



Shaping the Incapacity Benefit Reforms Green Paper

Response of Child Poverty Action Group

June 2005

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Introduction

Child Poverty Action Group welcomes the opportunity to express our views on the specific issues raised in the pre-consultation. We particularly appreciate the chance to contribute views prior to the publication of the Green Paper, which we will respond to in some detail when it is published. This submission answers the specific questions raised in the pre-consultation document. Our detailed comments are prefaced with some wider observations that relate to the proposals on incapacity benefit (IB) reform outlined in the *Department for Work and Pensions Five Year Strategy*.¹

We understand the importance the Government attaches to increasing the employment rate, and support any initiatives that enable disabled people to access paid employment if they are both able and willing to do so. Although we argue for the extension of good quality support that enables sick or disabled people who want and are able to access paid employment to do so, we totally reject the need for any additional conditionality to compel them to do so.

We welcome the extra investment and support for sick and disabled people outlined in the proposals. The Government accepts that disability and ill-health are both a cause and a consequence of poverty. Ensuring that sick or disabled people have an adequate income is crucial to stabilising and improving health conditions, and is critical to government intentions to increase the employment rate of disabled adults. We therefore welcome the provision of additional resources, through higher benefit rates, which we believe is imperative to protect people made vulnerable by their ill-health or disability from living in poverty.

¹ Department for Work and Pensions, *Department for Work and Pensions Five Year Strategy*, 2005

Family and child poverty, incapacity benefit and the proposed benefit rates

1. Working age adults in households including a recipient of IB face a higher than average risk of poverty, as do those children in households with an adult receiving IB. In Great Britain in 2003/04 19 per cent of working age adults were income poor. This figure rose to 34 per cent of those claiming IB and 74 per cent for those claiming jobseeker's allowance (JSA). The inadequate level of JSA is relevant if individuals claiming IB are to spend time on a holding benefit of an equivalent rate.²
2. Although not all IB claimants have dependent children, IB claimants aged between 25 and 49 accounted for 45.5 per cent of the caseload in November 2004, and 96,900 children³ were recorded as being resident in households in receipt of IB. For children in families containing an IB recipient, the risk of child poverty is high. Again using data from 2003/04 covering Great Britain,⁴ 28 per cent of children were income poor, rising to 40 per cent (two in every five) of children in households with a member in receipt of IB. The rate of child poverty among households in receipt of income-based JSA is even greater – at 80 per cent (with four of every five children being income poor).

Benefit adequacy and conditionality

3. Within the proposed model, it is suggested that a holding benefit should be created at JSA rates for all claimants in the early stages of a claim, and will presumably also act as a residual benefit award for claimants who do not comply fully with the new benefit conditions.
4. The evidence presented in para 1 above illustrates the failure of JSA to lift children out of poverty. We are concerned that the proposal to introduce a 'holding' benefit at a rate which is failing to safeguard families from poverty, whether or not they have health problems, will have a particularly adverse impact on somebody who has recently applied for IB, and who is likely to be undergoing extreme stress and ill-health, and to incur additional costs associated with the onset of disability or ill-health. The relationship between ill-health and poverty clearly indicates that a dramatic reduction in income at a particularly stressful and difficult time is likely to exacerbate underlying health problems, and may undermine rehabilitation attempts during the early months⁵ – the very time when individuals are most likely to come off the benefit.

The low level of JSA is particularly worrying if it establishes the level for the new 'holding benefit'. However, we would like to emphasise that the rate of JSA is too low whether or not it is linked with IB. It is unacceptable that four out of every five

² Figures relate to children in households with an equivalised income below 60 per cent of the national median. They take no account of additional costs of disability/ill-health yet count incapacity benefit as income, suggesting they under-report the experience of poverty amongst this group. See National Statistics, *Households below average income, An analysis of the income distribution 1994/5 – 2003/04*, Department for Work and Pensions, 2005.

³ Figures from Department for Work and Pensions, *Incapacity Benefit and Severe Disablement Allowance Quarterly summary of statistics – November 2004*, available at www.dwp.gov.uk/asd/ib_sda.asp

⁴ See footnote 2

⁵ R Berthoud, *The profile of exits from incapacity-related benefits over time*, Working paper 17, Department for Work and Pensions, 2004

children in a family receiving JSA are left in poverty by a benefit that is supposed to provide a financial 'safety' net. Concerns that setting the level of the 'holding benefit' higher than JSA might result in displacement from one to the other, could be resolved by raising JSA. Raising JSA is in any case crucial to reducing child poverty generally

5. The stated aim is to create two separate benefits, with the rehabilitation support allowance aimed at people with less severe conditions and the disability and sickness allowance provided for those with the most severe conditions. We believe that it is illogical and wrong to apply conditions to either allowance. However, we are particularly concerned about conditions being applied to disability and sickness allowance, which will be provided to people with the most intractable conditions. We accept that health and disability needs fluctuate and strongly support any initiatives that assist people whose condition may have improved to access paid employment. However, participation in any work-focused activity must be entirely voluntary, without conditions being attached.

