

The incapacity
benefits – present
and future

Part 1 – Basic Characteristics of the benefits

Benefits for people with health problems & disabilities - 1

- IB = contributory Incapacity Benefit, Income Support and Severe Disablement Allowance
- Replacement income to people below SPA who stop working/looking for work as a result of health prob/disability
- Payable after 28 weeks (employed -30% inflow) or immediately (unemployed/inactive -60%)

Benefits for people with health problems & disabilities - 2

- Overall access starts with a GP med cert and a completed claim form
- Specific Benefit depends on level of NI paid/savings/pension income:
 - Min level of NICs paid = contrib IB (pension taken into a/c)
 - No min level paid = IB Credits only +
 - IS if otherwise on a low income (+ DP after 52 weeks)
 - Incap from a young age = IB (Youth)
- And ongoing entitlement depends on satisfying relevant medical test:
 - Small nos. first 28 weeks officially Own-Occupation Test
 - Rest PCA but rely on GP cert as a proxy until process completed

The Personal Capability Assessment - 1

- From outset of claim for most in theory
- Cover main functions of 'work' in abstract
- Mix – physical, sensory, mental functions
- Approved doctors advise DWP DMs who 'score' incapacity
- Can pass through a single serious incap or a mix of lesser incaps
- Test threshold is point where people should not be expected to seek work in return for benefit

The Personal Capability Assessment - 2

- 20-25% very severe and exempted from most of process (GP evid only)
- PCA process lengthy evid-gathering process (GPs, clients, Approved doctors, DMs)
- Once passed no more med certs needed
- 2 weeks – 5 months to complete
- Further med tests from 3 months – 5 years

The Personal Capability Assessment - 3

MINIMUM LEVEL OF INCAPACITY TO GET FULL BENEFITS ACROSS OECD

0 - 40% Australia, Germany, Netherlands,
Switzerland

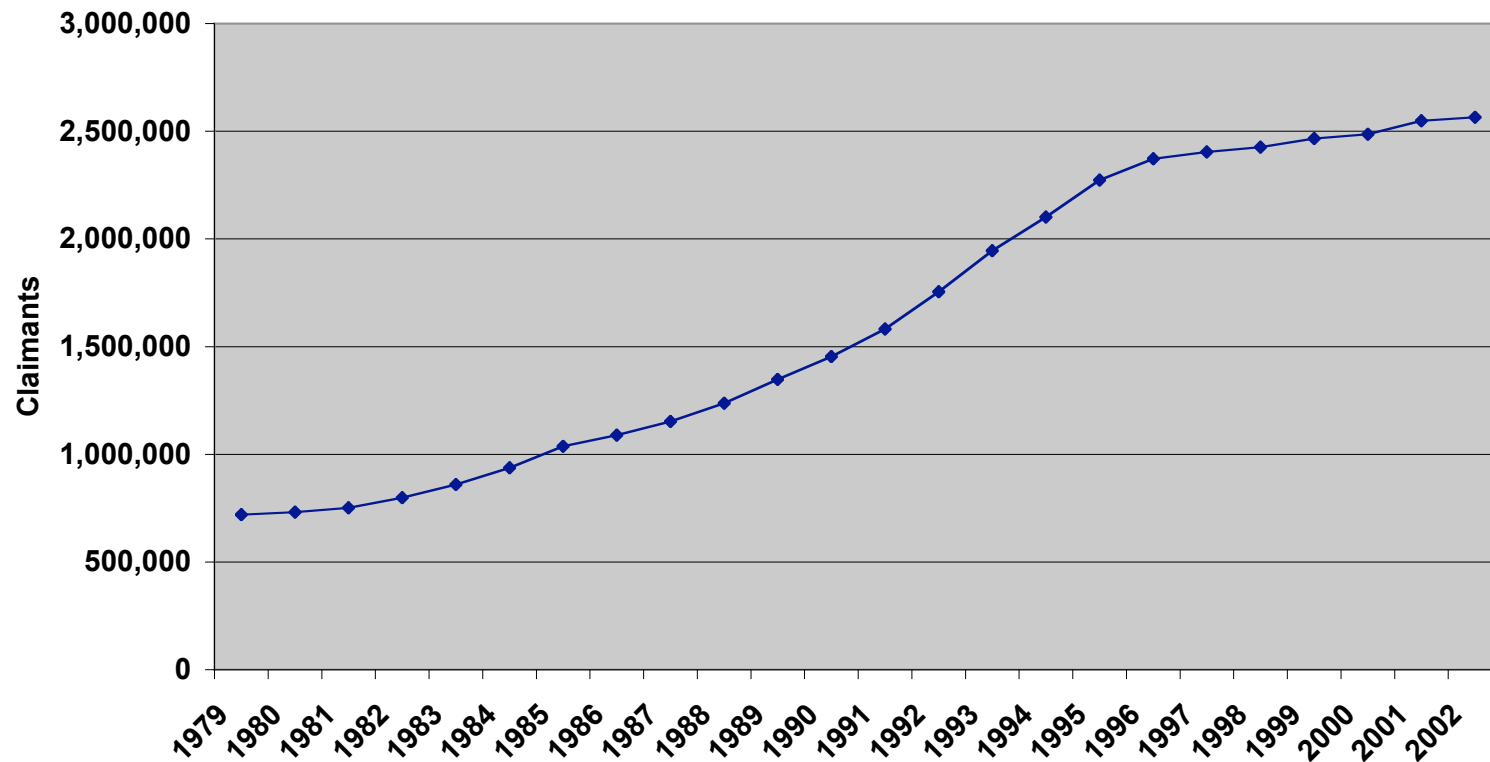
41-70% Austria, Poland, Mexico, Belgium,
Portugal, Turkey

