

IFS Green Budget 2017

Incapacity and disability benefit policy

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Incapacity and disability benefits

Important part of the working-age benefit system

- £24.4 billion paid to 3.5 million individuals
- quarter of working-age benefit spending

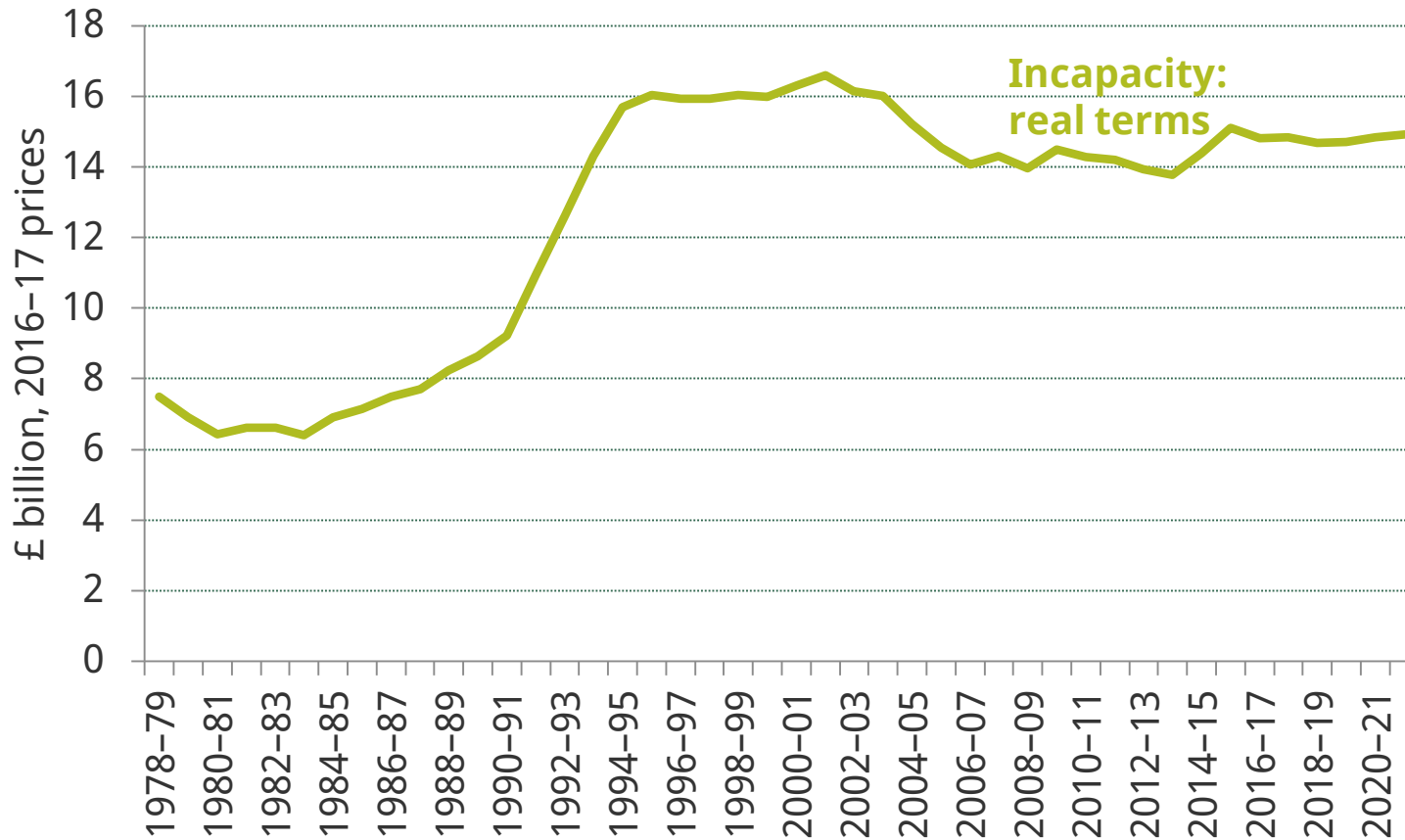
Incapacity benefits

- provide financial support to those who cannot secure an income from employment due to disability or ill health
- average payment in 2016–17 was worth 19% of male full-time earnings, down from 24% thirty years ago

Disability benefits

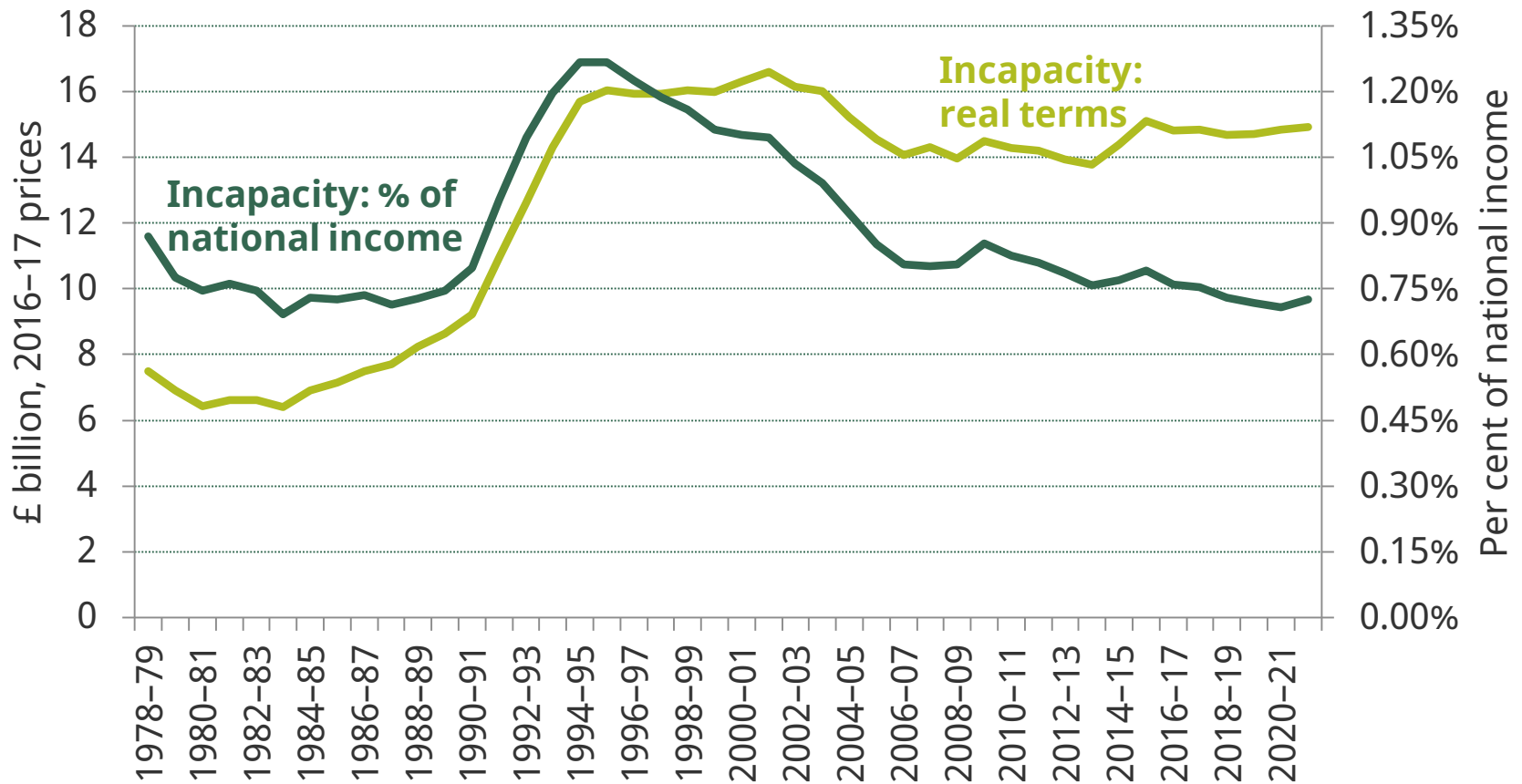
- compensate for increased costs of living incurred as a result of having a disability or poor health

