



House of Commons
Work and Pensions Committee

Incapacity Benefits and Pathways to Work

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Report, together with formal minutes

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The Work and Pensions Committee

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Summary

Incapacity benefits are now claimed by 2.7 million people. Many of those claiming incapacity benefits want to work but require appropriate support to enable them to do so. In January 2006, the Government published its Green Paper on welfare reform which puts forward its proposals for helping more ill or disabled people move into employment.

The Green Paper sets out the Government's aspiration to reduce the number of people claiming incapacity benefits by one million within a decade. We welcome this bold aim – the current system has long required improvements to assist ill or disabled people entering, and remaining in, employment. However, the Government will need to invest effort and resources, particularly over the next few years, if its reform programme is to be successful. The Government has not fulfilled its commitment to produce forecasts of the incapacity benefits caseload to 2016 and should do so immediately. Clarification of the baseline by which this aim will be measured is also urgently required.

The Green Paper sets out a wide-ranging strategy to reduce the incapacity benefits caseload. Yet there is a distinct lack of detail about most aspects of the reforms that leaves much to be decided. The Department must ensure that it maintains ongoing dialogue with all key stakeholders during the process of making these decisions. This is particularly important when redesigning the gateway onto incapacity benefits – the Personal Capability Assessment (PCA). We welcome the proposals to shift eligibility criteria in the reformed PCA towards the capabilities of the claimant rather than just entitlement to benefits. Yet the Department must ensure that disability organisations have as great a role in the redesign as health professionals so that the reformed PCA takes into account the complexity of ill or disabled people's lives, especially those with fluctuating or mental health conditions.

The Green Paper also proposes to replace the current incapacity benefits with a new Employment and Support Allowance (ESA), paid to most people in return for attending work-focused interviews and agreeing an action plan. Those with more severe illnesses or disabilities will have no conditions attached to receipt of their benefit, which will be paid at a higher rate. We are very concerned that, by introducing a two-tier system, the new ESA will introduce further complexity to an already confusing incapacity benefits system. Apparently little consideration has been given to the IT systems, risks and other resources required to administer a two-tier system properly. These need to be clarified. In any case, all levels of the ESA, including the 'holding benefit', should be set and updated at levels which ensure an adequate benefit rate for new claimants.

Pathways to Work is the flagship of the Government's efforts to help more disabled people move into work and elements such as the Condition Management Programme and the Return to Work credit are particularly helpful. Incapacity Benefits Personal Advisers (IBPAs) play a key role in delivering Pathways and the majority do it well. However, they require improved training to deliver a better service, particularly on handling clients with mental health conditions, and may benefit from the sharing of best practice.

The Government plans to roll out Pathways to Work nationally in 2008 alongside the introduction of the new ESA. This will encompass a new approach, delivered primarily by the private and voluntary sectors, that will test a range of 'work-related activities' and increase the requirements that ill or disabled people will be required to fulfil. The Committee welcomes this new approach. However, where services are being delivered by external providers the judgment of whether to administer a benefit sanction must rest with a DWP decision-maker. The proposal to utilise outcome-based funding for service providers is welcome, although contracts must reward providers for a range of outcomes to ensure that focus is not skewed towards helping those who are already closest to the labour market. Outcome-based contracts should also reward cases where job retention lasts for at least 12 months.

We are concerned that existing claimants of incapacity benefits are in danger of being left behind as the new benefit is introduced and Pathways to Work rolls out nationwide. It is crucial that they are able to access the full range of support available to help them move into work if they wish. We recommend that the Department publishes a date by which existing claimants will be included in the Pathways programme.

£360 million has been allocated for the national roll-out of Pathways to Work. There are widespread concerns that this may not be sufficient without services being watered down. A more transparent outline of the proposed funding allocation for Pathways is required and the Department needs to work closely with the Treasury to ensure that sufficient funds are available. In addition we are concerned that there may be a capacity problem with the numbers of trained Cognitive Behavioural Therapists, or other appropriate therapists, when Pathways is rolled out to the rest of the country.

