



Disability benefits

Disability benefits are one of the areas on which the Government is focusing its root and branch review of social security policy. Richard Berthoud of the University of Essex has reviewed research on the role of social security in the lives of disabled people. His review shows that:

f The cost of disability benefits has increased fourfold in 18 years. This has been caused more by a rise in the number of disabled claimants than by any improvement in the generosity of the available benefits.

f The growth in the number of disabled people claiming because they were out of work was not caused by a rise in the number of initial claims, but by an increase in the length of time individuals remained on benefit. The same trend occurred in all age-groups, not just the over-50s.

f Disabled people may have been affected by a much wider and systematic shift in employment patterns. As the supply of labour has expanded faster than demand, employers have become more selective in their choice of staff. Marginal workers, such as disabled people, have been excluded.

f The number of people who lost entitlement after Incapacity Benefit rules were tightened up was less than expected. Preliminary evidence suggests that very few of them found a job, and the question remains whether they were 'capable of work'.

f Recent evidence suggests that perhaps one-tenth of those receiving Disability Living Allowance may not be entitled to it. But underclaiming is at least as important as overclaiming.

f Both of the main types of disability benefits seem to have gradually extended further down the scale of severity over the years. But the evidence strongly suggests that not-very-disabled claimants are a small minority.

f The researcher concludes that the central issue concerns definitions of eligibility. At the level of principle, the first priority will be to consider the entitlements and quality of life of very severely disabled people. The practical difficulties arise as consideration moves to those with significant but less extreme impairments.

There are estimated to be 8.6 million disabled people in Britain. Although the risk of disability increases as we grow older, nearly half of those affected are still of working age. The number of disabled people has probably been increasing slowly - but nowhere near fast enough to explain the rise in the number of claims for benefit. Specialist benefits for disabled people were introduced in the 1970s. Spending on this group has been increasing steadily ever since then; there has been no unusual growth recently. Nevertheless, the total budget has increased fourfold since 1978/79 to reach £22 billion in 1996/97 (see Figure 1).

Earnings replacement benefits

Patterns of claiming

Incapacity Benefit is paid at the same rate as the Retirement Pension and continues for as long as the claimant is unable to work. The 'preference' for disabled people, when compared with the more stringent regime for the unemployed, is based on the fact that they are expected to live on benefit for many years.

Nearly 2.5 million disabled people claim benefit on the grounds that they are incapable of work (Incapacity Benefit, Severe Disablement Allowance, or Income Support with disability premium). The number claiming Invalidity Benefit (the predecessor to Incapacity Benefit) more than trebled between 1975 and 1995.

- About half of that trend could be accounted for by changes in the number of disabled people with the appropriate National Insurance entitlements.
- The growth in the caseload was not caused by a rise in the number of initial claims, but by an increase in the length of time that individuals remained on benefit.
- The same trend occurred in all age-groups, so the pattern did not consist solely of 'early retirements' among men and women in their fifties.

What seems to have happened is that the employment threshold has gradually moved down the severity scale, so that men and women with middle-severity impairments who would have been employed in the 1970s are now out of work and receiving incapacity benefits.

Are they incapable of work?

The growth in claims for Invalidity/Incapacity Benefit may be part of the much wider and systematic shift in employment patterns that has taken place in Britain and elsewhere over the past two decades. It seems likely that two interacting changes have both been happening at the same time:

- As the supply of labour has expanded faster than demand, employers may have become more selective in their choice of staff, excluding marginal workers, such as disabled people.
- But as conventions about who should work have changed, it may now be more accepted that people need not take employment if their impairments make it extremely difficult for them to do so.

The previous administration tightened up the procedure for assessing incapacity when Invalidity Benefit was replaced by Incapacity Benefit in 1995. A points system of objectively defined impairments was introduced, subject in most cases to an examination by a Benefits Agency doctor. The main criticism of the new test has been the exclusive focus on medical criteria, ignoring the interaction between impairments and other relevant circumstances such as age or previous experience.