Spending on incapacity and disability benefits



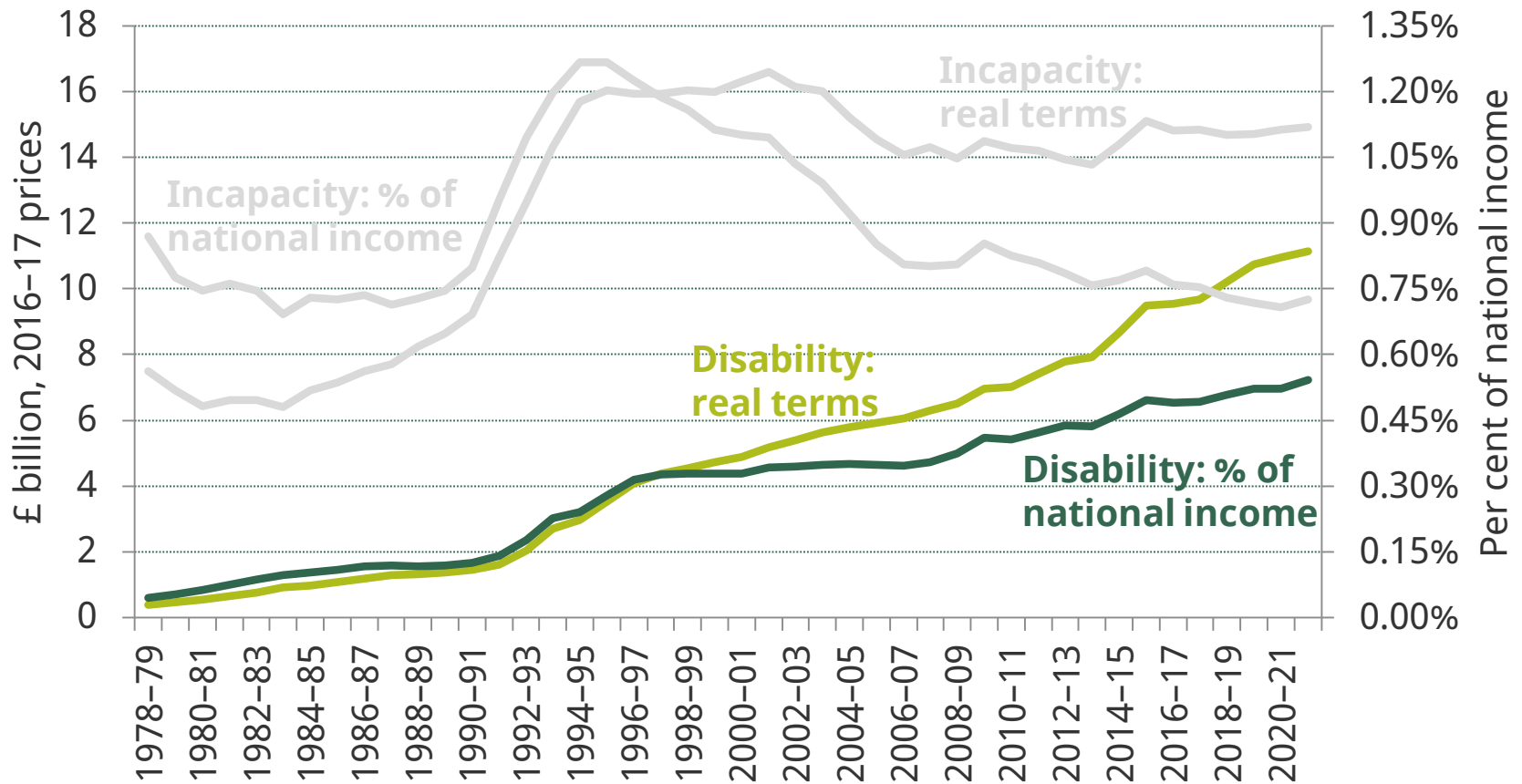
Notes and sources: Figure 6.4 of the IFS Green Budget.

Spending on incapacity and disability benefits



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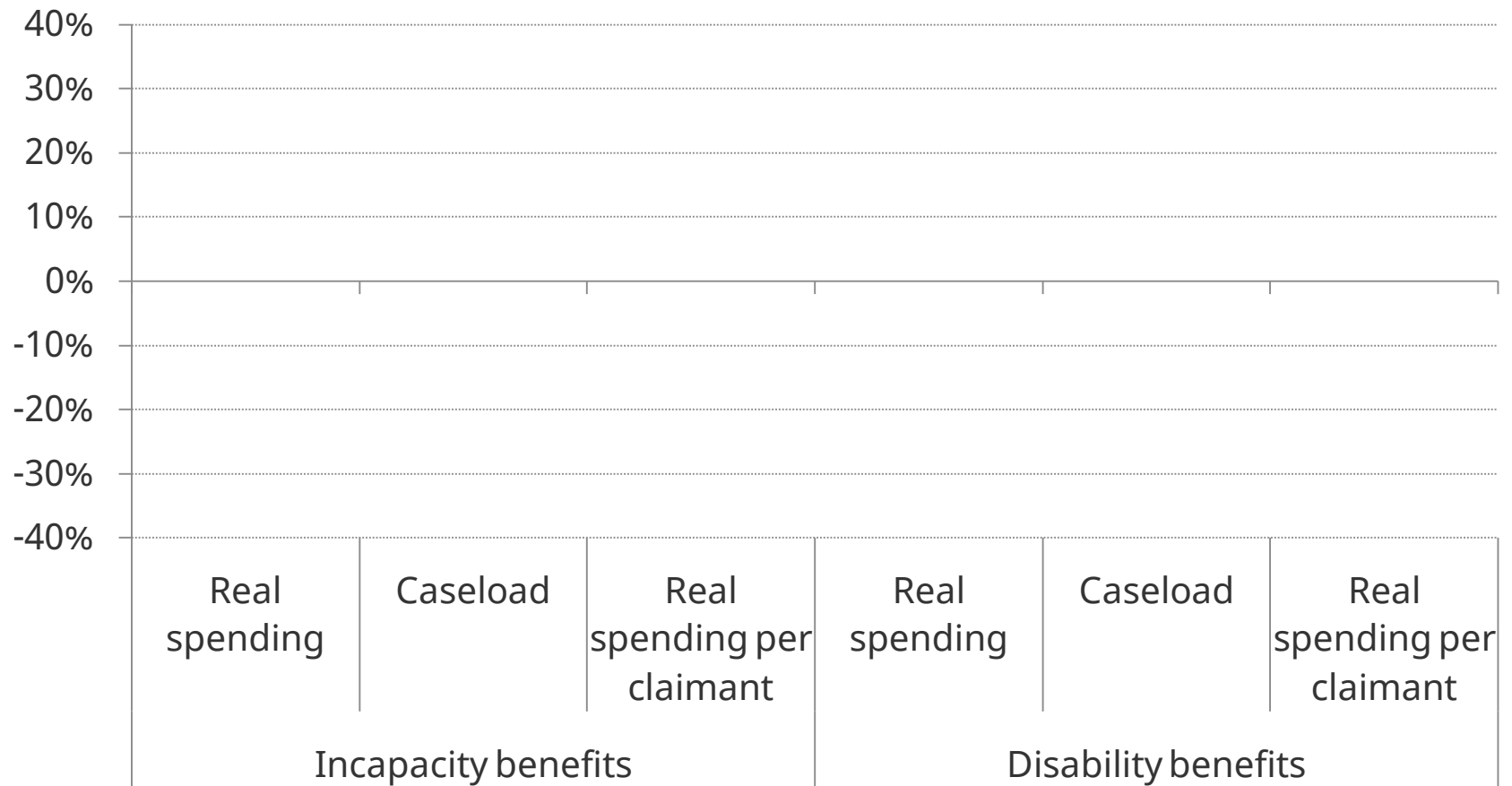
Spending on incapacity and disability benefits