70-100% USA UK, Canada

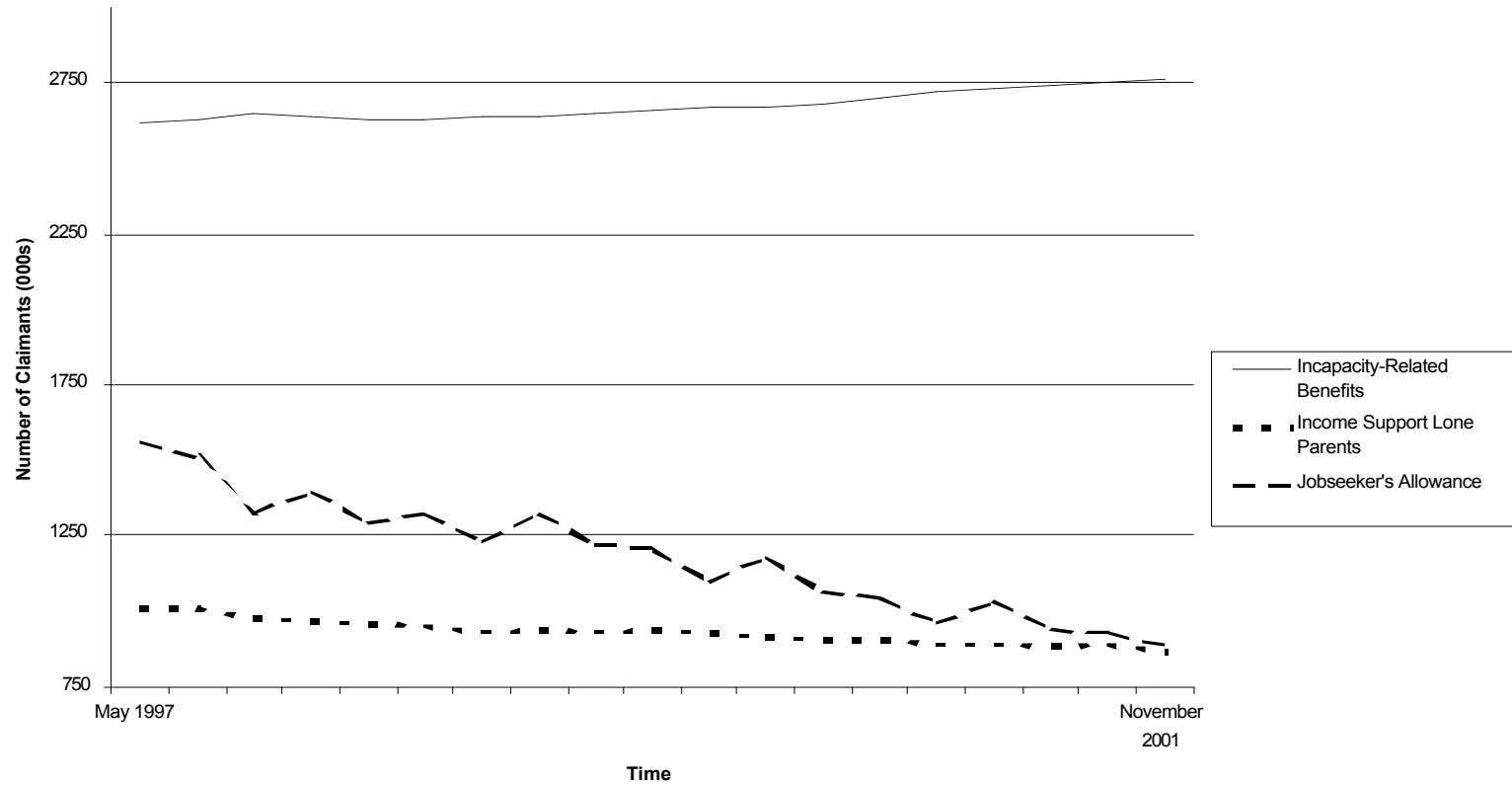
Part 2 – Current trends

IB group – numbers up 300% since 1979

Working Age Claimants of Incapacity-Related Benefits (Excluding IB Short-Term Lower Cases): 1979-2002