The number of people who were disallowed benefit following the reform was less than expected. Preliminary evidence suggests that very few of them found a job, and the question remains whether they were 'capable of work'. But the number of people starting a spell on long-term benefit fell substantially

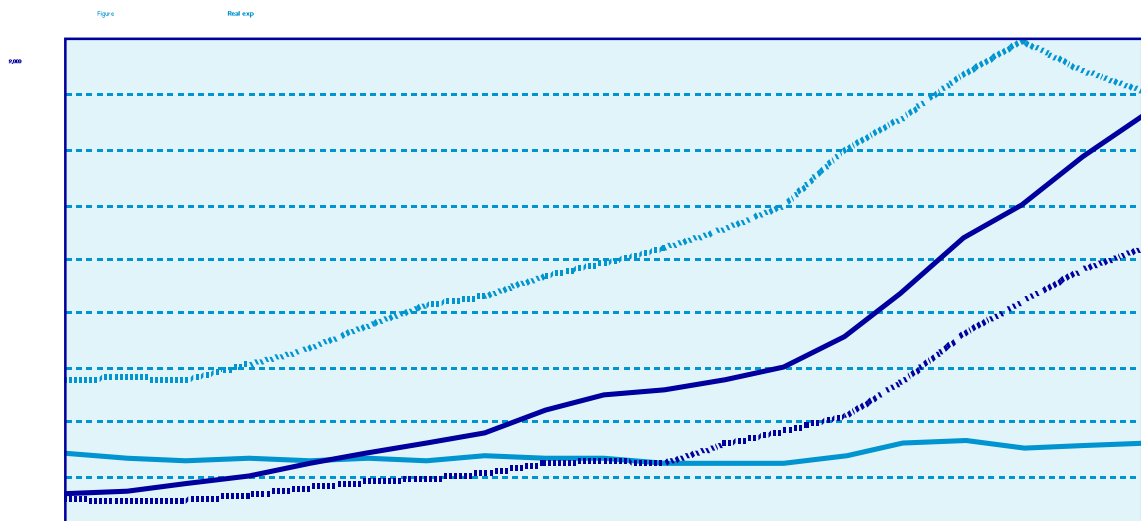
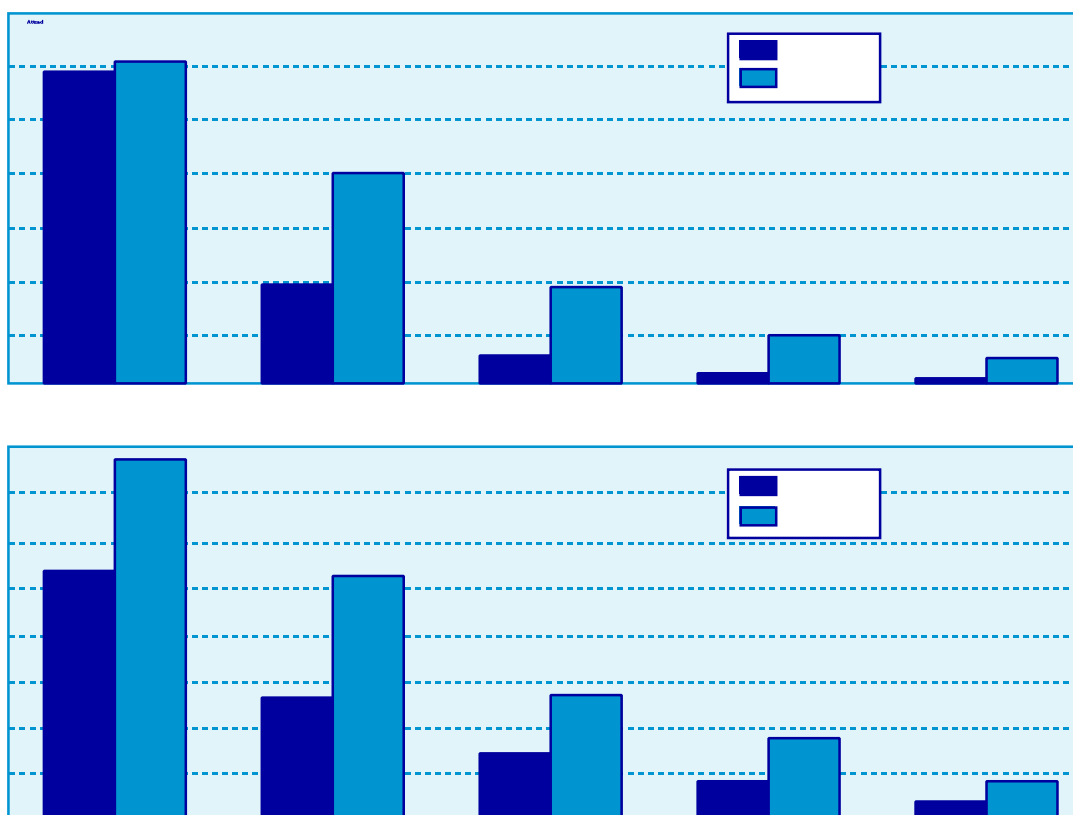


Figure 1
Report
by area



after the reform, and this suggests that the more stringent test may be achieving its objective of curbing expenditure.

