , House of Commons Committee of Public Accounts sixth report of session 2006-07, 16 January 2007

Benefit reform

21) Disability Alliance supports the proposal that there should be a decent minimum income for people who cannot work. Thus, we would like to see more work undertaken on the issue of minimum income standards, to ensure that from the outset, any change to the structure of welfare benefits can be properly assessed in terms of its effect on disabled peoples' income.

22) Beyond this, we are heartened that Freud acknowledges that in terms of creating a single working age benefit, any significant reform should be subject to detailed modeling on the effects of such a reform, as well as the effect on work incentives and so on. In terms of this last point, recent research² found that although economists commonly attribute low employment rates for disabled people to incentive structures built in to the benefit system, this actually falls short of providing a full explanation of observed trends. Social and global factors such as ongoing discrimination and migrant flexible workforces are as significant, in our opinion. We feel that the likelihood of any individual remaining on benefits because of some perceived financial incentive indicates a level of ignorance about the huge difficulties faced by many disabled people who rely on welfare benefits and tax credits as their sole sources of income.

23) Disability Alliance would support initiatives to rationalise the medical assessment procedures faced by benefit claimants, as explained in our response to the *Work and Pensions Select Committee inquiry into benefit simplification*. We would also like to see any review aimed at a single working age benefit also begin by encompassing other aspects raised in that response, namely issues around benefit take-up, claimant error, decision-making standards and official error, delays, benefit and systemic interactions, financial adequacy, stigma and so on.

Jobcentre Plus

23) Broadly speaking, Disability Alliance supports the position of the Public and Commercial Services Union insofar as to the roles and responsibilities of Jobcentre Plus in welfare delivery are concerned. We do not believe that there is hard evidence to support the need to divert funding from this important public service. The Gershon review has already forced significant savings to be made from the DWP's annual budget, which is having knock-on effects in terms of their service delivery. To achieve the aspirations of Jobcentre Plus retaining 'a *critically important role in the delivery of employment, benefit and broader welfare services*', we feel that there is a clear need for the resources to be in place in the first instance to make this happen.

² *Work-rich and work-poor: three decades of change*, Richard Berthoud, Joseph Rowntree Foundation, 2007

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