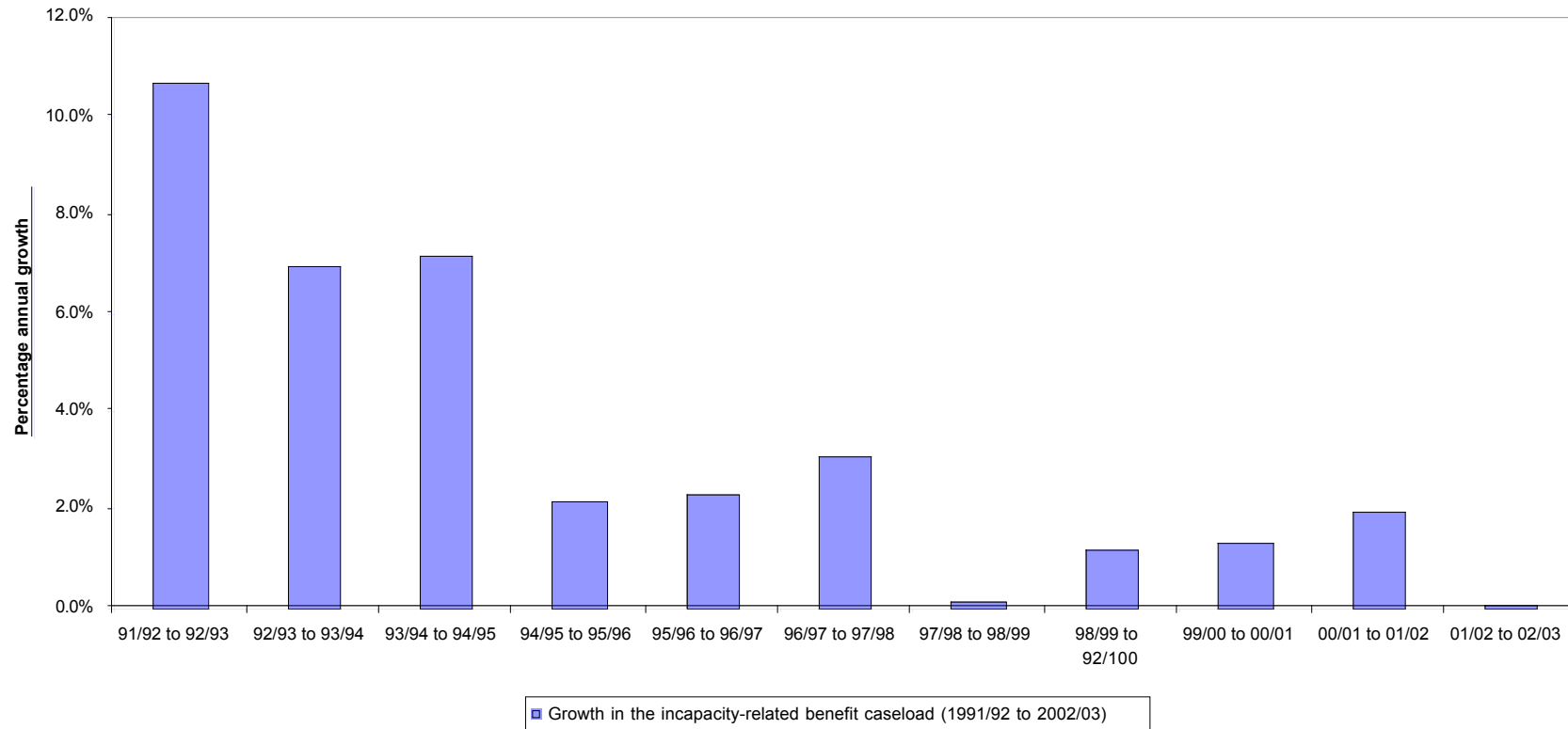


Working Age Claimants of Key Benefits - May 1997 to Nov 2001



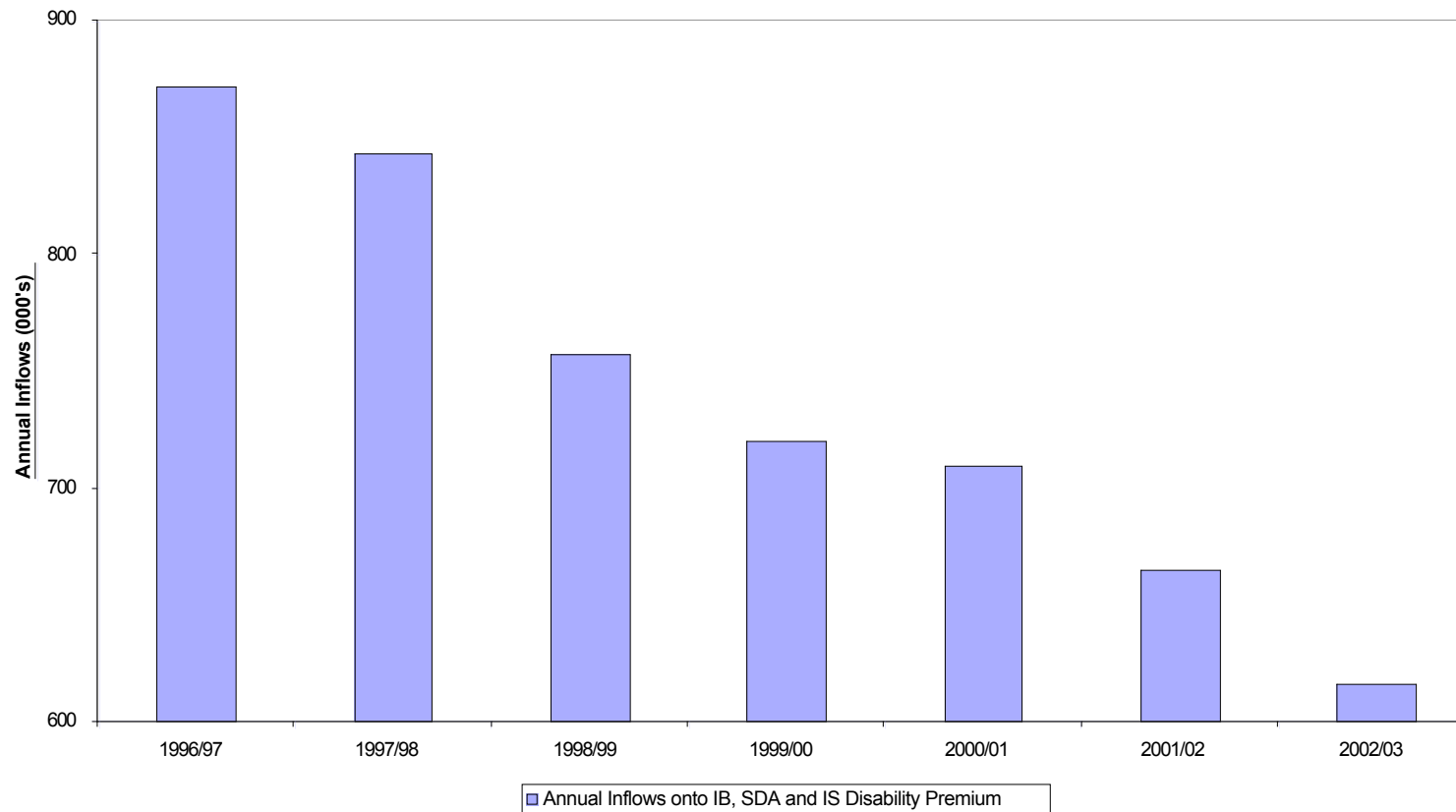
IB Group – but caseload growth now controlled

Growth in the incapacity-related benefit caseload (1991/92 to 2002/03)