Finally, employers are a crucial part of the required efforts to help more disabled people move into sustainable employment, yet have been largely overlooked in the Green Paper. The Department, and its service providers, need to actively promote incapacity benefits claimants to employers and strive to change the misconceptions that many employers have about disabled people and the requirements of the Disability Discrimination Act. Particular attention should be given to employers' attitudes towards employing those with mental health conditions. The public sector should take a lead in this.

1 Introduction

1. There are currently more than 2.7 million people claiming incapacity benefits in the UK – more than 7% of the working-age population. More people claim incapacity benefits than the combined total of unemployed people and lone parents on benefits. Some of these people are severely ill or disabled. Many want to return to work and need the appropriate support to enable them to do so.

2. As the UK's overall employment level has risen in recent years, the economic inactivity rates among disabled people have received more attention. The Government has taken small steps to remove some of the obstacles that ill or disabled people face in entering or remaining in the workplace, but significant barriers remain. In 2003, our predecessor Committee embarked on a short inquiry into 'Employment For All', focusing on how to help disabled people move into work. The inquiry was announced at the same time as the Government issued its consultation on Pathways to Work – a new employment strategy for disabled people. The Committee produced an interim report and recommended returning to the issue at a later stage when more evidence from the Pathways pilots was forthcoming.¹

3. This inquiry into the reform of incapacity benefits and the Pathways to Work pilots was the first inquiry agreed by the new Work and Pensions Committee following the 2005 General Election. The decision was prompted by the announcement, prior to the election, by the then Secretary of State for Work and Pensions that the Government planned to reform Incapacity Benefit. At that time, the Government intended to publish a Green Paper "in the summer".² This commitment was not fulfilled and the Green Paper was delayed several times before its final publication in January 2006.

4. Nonetheless, we agreed terms of reference in July 2005: "to examine the Government's strategy to help more disabled people move into employment through a reformed system of incapacity benefits and the lessons learned from the Pathways to Work pilot schemes." We sought evidence on the following issues:

- Reforms to incapacity benefits
- The future rollout of Pathways to Work
- The experience of ill or disabled people
- Support for ill or disabled people to move back into work
- Involvement of healthcare professionals
- Jobcentre Plus resources
- Existing employment initiatives

1 Work and Pensions Committee, Fourth Report of Session 2002-03, *Employment For All: Interim Report*, HC 401

2 "Johnson announces summer green paper to reform incapacity benefit as radical 'Pathways' pilots get 10,000 off IB within a year." DWP press release 15 March 2005

- The role of the private and voluntary sectors
- Local labour markets

5. As a result of the initial call for evidence, 70 memoranda were received from a wide range of organisations and individuals.

6. In spite of the delayed Green Paper, in December 2005 the Committee began the inquiry with a visit to the Pathways to Work pilot area in Derbyshire. We met with staff responsible for delivering the pilots and their clients, private and voluntary sector employment service providers, health professionals and employers. We also visited a Jobcentre Plus office delivering Pathways to Work and a provider of supported employment – Remploy. In addition, the Committee held an oral evidence session in Derby City Council House with employers' representatives and voluntary and private sector employment service providers.

7. Following publication of the Welfare Reform Green Paper in January 2006, the Committee issued another call for written evidence and received a further 58 memoranda. In February and March 2006, we held three further evidence sessions with a range of policy experts and disability organisations and with the Secretary of State, the Rt Hon John Hutton MP.

8. In February 2006, the Committee travelled to the Netherlands on an overseas study visit where we met a range of civil servants and rehabilitation service providers. The Netherlands has recently made significant reforms to its equivalent to incapacity benefits. In addition, in recent years it has achieved a relatively high rate of helping disabled people move into work compared with most other OECD countries. The Committee would like to thank all those who contributed to this inquiry by submitting oral and written evidence, and those who assisted the Committee in undertaking the valuable visits to Derbyshire and to the Netherlands.