Notes and sources: Figure 6.4 of the IFS Green Budget.

“Hard to forecast and prone to optimism bias”

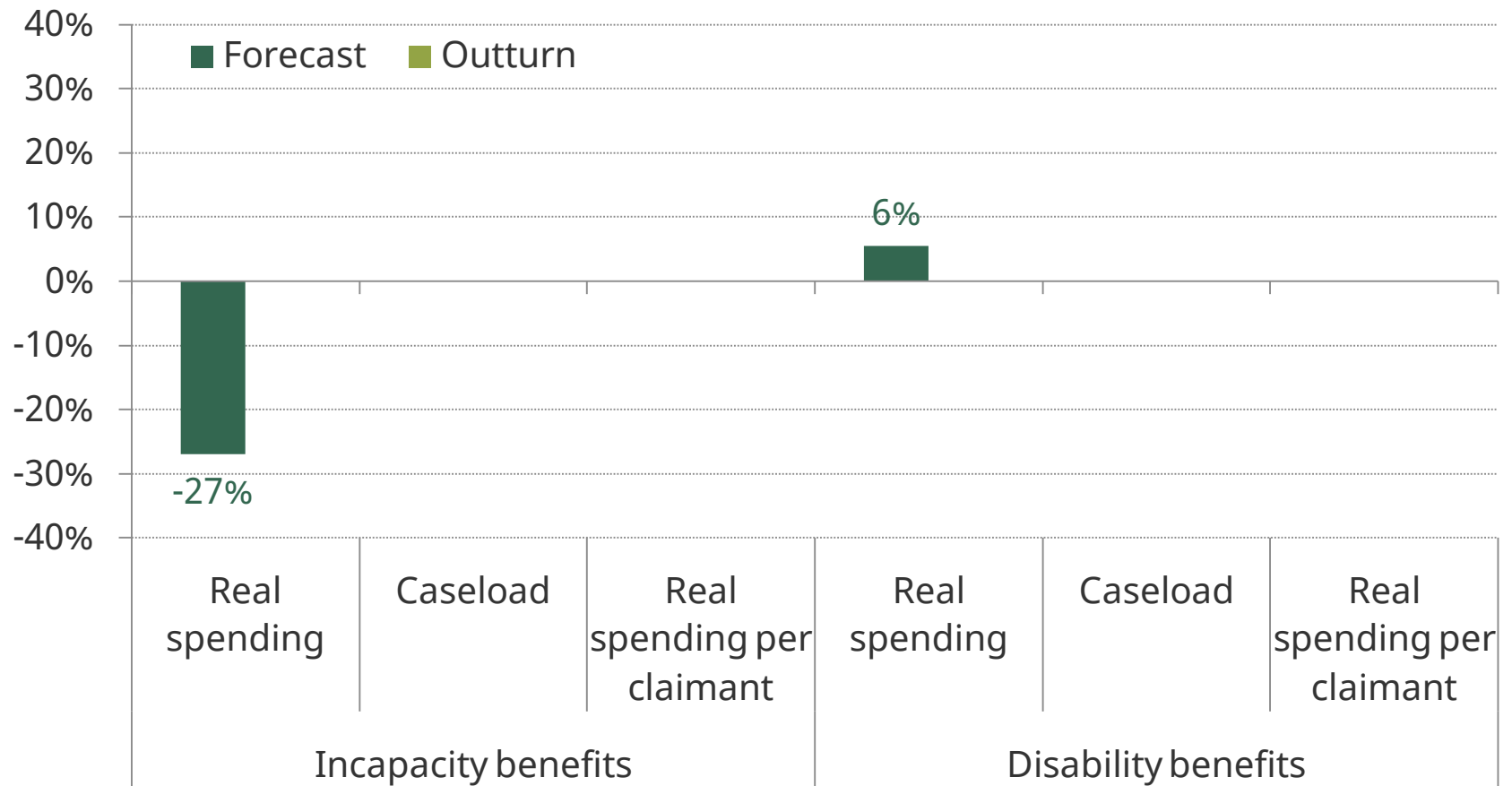
2015–16 outturns compared to the 2012 Autumn Statement forecasts



Notes and sources: Figure 6.9 of the IFS Green Budget.