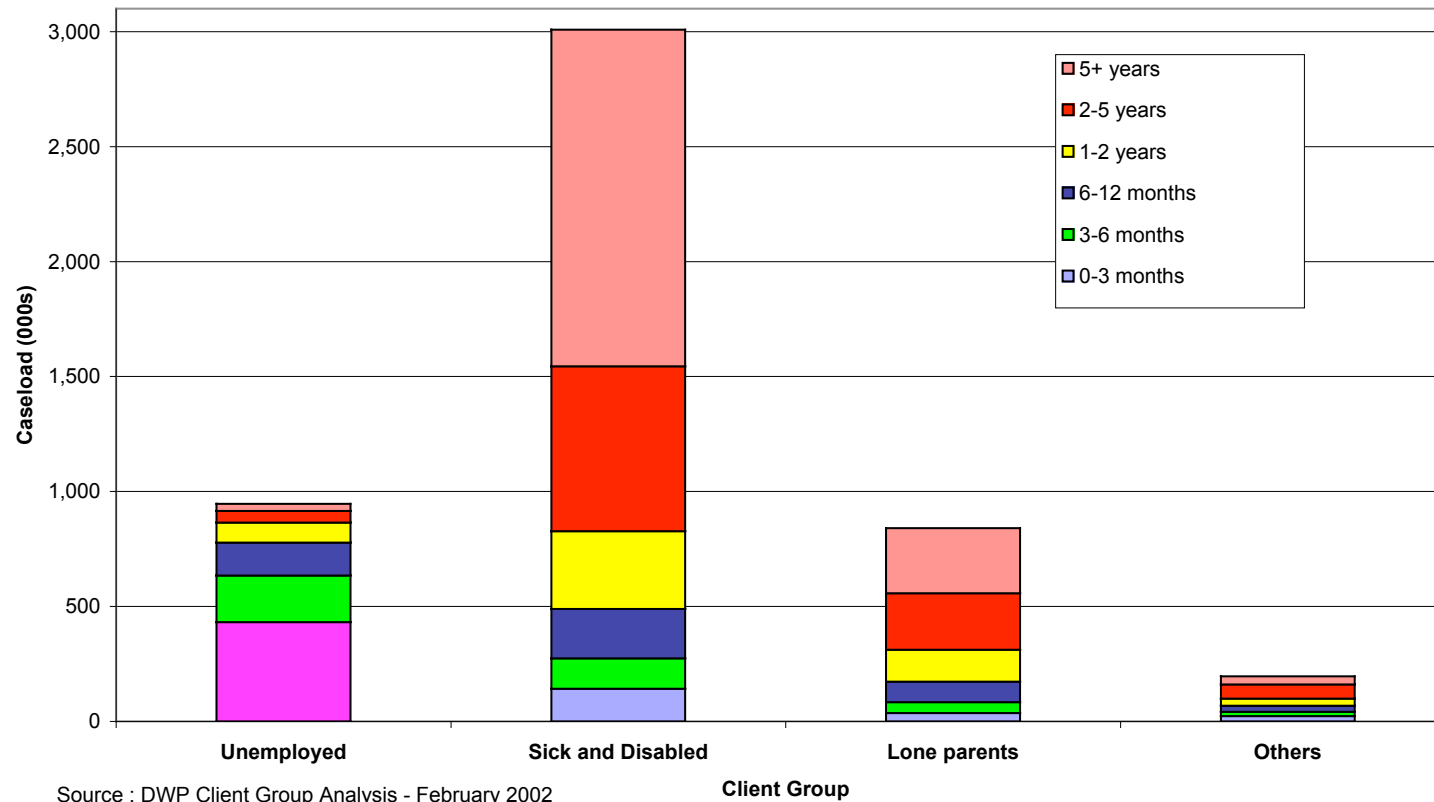
IB Group – steep fall in number of new claims

Annual Inflows onto IB, SDA and IS (DP and short-term sick) -1996/97 to 2002/03



IB Group – Most have been on benefit for a very long time

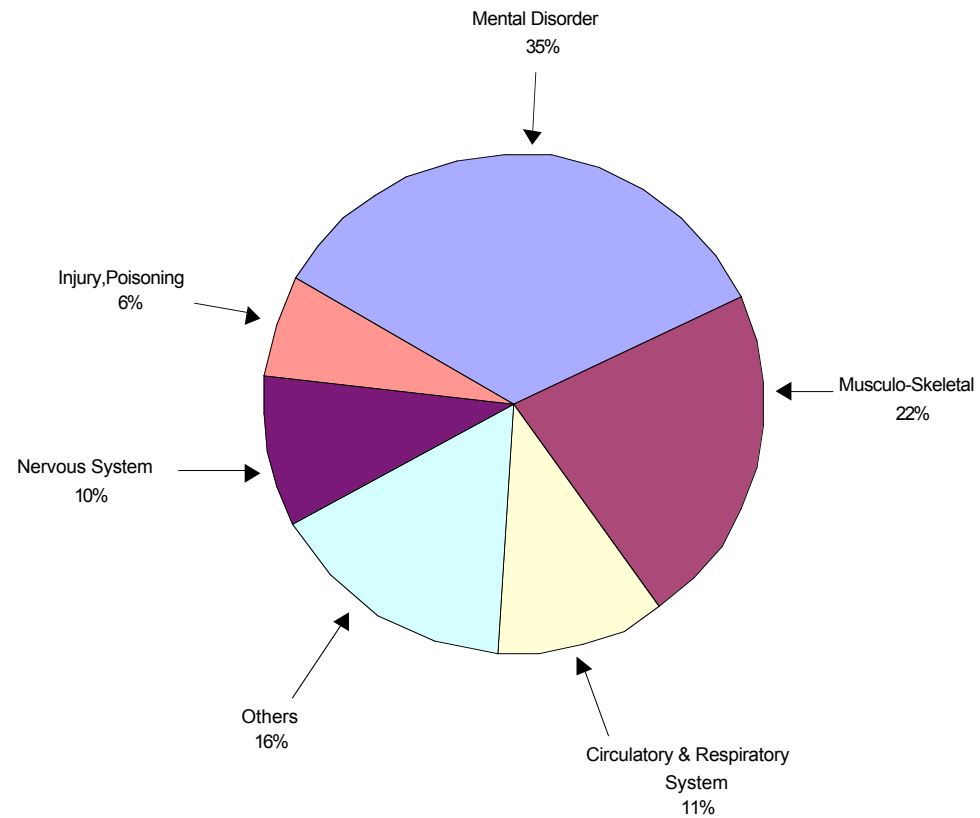
Numbers of each client group on key benefits by duration