Work-focused activities and compulsion

6. We believe that disabled people who want and are able to work should be provided with the support and encouragement that enables them to do so. What is needed is the provision of excellent quality support services which build on the best elements of Pathways to Work. We were strongly supportive of the recent increase in the duration of the linking rules for those who move into work, which offers greater financial stability.
7. Chapter 4 of the *Five Year Strategy* indicates that up to a million IB recipients would like to work. We remain unconvinced that the same number of adults are both able to work, and that appropriate jobs are available to them. However, this substantial figure clearly demonstrates a strong demand for high quality support in and around work.
8. We welcome the DWP recognition of the crucial role employers could play in increasing job retention levels among sick and disabled people. Employers need to be encouraged to provide appropriate work environments and to design jobs that can properly accommodate disabled people in the workplace, thereby avoiding people having to give up work when they become sick or disabled. The Access to Work scheme plays an important role in reassuring employers that support is available to enable them to make appropriate workplace adaptations and provide the necessary support to enable sick or disabled people to access, or retain, employment. Improving publicity and funding for this scheme is needed to complement other initiatives, such as Condition Management Programmes and rehabilitation.
9. The strategy includes the roll-out of compulsory work-focused interviews and the requirement that some claimants engage in 'activity that helped them prepare for a return to work' as a condition of receiving the full rate for the rehabilitation support allowance. **Increasing the level of conditionality** within a system that should be designed to help and protect vulnerable individuals and families is counter productive in many ways. If the Government believes that a million IB recipients can and want to work, there is no need to introduce conditions that compel them to seek employment. If disabled people are unable to work, however much they would like to be able to do so, forcing them to attend

compulsory job-focused interviews and engage in job-related activities is both unnecessary and unwise, as:

- a) it is **stigmatising** – and will generate unnecessary anxiety and ill will both among and towards recipients;
- b) it is **unnecessary** – because most disabled people who are able to work would like to do so;
- c) it is **unjust** – to utilise an element of compulsion towards some of the UK's poorest families may actively damage an already vulnerable group.

10. Other problems associated with compulsion include:

- a) Financial insecurity and ill-health: it will engender high levels of stress and anxiety among some recipients, which may exacerbate health problems and reduce rather than enhance the possibility of them accessing paid employment.
- b) Poorly paid and insecure employment: it may compel disabled people – who still face significant levels of discrimination in the workforce – into low paid, unsustainable employment that will have an adverse impact on their financial position, their health and may damage their long-term employment prospects. It may increase the 'churn' rate, generate income instability, and fail to lift them out of poverty.

Research indicates that although for workless households the receipt of disability benefits may insulate children from poverty (though poverty statistics do not capture the real level of poverty because they ignore the additional costs associated with disability), for those families with both a disabled parent and a member in work, the risk of poverty is higher compared with non-disabled working families, probably because disabled people are more likely to access badly paid, low skills employment.⁶

Encouraging people to access poorly paid employment may reduce the direct cost of IB to the Government in the short term, but it will not increase the incomes of some of the UK's most disadvantaged groups; it runs directly counter to the Government strategy on the eradication of child poverty, and may generate increased costs in the long term – to both the individual and to society – due to worsening health.

Specific questions of clarity

11. We are also concerned about several other specific aspects of the proposals, and would like to see the Green Paper address the following issues, many of which emerged in the Five Year Plan:

- Poor **decision making** in the current system does not bode well for the efficient administration of the proposed new system. At the moment, a high proportion of findings of capacity for work are overturned on appeal. What steps will the Government take to ensure that such problems will not characterise the new system? The proposed system adds another layer of

⁶ H Stickland and R Olsen, 'Children with disabled parents', in G Preston (ed.) *At Greatest Risk: The children most likely to be poor*, Child Poverty Action Group, 2005

complexity and increases the potential for wrong decisions being made, not simply about a person's capability to work, but about whether s/he has been put on the 'right' benefit. We would like to highlight the importance of effective administration and the need for advisers to be appropriately trained to undertake what are clearly very subtle and subjective decisions. We are not convinced that additional training is sufficient to enable overworked and underpaid DWP employees to make such decisions. **IB reform cannot be effectively implemented without significant additional resources** which will ensure the right decisions are made and people receive the right kind of support. What resources are going to be made available to fund this proposed scheme? We are particularly concerned about a complex new system being introduced just as the DWP has implemented an extensive programme of staff cuts. We need to be reassured that budgetary restrictions at the DWP will not detract from the provision of high quality support. There has been a lot of investment in Pathways to Work, and that level of investment will need to be sustained.