9. The Committee is also very grateful for the assistance of its Specialist Adviser, Kate Stanley, Associate Director and Head of Social Policy at the Institute of Public Policy Research, who advised the Committee on the wide range of issues covered by the remit of the inquiry and provided ongoing support to both the Members and the Committee staff.

10. The Green Paper has a formal consultation period which ended on 21 April 2006. The Committee intends that this report will be submitted as part of the Government's consultation process. We look forward to receiving both the Government's response to the Committee's report and the response to the Green Paper consultation and hope that the Government continues to have a dialogue with all of the stakeholders in incapacity benefits reform.

2 Background

The introduction and design of the incapacity benefits system

11. Incapacity Benefit (IB) is the main income-replacement benefit for ill or disabled people. It is a contributory benefit, that is, you have to have made sufficient National Insurance (NI) contributions to receive it. Those who are ill or disabled but with insufficient NI contributions for IB can claim Income Support with a disability premium. In addition, some disabled people still claim two benefits that have now been abolished for new claimants: the Severe Disablement Allowance (SDA), which was abolished for new claimants in 2001; and Invalidity Benefit which was the precursor to Incapacity Benefit, and abolished for new claimants in 1995.

12. All of the benefits outlined above are referred to as ‘incapacity benefits.’ References in this report to ‘IB’ refer only to Incapacity Benefit. It is important to note that the Welfare Reform Green Paper is concerned with all incapacity benefits, not just IB.³

13. IB was introduced in April 1995 replacing Invalidity Benefit and Sickness Benefit. To qualify for IB claimants must be unable to work due to sickness or disability.⁴ IB is paid at several different levels. The rates for 2006/07 are:

- Week 1-28 of the claim: short-term (lower) rate, £59.20 per week
- Week 29-52: short-term (higher) rate, £70.05 per week
- After 52 weeks: long-term rate, £78.50 per week.

14. Some claimants move more quickly onto the higher rate.⁵ Additions are also available for those with adult dependants and for those who became disabled when they were aged under 45. SDA is also paid at varying rates depending upon the age of the claimant and whether there are adult or child dependants.

15. Some people who are recorded on the incapacity benefits caseload may only be claiming National Insurance credits – which help them to build up their pension entitlement. Others may be claiming the credits alongside receiving their entitlement to Income Support for disabled people. Currently, more than a third of those on the incapacity benefits caseload are claiming credits only.⁶

16. Income Support for disabled people has two premiums, paid in addition to the Income Support personal allowance, that are dependent on the severity of the individual’s disability: disability premium is £24.50; and for those with more severe disabilities, severe disability premium is paid at a higher rate (currently £46.75).

3 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 24

4 Most claimants transfer to IB after claiming Statutory Sick Pay for 28 weeks.

5 For example, those receiving the highest rate of the care component of Disability Living Allowance

6 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

The incapacity benefits caseload

17. There are currently more than 2.7 million people on incapacity benefits. Of this caseload, 58% are men and 42% are women. The caseload is concentrated among those aged over 50. At August 2005, 47% of incapacity benefits claimants were aged 50 or over, 47% were aged between 25 and 49 and 6% were aged under 25.⁷

18. People claiming incapacity benefits have a wide range of health conditions or disabilities. The statistics on the diagnosis groups of claimants show that the largest group (39%) are those with a mental or behavioural disorder. The next largest category (19%) is claimants with musculoskeletal or connective tissue diseases (this includes those with conditions such as arthritis and back problems).⁸

19. The Committee received a considerable amount of evidence on the issue of mental ill health. Consequently, the inquiry has focused particular attention upon it. Wherever relevant in this report we have considered the impact of the proposed reforms of incapacity benefits and the Pathways to Work pilots on those with mental health conditions.