Source : DWP Client Group Analysis - February 2002

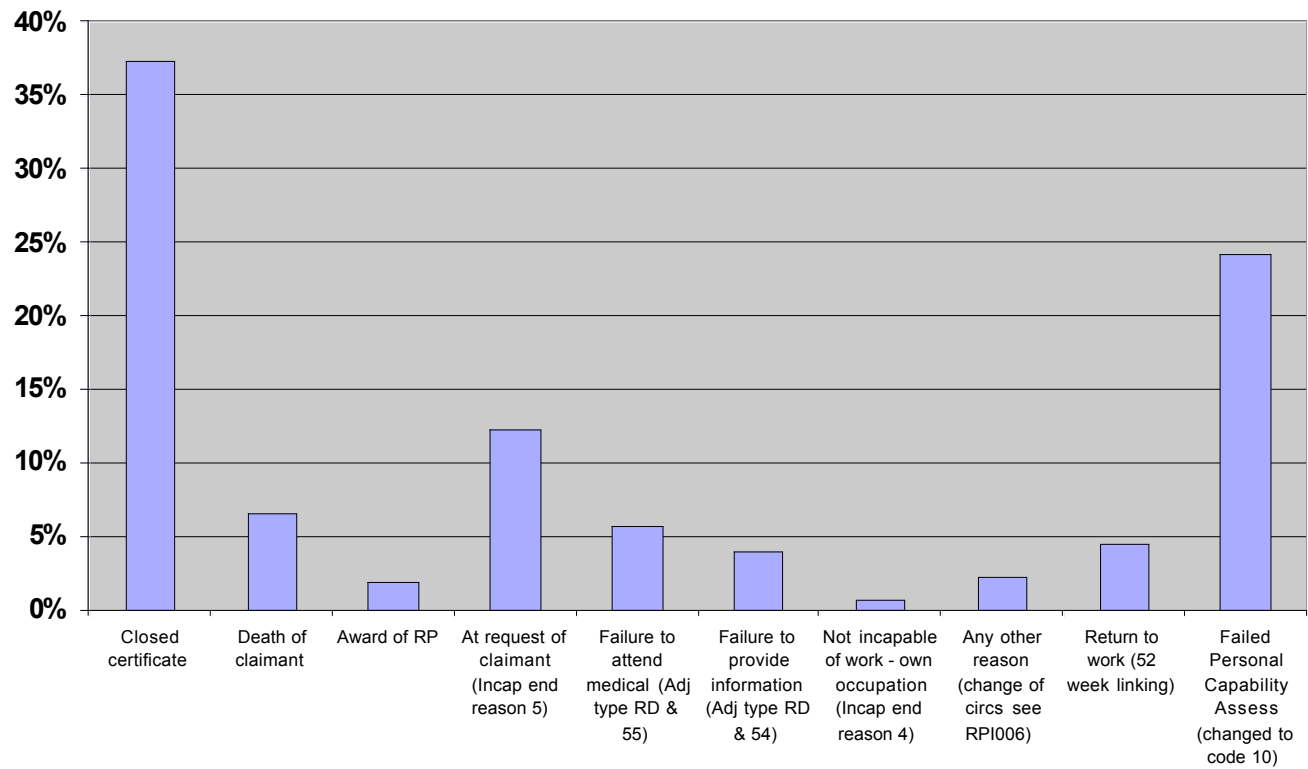
IB Group – A few conditions predominate

Incapacity Benefit Caseload by Diagnosis Group - May 2002



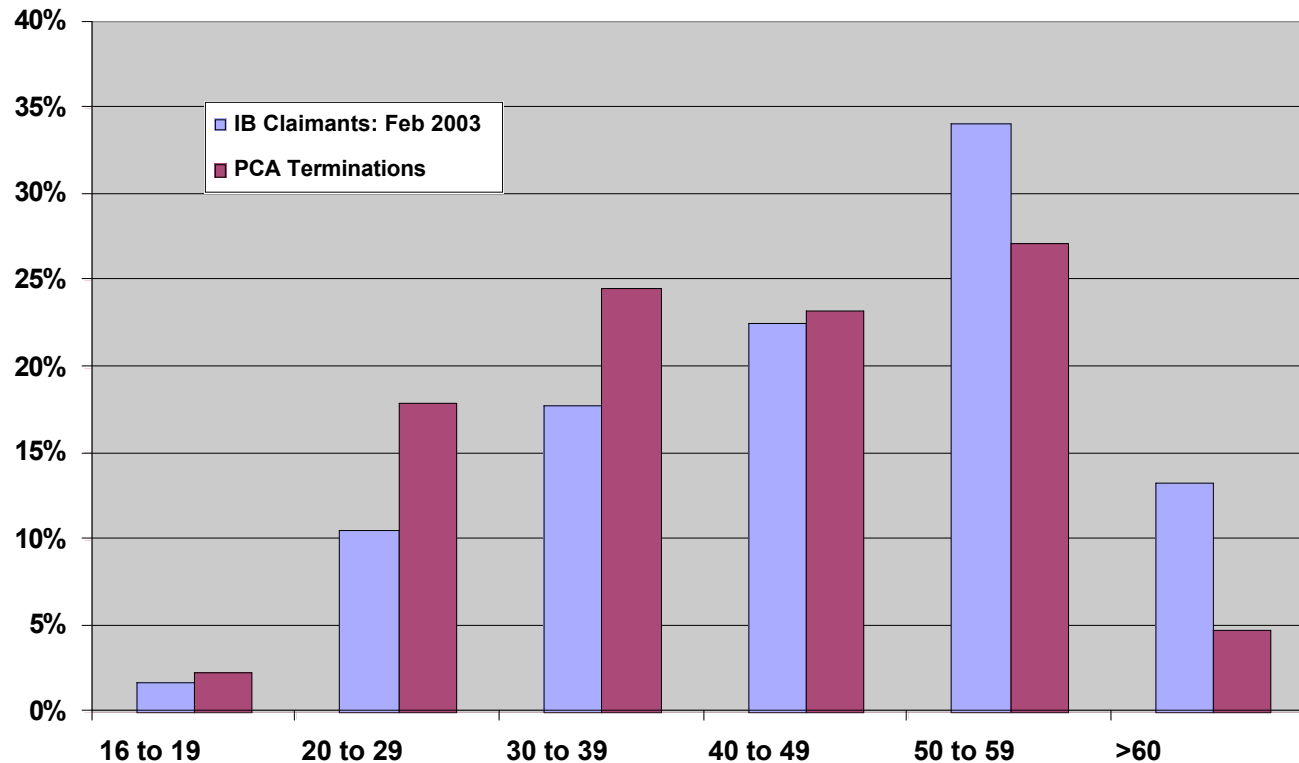