- If individuals are to be held on a lower rate of benefit pending an assessment of eligibility, then this assessment needs to be provided swiftly and efficiently. Sufficient resources are needed to ensure that the assessment process is effective and consistent, to avoid generating high levels of appeals and the potential for 'postcode' lottery.
- What provision will there be for **moving between the proposed rehabilitation support allowance and the disability and sickness allowance**? We believe that claimants who disagree with the decision on their entitlement and whose condition changes should be able to apply for revision and appeal.
- What, if anything, will happen to **income support** on the basis of incapacity for work? Will it be absorbed into the new benefits? If so, what provision will there be for passporting entitlement to, for example, housing costs, the social fund and health benefits?
- What will happen to **people who currently receive IB**? Will they receive additional payments to bring their income in line with new claimants to IB who will receive a higher benefit?
- What system will be put in place to ensure that people who are **incapacitated in youth** can access the new benefits, as they are able to do under the current system?
- What provision will there be for **childcare costs**? We believe that work incentives would be greatly increased if childcare costs were recognised in the new benefits.
- What, if anything, will happen to current incentives like the **in work credit**? CPAG strongly believes the most effective and fairest way to encourage and maintain claimant contact with the labour market is via the provision of incentives and services rather than compulsion and penalties. We would like in-work incentives and rewards to be improved, and action taken to ensure that benefit interactions do not act as a disincentive to work. We are opposed to any absorption of what are currently incentives into a mandatory scheme.

- What safeguards will there be for claimants subject to mandatory requirements? If the element of compulsion is retained, we believe that the new system should ensure that **exemptions** are available for some people.
- What safeguards will there be for claimants subject to **benefit penalties** for non-compliance? CPAG argues that there should be an independent right of appeal on good cause grounds, with the same time limits that apply to other appeals. Under current rules (ie, in the Jobcentre Plus and Pathways to Work schemes), claimants in effect have to claim good cause within five working days and we believe that this is an insufficient safeguard.
- We would also like the Green Paper to restate that the **new incapacity benefits will not be time-limited**. We welcome the brief statement to that effect in the *Five Year Strategy* paper. However, given the apparent use of JSA-type structures in the proposed new benefits, and in particular the lack of detail about the mix of means-tested and non-means-tested provisions, we would ask that the Green Paper specify that no one on any of the new incapacity benefits will have their entitlement time-limited.

Initial questions raised by the DWP

12. Regarding the more specific questions raised by the Department, our views are as follows:

a) **Fairness**

We do not have specific suggestions regarding the content of the 'return to work activities'. However, we would again point out that such activities should not be mandatory. In any case, we also believe that, whatever the specific requirements, they should be framed sensitively and with the needs of sick and disabled people in mind, and should not be capable of being perceived by claimants as onerous or threatening, or merely requiring labour market activity for the sake of it. Disabled people are best able to judge what work-related activity, if any, is appropriate for them.

This concern especially applies to the second proposed benefit, the disability and sickness allowance. CPAG argues that since this is specifically aimed at those adults with the most severe levels of ill-health or disability – by definition, those clearly unable to work and unlikely to be in a position to take up work at any point soon – it is inappropriate for any level of work search/work preparation activities to be mandatory for this group.

b) **Security**

Although we welcome the increase in the amount provided via the two new benefits, we are concerned about take-up, and are particularly worried that disadvantaged groups may be less likely to apply for the new benefits, and if they do, less likely to be awarded these. The Green Paper must ensure that ethnic monitoring is an integral part of the new system.

We welcome the announcements in the Budget to make permitted work more flexible and think further progress in this area would be beneficial – eg, increasing the earnings limits, and the initial 26-week period for permitted work higher limit. We also think the inclusion of childcare costs in the new incapacity benefits for people who are trying out work would create another

valuable incentive. Participating in voluntary work is often an appropriate and effective pathway into paid employment. We believe that disabled people who engage in such activities should qualify for help with childcare costs, and that this support should recognise the additional childcare costs incurred by disabled people.

c) Inclusion

We strongly believe that contact with the labour market is not the only way in which members of society can avoid being 'written off', and ask that the Green Paper does not utilise such stigmatising language or encourage such a view. Allowing and encouraging all sick and disabled people to engage in unpaid activities without having their benefit threatened via reviews of their incapacity for work status would help. Examples might be voluntary work and studying.

d) Results for all

Further steps need to be taken to ensure good assessment and adjudication standards for claimants with mental health problems. Reports from advisers indicate that there is still insufficient understanding of the problems and needs of such claimants. With that in mind, the current requirement to claim 'good cause' for not turning up or taking part in a work-focused interview within five working days may be especially and unfairly difficult for claimants to satisfy.

About CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. CPAG aims to: raise awareness of the extent, nature and impact of poverty; bring about positive income policy changes for families with children in poverty; and enable those eligible for benefits and tax credits to have access to their full entitlement.

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