Regional variations

20. As the Green Paper points out, there are incapacity benefits claimants everywhere, making this a national issue.⁹ However, the caseload is concentrated in certain regions – hence the Government’s decision to pilot Pathways to Work predominantly in the North East and North West of England, Scotland and Wales. In these regions, one in ten of the working-age population are claiming incapacity benefits and in certain districts within these regions, the claimant rate is as high as one in five.¹⁰

21. In addition, pockets of worklessness, including high incapacity benefits claimant rates, occur within large cities. The Green Paper proposes a ‘city strategy’ to improve the employment rates in cities across the UK.¹¹

22. Regional and area-based variations in the caseload are further addressed in Chapter 7 of the report.

In-flow and off-flow rates

23. The Welfare Reform Green Paper states that between 1979 and the mid-1990s the incapacity benefits caseload increased from 0.7m to 2.6 million people. This increase is largely explained by a decline in the proportion of people leaving benefit within 18 months of their claim.¹² Since IB was introduced in 1995, the working-age population on incapacity benefits has increased, albeit at a reduced rate. In May 1995 there were 2.5 million claimants compared with 2.7 million claimants in May 2005. The most recent figures show

7 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

8 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

9 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 26

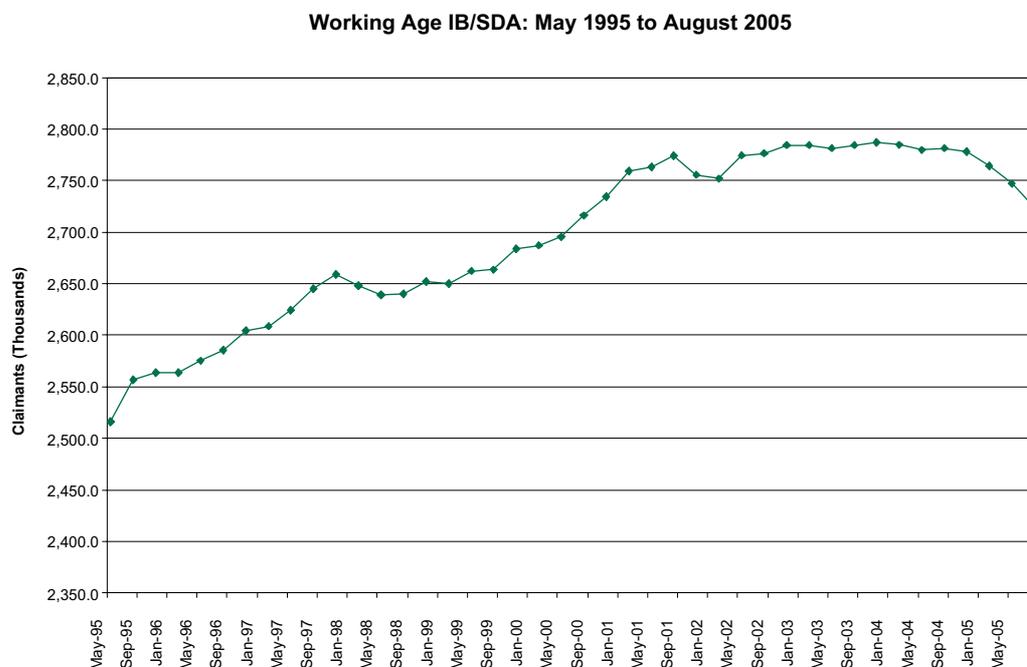
10 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

11 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 76-78

12 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 25

a fall in the caseload since May 2004. See Chart 1 which shows the working-age incapacity benefits caseload from May 1995 to August 2005.