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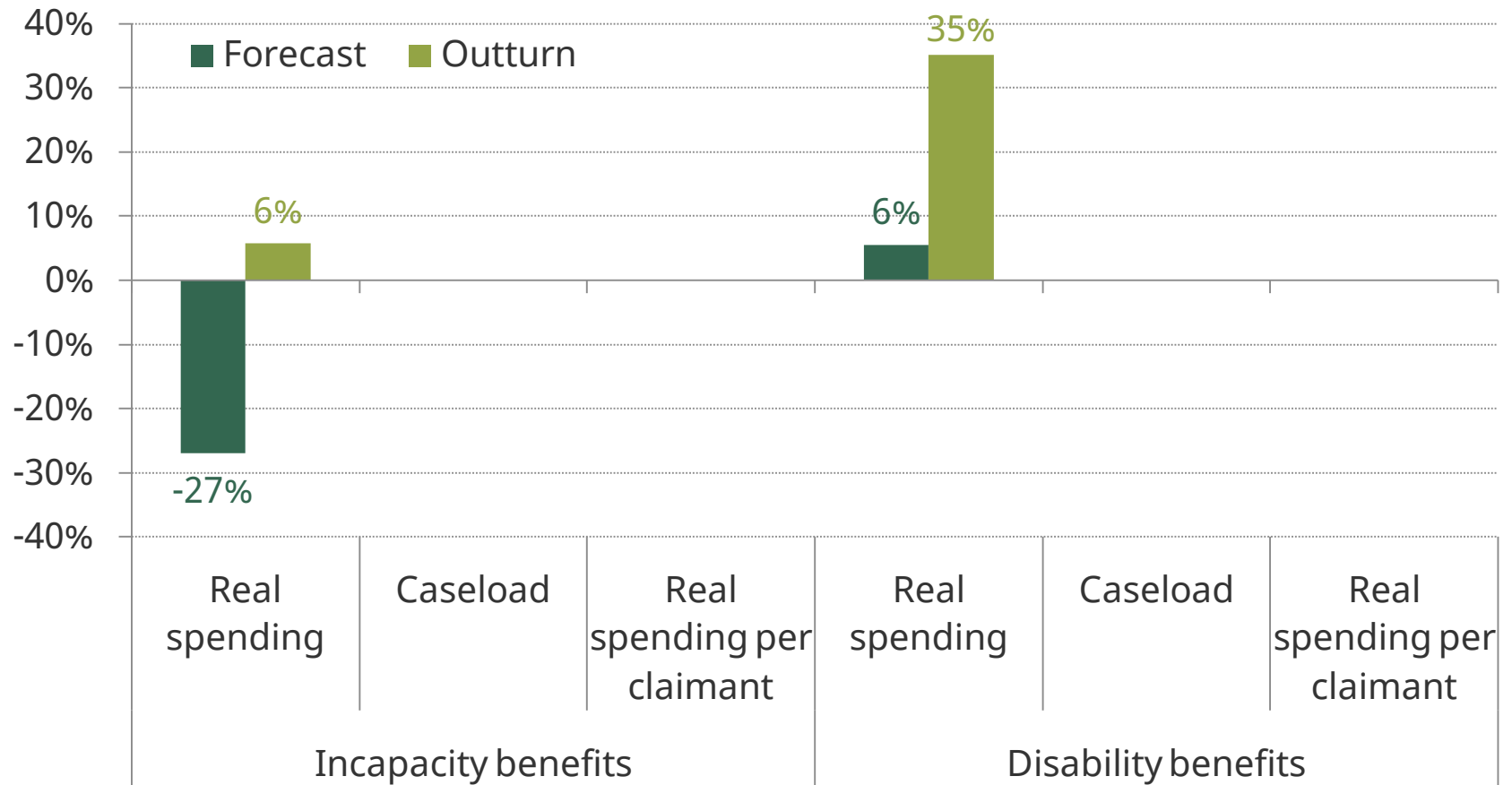
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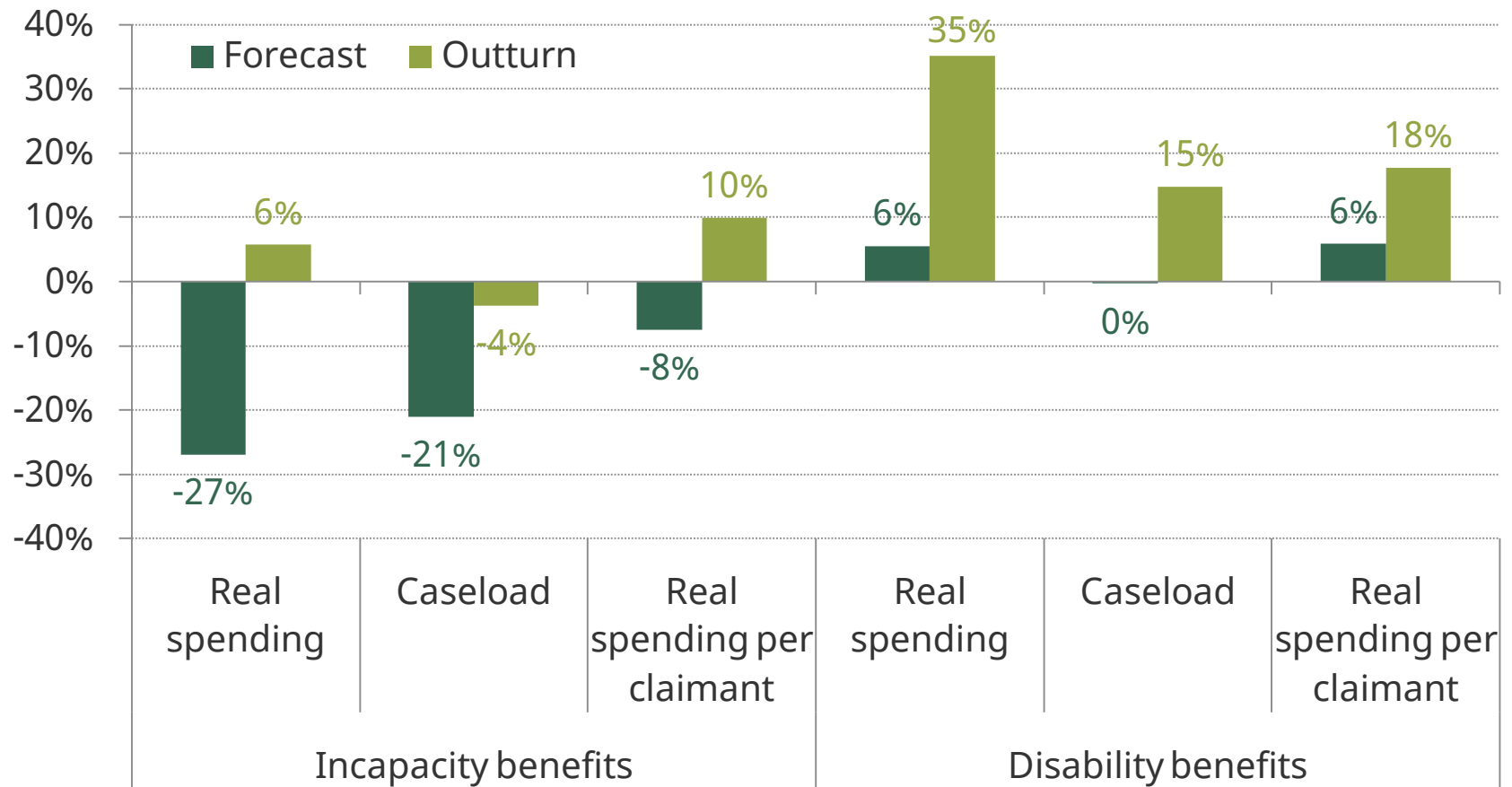
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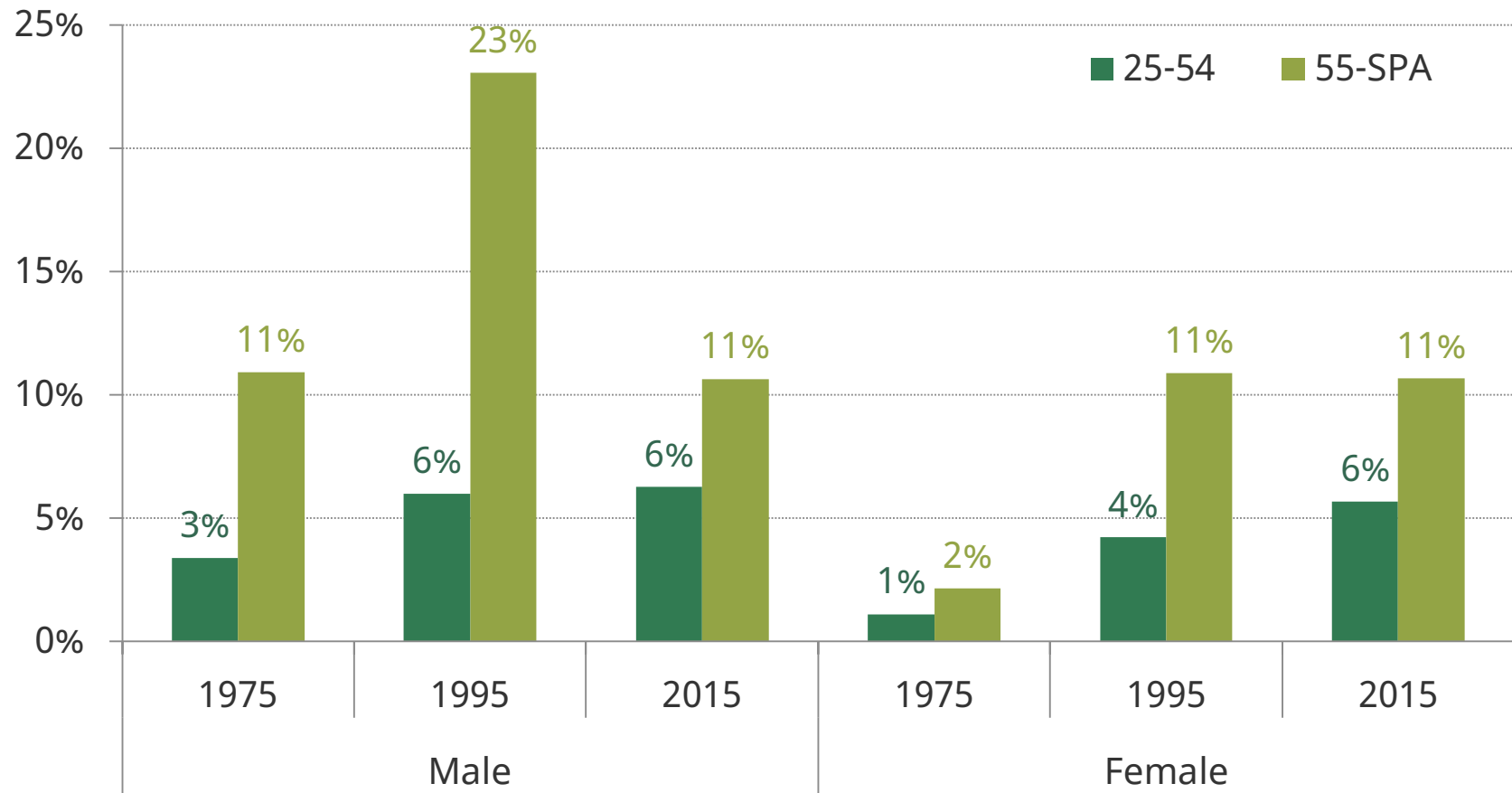
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Notes and sources: Figure 6.9 of the IFS Green Budget.