IB Group – Most off-flow is due to GP action

**Table 3 - Terminations of IB/SDA Award by Reason for Termination:
Feb 2003 Quarter**



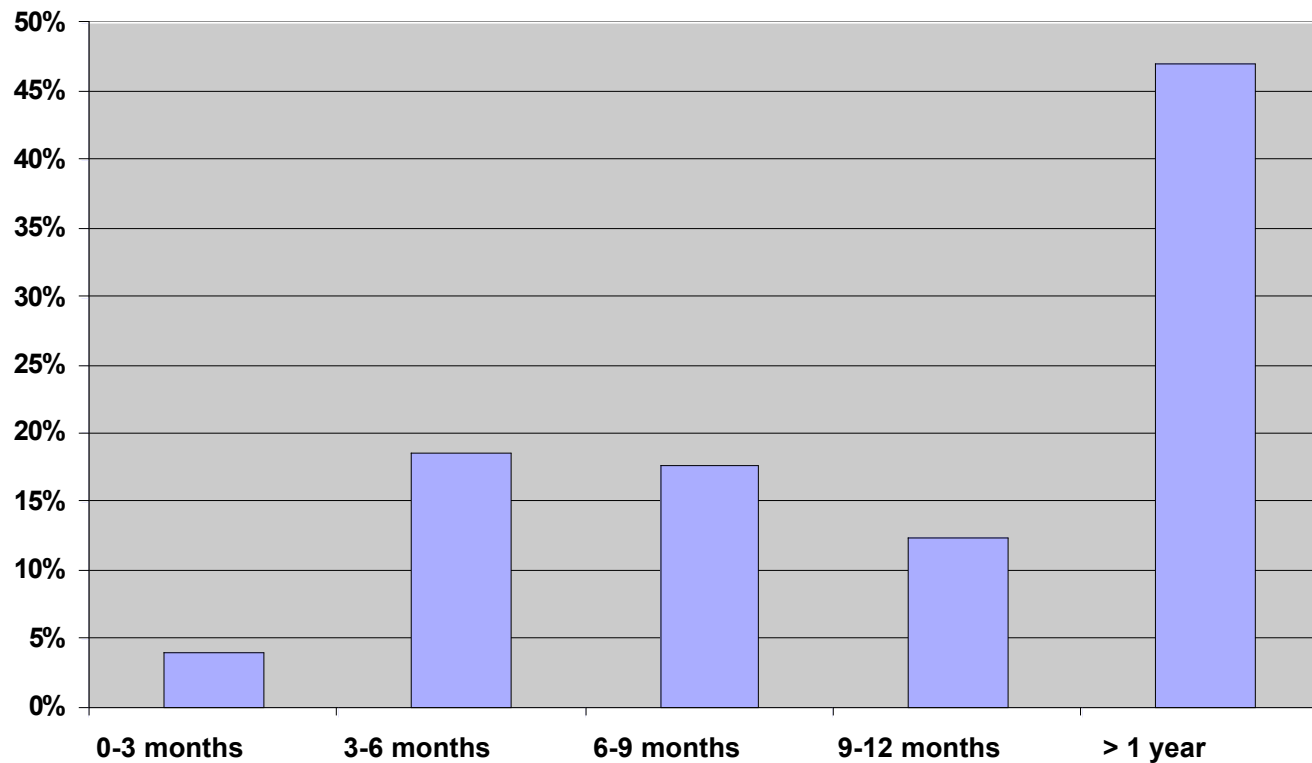
IB Group – No significant issues around variable impact of PCA