Chart 1: The number of working-age people claiming incapacity benefits — May 1995 to August 2005



24. The most recent statistics show that the total incapacity benefits caseload fell by 58,000 over the past year¹³ and, in 2004, a total of 701,000 claimants ended their claim for IB or SDA.¹⁴ The falling caseload may be partially due to the substantially lower number of claimants moving onto benefit. In 1996 there were more than a million new claimants but in 2004 (the last full year for which figures are available) there were 675,000 new claimants.¹⁵ Furthermore, there are signs that the benefit off-flow rate is increasing, particularly in areas where the Pathways to Work pilots have been operating. Chart 2 (see para 202, Chapter 5) shows the comparative off-flow from incapacity benefits after six months of a claim starting. There is an increase in the off-flow rate of around eight percentage points in Pathways areas compared with the national figure. An outline of Pathways to Work is set out in paragraphs 29–31 below and will be further addressed in Chapter 5.

13 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

14 HC Deb, 7 Nov 2005, col 439w. "Please note that this figure may increase slightly as additional late notified terminations are added for at least a year following the production of the final quarter statistics."

15 HC Deb, 28 Feb 2005, col 687w

25. The length of time spent on incapacity benefits has become a central focus of Government concern. In his statement on the Welfare Reform Green Paper, the Secretary of State, the Rt Hon John Hutton MP, said:

“Nine out of ten people who come on to incapacity benefit expect to get back into work, but if people have been on incapacity benefit for more than two years, they are more likely to retire or die than ever to get another job. That cannot be right.”¹⁶

26. Current figures show that nearly 1.5 million claimants – 53% of the incapacity benefits caseload – have been on benefit for five or more years. The Green Paper states:

“Almost 60% of people who started to receive incapacity benefits in 2004 left within a year. However, for the remaining 40% who do not return to work quickly, the prognosis is bleak – only 22% of claimants already claiming for a year will leave within the next year and 29% of them will still be receiving benefits after another eight years.”¹⁷

27. The Green Paper outlines what the Government regards as the key problems that prevent incapacity benefits claimants from moving into work. These include:

- a failure to prevent people from moving onto incapacity benefits;
- a poorly managed gateway onto benefits, with claimants receiving incapacity benefits before a medical assessment is carried out;
- benefits trapping people into dependency, with the likelihood of leaving benefits decreasing over time;
- the fact that the longer a claim lasts, the more benefits are received;
- claimants being viewed as incapable of work, offered little support to move into employment and risking losing benefits if they undertake activities such as training or volunteering; and
- the name ‘incapacity benefits’ sending the wrong signal.¹⁸

Government action to reduce the incapacity benefits caseload

Support for disabled people to enter employment

28. The Government has introduced a range of services in recent years, predominantly delivered through Jobcentre Plus, to help disabled people move into paid employment. These include services provided by Disability Employment Advisers, the New Deal for Disabled People (NDDP), Employment Zones, Workstep, Work Preparation and Access to

16 HC Deb, 24 January 2006, col 1305

17 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 25-6

18 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 4

Work. Although this report has not looked at all of these initiatives in detail, the Committee notes the contribution made by these schemes.¹⁹ A principal aspect of this report is the support provided by, and the performance of, the new Pathways to Work initiative.

Pathways to Work

29. Pathways to Work was introduced in 2003 and was assessed in much of the evidence we received as marking a significant step forward in providing appropriate support to help disabled people move into work.²⁰ The first phase of the Pathways pilots began in October 2003. A total of seven areas were included by April 2004: Renfrewshire, Derbyshire, Bridgend, Gateshead and South Tyneside, Essex, Somerset and East Lancashire. The 2004 Pre-Budget Report announced that Pathways to Work would be expanded to cover one third of the country. This expansion began in October 2005 and aims to be completed by October 2006.

30. In pilot areas, all those making a claim for an incapacity benefit are obliged to attend a work-focused interview (WFI), with a further five mandatory interviews at roughly monthly intervals. WFIs can be deferred or waived by a personal adviser, otherwise a benefit sanction may be imposed for a failure to attend. Other measures in the pilots include: early support from personal advisers; a 'Choices' package of interventions offering access to specialist programmes such as NDDP and the 'Condition Management Programme'; the 'Return to Work credit', worth £40 per week for up to 52 weeks; and in-work support. Any existing incapacity benefit claimant may also volunteer to take part in Pathways.