Incapacity benefit recipients

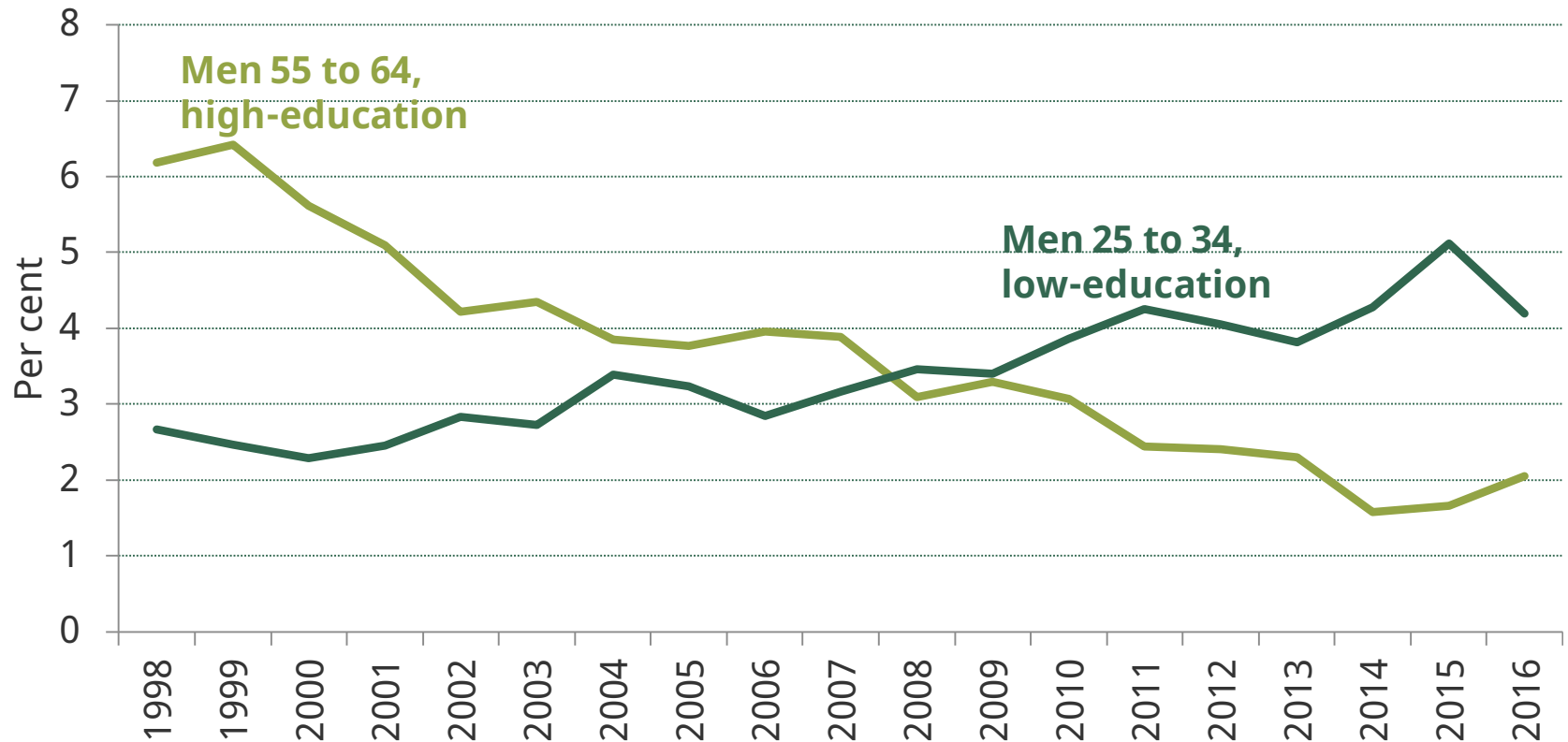
Variation in claim rate by age and sex



Notes and sources: Figure 6.5 of the IFS Green Budget.