Aiding and persuading disabled people to find jobs

The Disability Working Allowance (to be replaced by a tax credit next year) was designed to improve incentives for low-paid work. It has had a much smaller impact than hoped, and the evidence so far suggests that financial incentives make little difference to the prospects of people who cannot find a job in the first place.

The Government has included disabled people in its 'New Deal' welfare-to-work programme. Many welcome more optimistic policies which emphasise what they can do, rather than their impairments. But research suggests that it would be unwise to expect very large numbers to leave the benefit rolls, when the number of jobs on offer is so limited.

Options for reform

There is a case for distinguishing between the unemployed and those whose disability prevents them from working. This might involve an intermediate rate of payment for those near the boundary; or a stronger emphasis on finding work for those who can do so.

It might be considered whether the additional

income currently available to non-working disabled (as opposed to unemployed) claimants could be assessed and paid as part of a single specialist benefit for disabled people, together with the extra-cost components discussed below.

Extra-costs benefits

The costs of personal support

Many severely disabled people require personal support to help with household or personal tasks, which can cost hundreds of pounds per week. Benefits provide some financial support to informal carers. But social security schemes based on simple definitions do not and could not cover the large and varied costs associated with the provision of personal support by paid workers.

The additional costs of ordinary goods and services

Research has not provided a clear measure of the scale of the additional costs faced by disabled people. The care and mobility components of Disability Living Allowance (and Attendance Allowance) offer what is in effect a sliding scale of payments ranging from £13.60 to £87.15 per week. There is no requirement that they should be spent on care or mobility; indeed, most of the evidence suggests that this has never been the intention of policy-makers.

Only about three-quarters of the most severely

disabled people were receiving any extra-cost benefit in the 1980s; and very little money was reaching people in the middle of the severity range (see Figure 2). The Disability Living Allowance (DLA) was introduced in 1992 to make it easier to claim, and to add new lower rates with wider eligibility criteria.

Assessing disability

The introduction of DLA only boosted a steady increase in the number of extra-cost payments which had already been in progress ever since the 1970s. Much of the growth in claims has been in the middle of the severity range (Figure 2). As with Incapacity Benefit, it seems that the threshold of severity beyond which it seemed appropriate for disabled people to claim and the Benefits Agency to award DLA has gradually been lowered over the years.

Recent evidence, derived both from surveys and from reviews of DSS claims, suggests that:

- Perhaps one-tenth of those receiving benefit may not be entitled to it, though it is unclear whether it is the claimants or the Benefits Agency who are responsible for the misallocation;
- In a rather larger proportion of cases, there are doubts about the accuracy with which benefit is targeted on need; but it is not known whether there is a bias towards either excessive or inadequate payments;
- As many as half of severely disabled people entitled to extra costs payments may not be receiving them. Underclaiming is at least as important as overclaiming.

None of these findings suggest that incorrect payments could account for the sixfold increase in the number of care and mobility payments over the last 15 years.

Options for extra-cost benefits

There is now evidence that the adjudication procedures are less rigorous than those applied to other benefits. It would be appropriate to tighten up on existing procedures, by, for example, requiring more detailed evidence about claimants' conditions.

Revising the rules themselves to limit the scope of payments to more severely disabled people would be a completely different policy.

It might also be considered whether to continue with the current assessment, based on care and mobility needs, or to move to a more general test of impairment.

Conclusion

The fact that the cost of disability benefits has multiplied fourfold in less than 20 years does not necessarily mean that they are too generous and should be curtailed. But it is a good reason for reconsidering the existing range of benefits to see if they could operate more effectively.

Both of the main types of disability benefits seem to have gradually extended further down the scale of severity over the years. But the evidence strongly suggests that not-very-disabled claimants are a small minority.

The central issue concerns definitions of eligibility. At the level of principle, the first priority will be to consider the entitlements and quality of life of very severely disabled people. The practical difficulties arise as consideration moves to those with significant but less extreme impairments.

One important conclusion of this review is that it is not necessary to rush through hastily prepared schemes. Excessive zeal in excluding marginal claims might deprive severely disabled people of benefit - people whose impairments really do exclude them from employment and impose significant extra costs.

About the study

This review was commissioned by the Foundation from Richard Berthoud of the Research Centre on Micro-social Change, University of Essex. The review aims to provide an independent guide to: the current portfolio of disability benefits; the purposes they are expected to achieve; the problems (real or imaginary) which have been identified; and the options for reform.

How to get further information

The full report, *Disability benefits: A review of the issues and options for reform* by Richard Berthoud, is published by YPS for the Foundation (ISBN 1 899987 77 0, price £11.95 plus £1.50 p&p). It is available from York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO31 7ZX, Tel: 01904 430033, Fax: 01904 430868.

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