31. An expansion to the pilots began in February 2005 when those who had been claiming incapacity benefits for up to three years began to be called in for up to three compulsory WFIs. From April 2006, existing claimants who had been claiming benefit for up to eight years were included in the Pathways extension. In one pilot area – Somerset – Pathways was extended to cover all existing claimants. The extension to existing claimants also includes a discretionary Job Preparation Premium (JPP) of £20 per week for up to 26 weeks for those engaged in work-related activity.

32. An assessment of the performance of Pathways to Work follows in Chapter 5.

Disability rights

33. A further aspect of the Government's approach to helping more disabled people into employment is the Disability Discrimination Act (DDA) 1995. Provisions in the Act give protection for disabled people in employment, education and in access to goods, facilities and services. This means employers cannot discriminate against employees or potential employees on grounds of disability and are required to make reasonable adjustments to the workplace. The employment provisions of the Act originally exempted employers with less

19 For further analysis of employment programmes for disabled people, see, NAO, *Gaining and retaining a job: the Department for Work and Pensions' support for disabled people*, HC 455, Session 2005-06, 13 October 2005

20 See, for example, Vol 2: Ev 13; Ev 19; Ev 25; Ev 77; and Vol 3: Ev 48; Ev 65; Ev 75; Ev 85; Ev 113; Ev 122; Ev 125; Ev 127.

than 20 employees. From October 2004 this exemption ended – along with the exemption for the police, fire and prison service professions.

34. The Disability Discrimination Act (DDA) 2005 further extended the rights of disabled people. Under this Act, from December 2006 there will be a new duty on public bodies – from local authorities, to healthcare and education providers – to promote equality of opportunity for disabled people, similar to the 'duty to promote' under the Race Relations (Amendment) Act 2000. Public authorities will need to:

- have 'due regard' to the need to eliminate discrimination against and harassment of disabled people;
- promote equality of opportunity for disabled people;
- promote positive attitudes to disabled people; and
- encourage disabled people to take part in public life.

35. The DDA 2005 also extends the coverage of the legislation to include an additional 175,000 disabled people with cancer, HIV and multiple sclerosis.²¹

36. Compliance with the DDA is closely monitored by the Disability Rights Commission (DRC). The DRC is an executive non-departmental public body sponsored and monitored by the DWP to promote the equality of opportunity for disabled people, prevent the occurrence of disability discrimination and promote good practice. In addition to providing advice to disabled people, employers, service providers and education providers on the DDA, the DRC has a range of functions and powers to: undertake formal investigations; provide legal support; arrange independent conciliation when disputes occur; and raise public awareness of disability issues.²²

37. In January 2005, the Strategy Unit published the report 'Improving the Life Chances of Disabled People.' The report recommended establishing an Office for Disability Issues (ODI) to act as a focal point across government to improve outcomes and secure equal opportunities for disabled people and their families. The ODI was officially launched in December 2005.²³ It includes Ministers and officials from six Government departments and is led by the DWP's Minister for Disabled People. The ODI will report annually to the Prime Minister on cross-Government progress in implementing the Strategy Unit report.

38. Following another recommendation in the report, in February 2006 DWP formed an Advisory Group of 12 disabled people to help set up a national forum representing the interests of disabled people in policy and services. The aim of the forum is:

21 *Department for Work and Pensions Five Year Strategy: Opportunity and security throughout life*, Cm 6447, February 2005, p 65

22 See, www.drc-gb.org/whatwedo/aboutus.asp

23 'Office for Disability Issues launched today' See, www.officefordisability.gov.uk and DWP press notice 1 December 2005

“to ensure that disabled people have a direct channel of communication to the heart of the Government, enabling them to influence the development of policies and service delivery that affects all aspects of their lives.”²⁴

39. The issue of disability rights is further analysed in Chapter 7.

The Welfare Reform Green Paper

40. In January 2006, some months after it was initially promised, the Government published the Welfare Reform Green Paper. The Green Paper covers several key areas including: helping those who are ill or disabled, lone parents and older people into work; reforming Housing Benefit; delivering welfare reform; and long-term benefits reform. The issue that has probably received the greatest public and media attention is that of helping ill or disabled people move into employment.