Incapacity benefit recipients

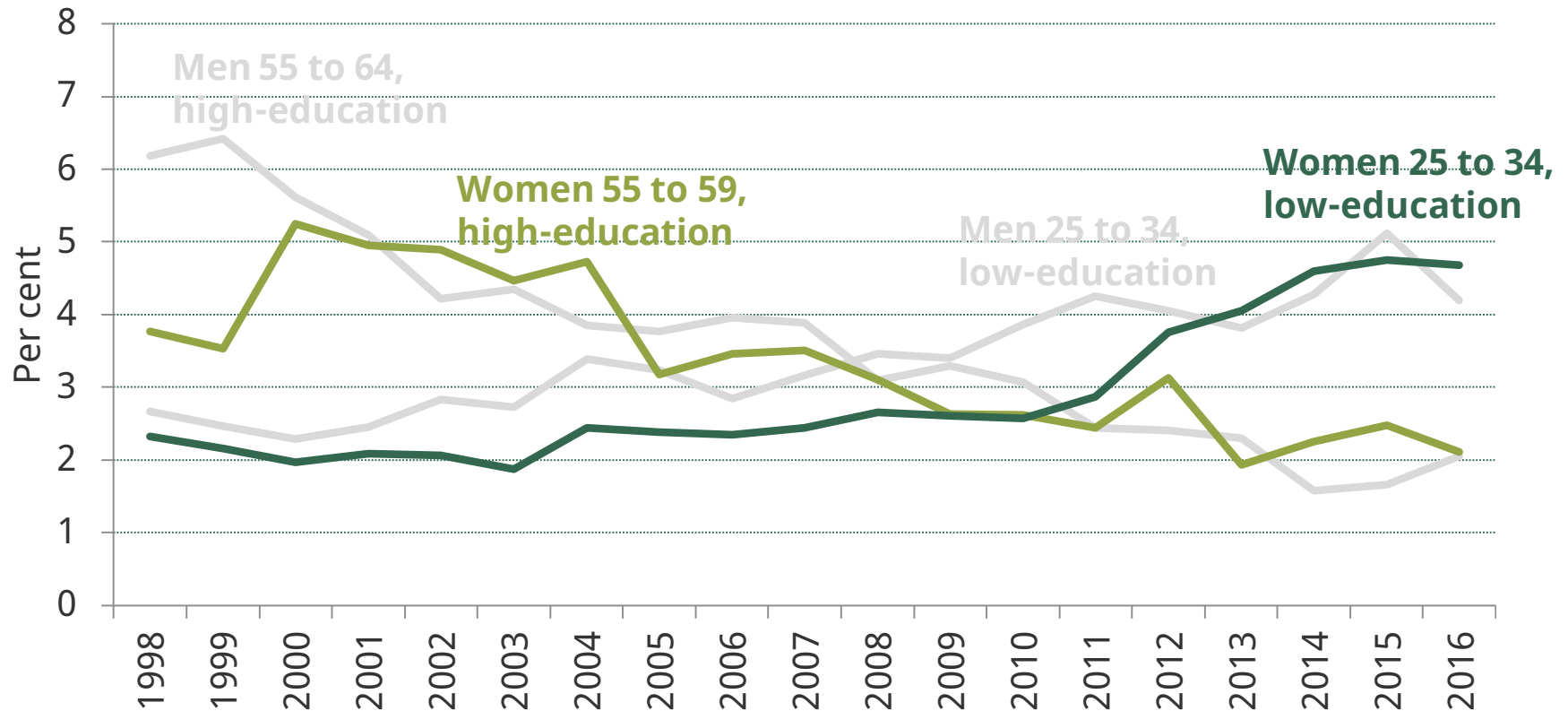
Variation in claim rate by age and education



Notes and sources: Figure 6.6 of the IFS Green Budget.

Incapacity benefit recipients

Variation in claim rate by age and education



Notes and sources: Figure 6.6 of the IFS Green Budget.

Incapacity benefit recipients

High prevalence of mental and behavioural disorders

- 49% of recipients in May 2016, up from 31% of recipients in May 2000

Substantial geographic variation

- claim rate varies from 2.2% in Hart, Hampshire to 13.0% in Blackpool

Among those aged 50+ high prevalence of multiple health conditions

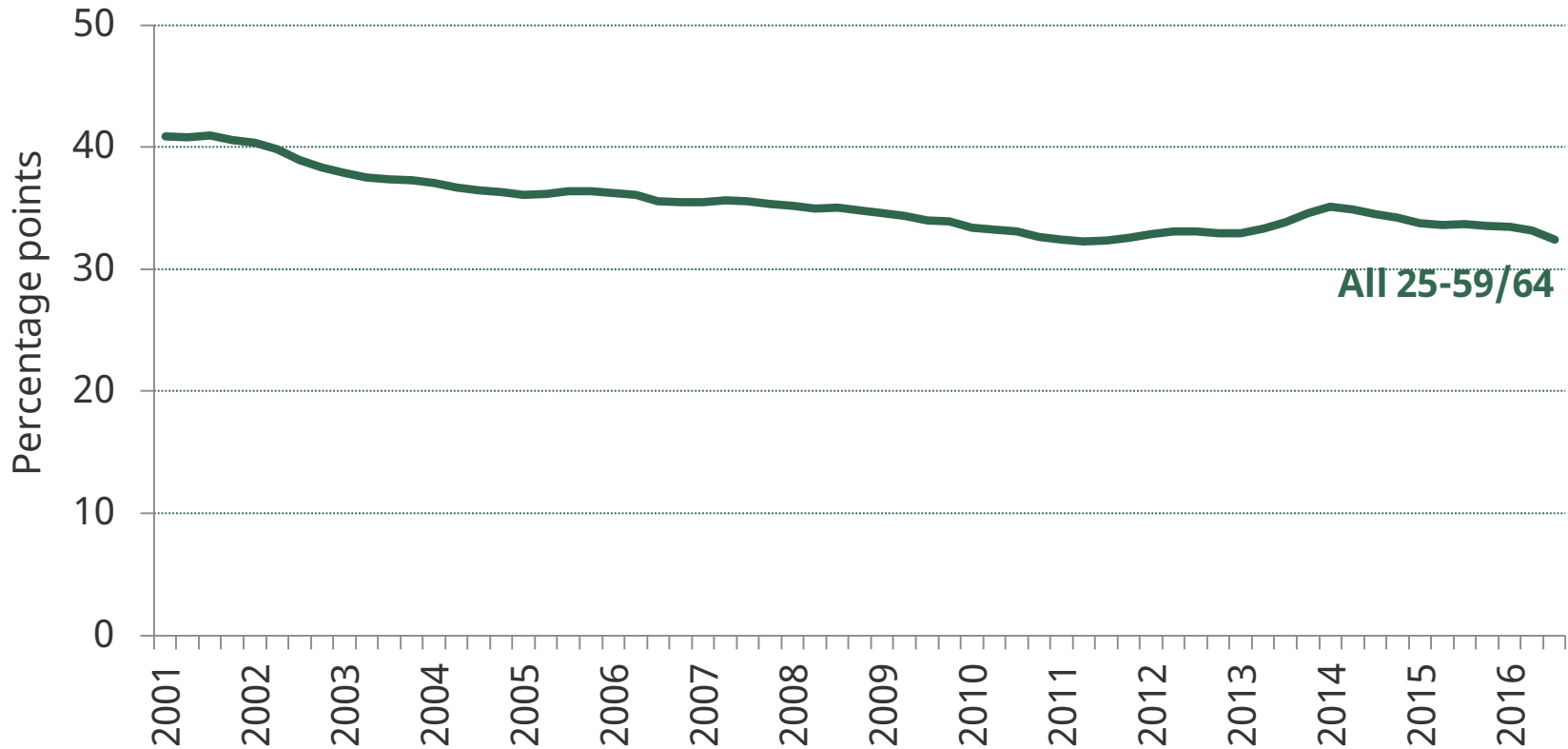
- 37% have six or more

The disability employment gap

17% of working-age individuals report being disabled

- employment lower among disabled (49%) than non-disabled (81%)

The disability employment gap



Notes and sources: Figure 6.2 of the IFS Green Budget.