Comparison of PCA Terminations and Claimants of IB by Age: Feb 2003 Quarter



IB Group – other than most disallowances in first 12 months

Terminations due to Failure of PCA by Length of Time in Receipt of IB/SDA: Feb 2003 Quarter



IB Group –other notable trends

- Increasing nos. of women
- Age of caseload – 50% 50 +
- Increasing proportions claiming means-tested incapacity benefits
- Younger, poor work history, more MH conditions

Part 3 – Reform Agenda

Reform Agenda -Why do we need change?

- Caseload trends a mix but concerning
- Chance of ever leaving declines rapidly after 3-6 months
- Very few actively planning a return to work
- The tragedy is: one million jobs unfilled

Reform agenda – work a realistic and positive option

- **90%** of new clients **expect and want to work again**
- Most - manageable conditions where work **should** be realistic
- Work can improve health and well-being, and prevent deterioration – longer efforts left harder it gets
- Many are treated as, and believe, their working lives are at an end
- Self-reported obstacles are often non-health related, but complex & additive - confidence, skills, impact on working on condition, transitions, money, advice from GPs/NHS, fear impact on benefit

Reform Agenda – the basic principles

- Fundamentally reform system of incapacity benefits over time to:
 - Significantly improve numbers helped back to work
 - Ensure only those with significant health problems get established on the benefit and only those who can't avoid it become LT claimants
- First big step is Pathways pilots now many of the fundamentals are okay

Pathways to Work – the principles

- Re-build system based around the strong work aspiration – start to address contradiction
- Holistic approach based around 5 Key principles:
 - **Early skilled intervention**
 - **Better specialist support**
 - **Making sure work clearly pays**
 - **Better support for people on JSA** with health problems
 - **Not just about Jobcentre Plus**

Proposed changes - Early skilled intervention

- New specialist IB Personal Advisers
- Sequence of mandatory Work Focused Interviews
- Action plan for all
- Closer linking of PCA process and WFIs
- Looking to empower PAs: key-holders to financial/specialist support

Better specialist support, with new rehabilitation provision

- Improved referrals between PAs and NDDP and all other JCPlus provision
- New condition management programmes
 - Aim – manage health conditions better in work context
 - Delivered by multi-skilled team
 - Short-focused programmes
 - Covering areas such as coping strategies, strength building, education about condition, managing depression
 - Best practice but not done at present (medical culture is a barrier)

Making work pay

- Create visible, simple **Return to Work** payment - £40 a week for 52 weeks
- Extend access to **Adviser Discretion Fund**
- Reduce risk of trying work – postpone repeat medical tests

Other stakeholders

- Jobcentre Plus can't provide the solution single-handed
- Need to engage with:
 - Partners
 - Health professionals
 - Employers
 - General Practitioners

Where we are now

- Secured £100m through SR2002
- Piloting IB reforms in 7 areas – 9% of the country
- Three began in October 2003. Another four start in April 2004.
- Initial feedback very promising

Part 4 – Longer-term reform agenda

Longer-term agenda – what do we need?

- Fundamentally turn IB around –System expects/encourages/directs clients to suitable activity
- Effective framework based around 4 elements
 - Specialist support pre/post IB (good quality, large scale)
 - External stakeholders brought in
 - Strong incentives within benefit structure (financial, reducing risk to attempt return)
 - Active [mandatory] intervention regime

How will we move further forward?

- Find out what works.....
- Evidence will support financial/political investment and justify opportunity cost within Jobcentre Plus
- Moving forward requires progress on all 4 fronts:
 - Specialist Services, External Environment, Incentives, Intervention Regime