Government targets

41. The Government has had a rolling Public Service Agreement (PSA) target since 1998 to increase the employment rate of disabled people and significantly reduce the difference between their employment rate and the overall rate. The employment rate for disabled people has shown a gradual increase. In spring 1998, the employment rate of disabled people was 43.4%, and the gap between this and the overall employment rate was 29.8%. By spring 2005, the comparable figures were an employment rate of disabled people of 50.1% and a gap of 24.5%.

The aim of an 80% employment rate

42. In addition to this PSA target – and similar targets aimed at increasing the employment rate of lone parents, ethnic minorities, people aged over 50, those with the lowest qualifications and those living in the 30 poorest local authority districts – the Government has an overarching employment aim. The DWP Five Year Strategy, published in February 2005, announced the Government’s “long-term aspiration of moving towards an employment rate equivalent to 80% of the working-age population”²⁵ and further detail was provided in the Welfare Reform Green Paper. The Green Paper specifies that to reach an overall employment rate of 80%, the Government will tackle economic inactivity and aim to:

- reduce the number of people claiming incapacity benefits by one million;
- increase the number of older workers by one million; and
- get 300,000 more lone parents into work.²⁶

43. The Government hopes to achieve these aims within 10 years.

24 ‘Disabled people given key role in Government policy making,’ DWP press notice, 27 February 2006

25 *DWP Five Year Strategy: Opportunity and security throughout life*, Cm 6447, February 2005, p 22

26 *DWP, A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 18

The aim to reduce the incapacity benefits caseload by one million

44. Some of the evidence received by the Committee suggested that a number of organisations and individuals were confused about exactly what the aims actually intend to achieve.²⁷ In response, the Department clarified that the aim is to reduce the incapacity benefits caseload by one million rather than move one million disabled people into work.²⁸ The aim therefore includes reducing the number of people coming onto the benefits as well as increases in those flowing off. This was clarified for us by the Secretary of State in oral evidence:

“...we are starting from 2.7-2.72 million. By 2015/2016 I would like to see that figure down to 1.72 million, so it is a net figure. We are not trying to do any clever statistical sleight of hand on this. The reduction will come principally from two sources. Certainly in the majority of cases the reductions will come from the roll-out of the Pathways to Work-type scheme, so we can do more in placing people who are currently on Incapacity Benefit and on the Employment and Support Allowance in the future back into work where they want to be, and that is where I think the majority will come, but I think there will be some who we can prevent coming into the benefit system altogether, through better occupational health, the work of the employment advisers, for example, whom we would like to see in GP surgeries as well. [...] if we can be more successful at both ends of that curve, we have every prospect of realising that aspiration of getting a million people off Incapacity Benefit. [...] If we are going to get the million off, primarily it will be because we are more successful in getting people off benefit and back into work.”²⁹

45. Another issue is the potential overlap of the target to reduce the incapacity benefits caseload by one million and the target to increase the number of older workers by one million. In evidence to the Committee, Age Concern expressed unease about the tension between the two targets and asked DWP to be more explicit about the interplay between them.³⁰ Age Concern also pointed out that the equalisation of the pension age for men and women would make the challenge of achieving the aim of one million fewer incapacity benefits claimants more difficult.³¹ They estimated that by 2020 there could be up to 370,000 extra incapacity benefits claimants aged 60-64.³² When questioned on the issue of the equalisation of the state pension age and its impact on the incapacity benefits caseload, the Secretary of State acknowledged that the target would have to take into account the resulting increased working age population.³³