The disability employment gap

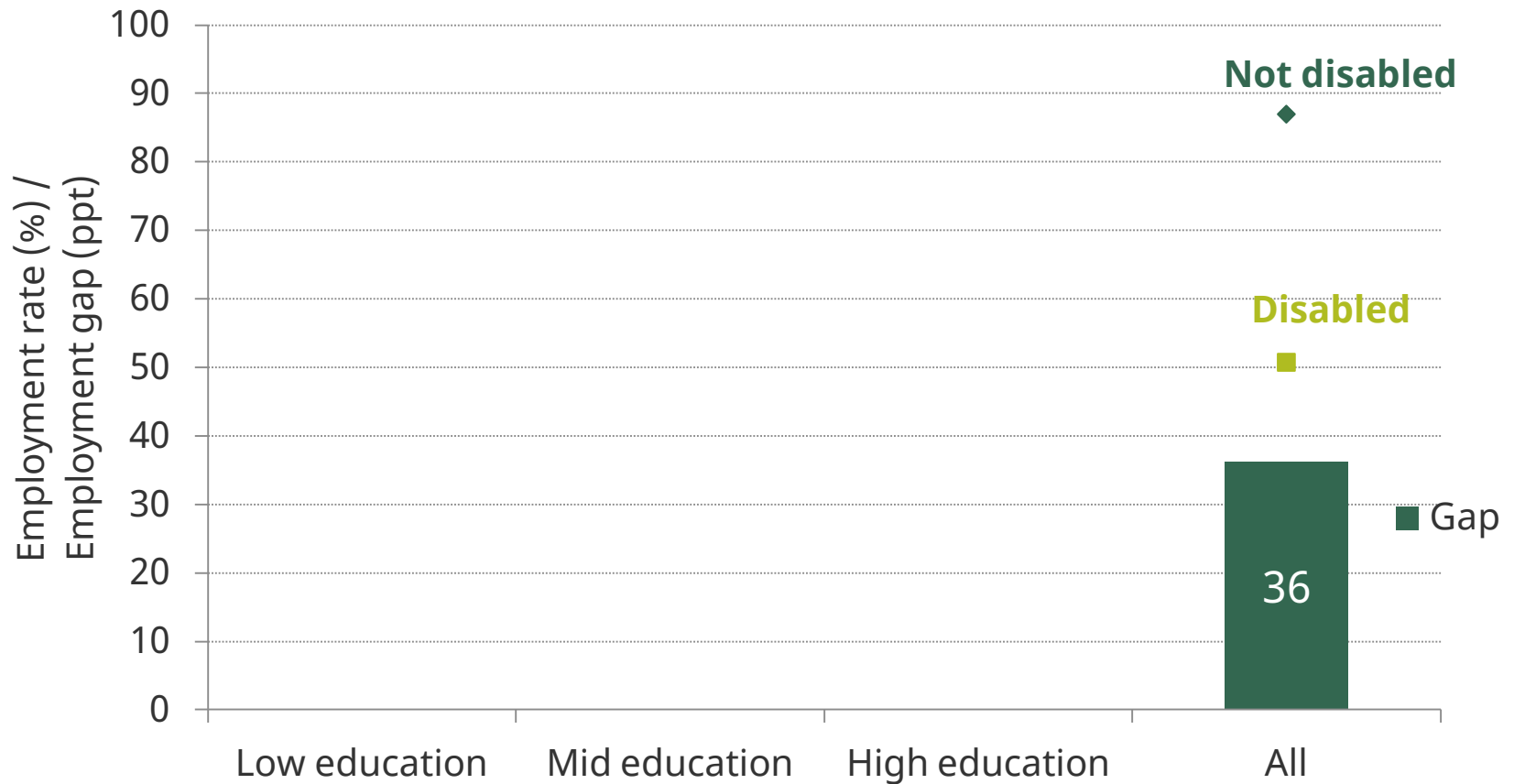
17% of working-age individuals report being disabled

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Government committed to halving this 32ppt employment gap

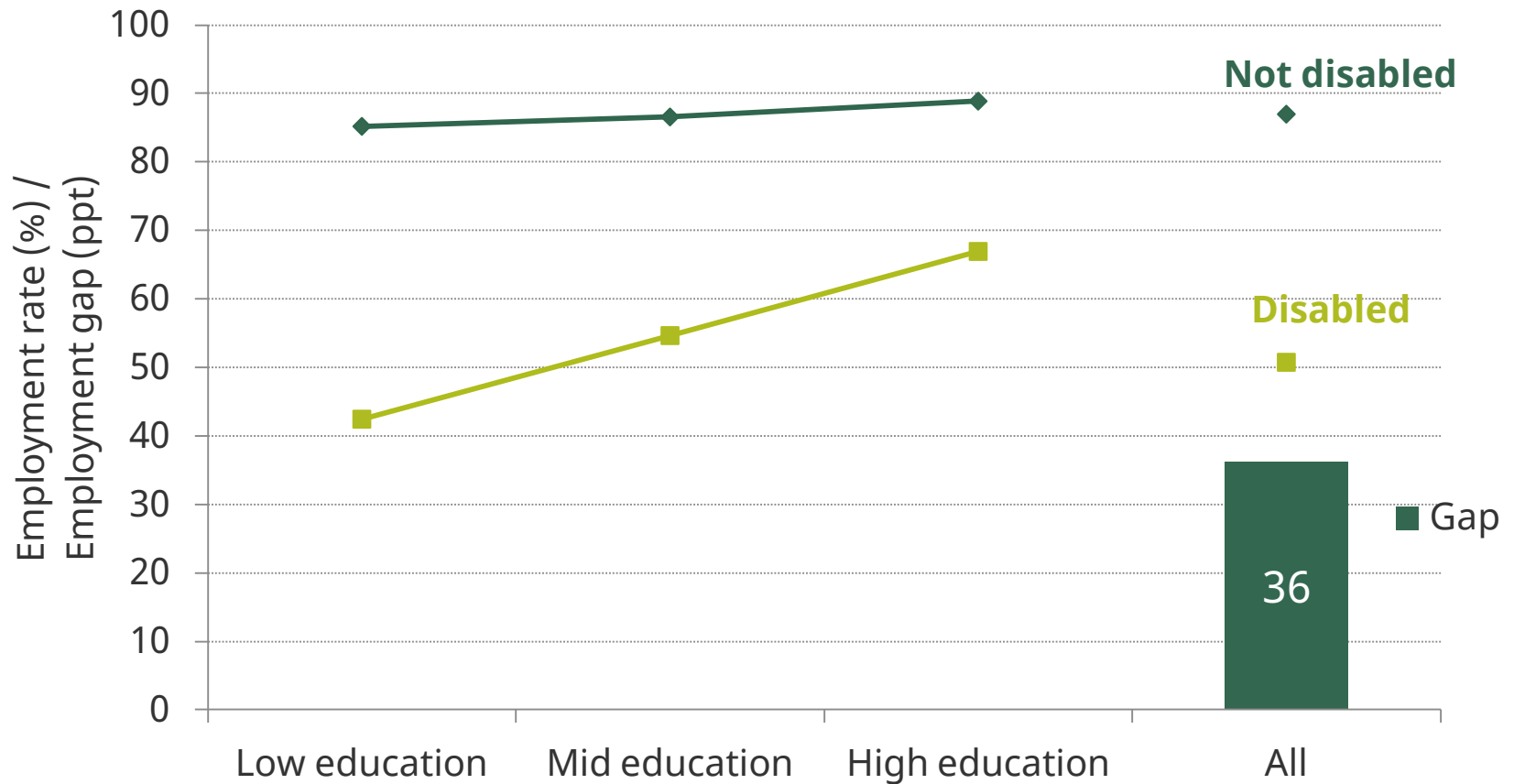
- requires reducing non-employment among disabled by a third

The disability employment gap



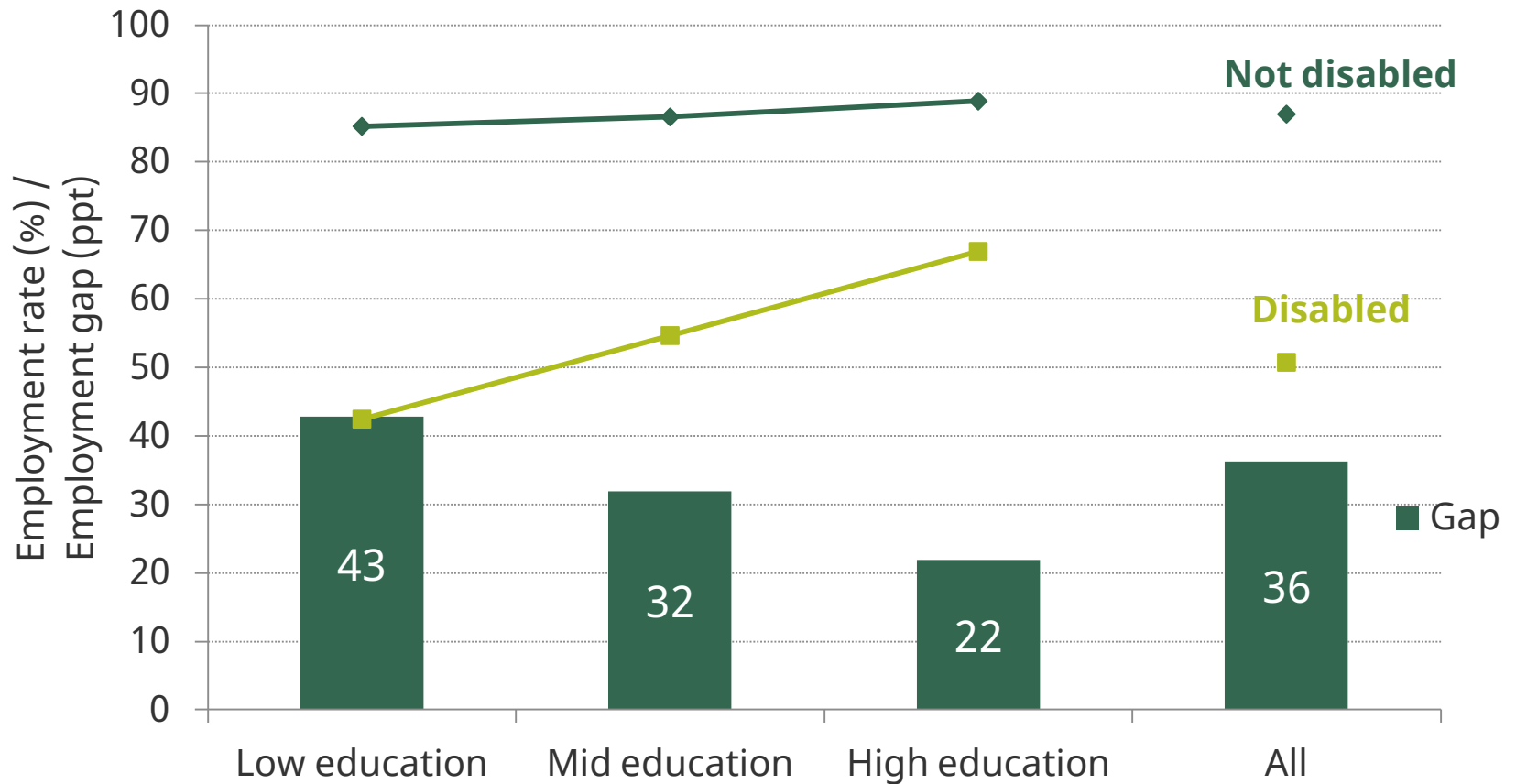
Notes and sources: Figure 6.3 of the IFS Green Budget.

The disability employment gap



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The disability employment gap

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Green Paper considers reform of incapacity and disability benefits

- just over half of non-employed disabled receive these

Improving Lives: The Work, Health and Disability Green Paper

- published in October 2016 by the Department of Health / Department for Work & Pensions

Not seeking to cut the generosity of the social security system

- focus is on reducing the disability employment gap
- in contrast to measures announced since June 2010, such as the £102 to £73 p.w. cut for new ESA-WRAG recipients from April 2017

Green Paper and the ESA Support Group

Those deemed unable to undertake work or work-related activities

- 1.5 million out of the 2.4 million ESA recipients

Key role for Jobcentre work coaches

- greater discretion to engage them in work-related activity in a way tailored to individual

Raises possibility of applying (the threat of) sanctions to this group

- as with other out-of-work benefit recipients

Green Paper challenges

Support Group engagement would require much more resource

- SG 1.5m, compared to 0.4m on ESA WRAG and 0.5m on JSA

Can increased discretion be

- successfully tailored to multiple, complex & fluctuating conditions?
- consistent and fair?

Would sanctioning be appropriate for any of those currently deemed unable to do work-related activities?

- might other mechanisms work better: for example presumption?

Conclusions

Incapacity benefits

- spending forecast to reach its lowest level for nearly forty years
- increasingly go to those with low education, and less to older men
- mental & behavioural disorders the principal cause in half of ESA claims

Halving the disability employment gap unlikely to happen

- requires reducing non-employment among disabled by a third
- 54% of those disabled and not in paid work have low levels of education

Green Paper proposal for increased discretion for work coaches, and greater engagement with the ESA Support Group, could help

- but would require significant resources and risky
- strong case for trialling and thoroughly evaluating different approaches