46. A further issue raised in evidence was the impact of the ageing incapacity benefits caseload on the off-flow rate over the next 10 years. Nearly a million claimants are aged

27 See, for example, Ev 132, vol 2; Qq 119, 120, 194

28 Ev 256, vol 2

29 Q 245

30 Ev 119, vol 2

31 Q 150

32 Ev 119, vol 2

33 Q 240

between 50 and 60 years old.³⁴ Arguably, a substantial proportion of the reduced incapacity benefits caseload could simply come from people moving into retirement and claiming the State Pension. As the journal *Working Brief* (produced by the Centre for Economic and Social Inclusion (CESI)) pointed out:

“While ministers comment on the fact that long-term claimants are more likely to die or retire than get a job, those dying or retiring also contribute to the one million total, as long as they are not replaced by new claimants.”³⁵

47. The Department estimates that 60,000 incapacity benefits claimants will transfer onto the State Pension in each of the next 10 years.³⁶ Additional claimants may leave the caseload before receiving the State Pension as a result of, for example, moving onto other benefits or entering work.³⁷

48. Further analysis provided in *Working Brief* states that although around one million incapacity benefits claimants are within 10 years of retirement, there are 100,000 new claims made each year by those within 10 years of retirement. Consequently, the two effectively cancel each other out.³⁸ However, this assumes that none of the incapacity benefits claimants will move into work or onto another benefit before retirement which, as the Department suggests, is not the case.³⁹

49. Taking this further, *Working Brief* provides some very helpful analysis on whether or not the aim to get one million people off incapacity benefits within 10 years is achievable. Job entry rates for incapacity benefits claimants in Pathways areas are currently double that of non-Pathways areas. Also, the number of new incapacity benefits claims has been falling by around 20,000 (3%) each year. If this reduction rate doubles and is combined with a sustained doubling of the job entry rate (as seen in Pathways areas), they estimate that the total caseload in 2016 will be under 1.7 million and the target will be achieved. This research was also summarised in an evidence session with Dave Simmonds from CESI.⁴⁰

50. CESI’s analysis reinforces the point made above by the Secretary of State: that the aim must be achieved through a combination of reducing the number of people flowing onto incapacity benefits and of increasing the number moving off.

51. Summing up, in evidence to the Committee, the Secretary of State described the aim to reduce the incapacity benefits caseload by one million as “incredibly challenging” and went on to say:

“We do believe, based on the success of the Pathways to Work pilots, that it is an achievable objective for us to set, but I am certainly not going to try and pretend to

34 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, August 2005

35 Centre for Economic and Social Inclusion, *Working Brief*, Issue 171, February 2006, p 13

36 Ev 252, vol 2

37 Ev 258, vol 2

38 Centre for Economic and Social Inclusion, *Working Brief*, Issue 171, February 2006, p 14

39 Ev 258, vol 2

40 Q 105

the Committee today that it is going to be anything other than an incredibly tough challenge for us to realise.”⁴¹

The Committee agrees with the Secretary of State’s assessment.

52. We welcome the Government’s laudable aim of reducing the incapacity benefits caseload by one million. However, it will be very challenging to do this by 2016. Success depends very much upon the effort and resources that are invested by the Government, particularly over the next few years. Clarification of the baseline by which the aim to reduce the number of people claiming incapacity benefits is also required and we recommend that the Department publish this in the immediate future.

53. In February 2006, the Department informed the Committee that it was currently working on producing baseline forecasts of the incapacity benefits caseload for the next ten years and that these would be completed at the time of 2006 Budget.⁴² A similar commitment was made in response to several Parliamentary Questions in March 2006.⁴³ The forecasts were not available for the Budget (on 22 March 2006). **The Committee is disappointed that the Department has not met its commitment to produce incapacity benefits caseload forecasts to 2016 and recommends that the Department does so as a matter of urgency.**

Incapacity benefit reforms

54. In order to achieve the aim of getting one million people off incapacity benefits, the Green Paper outlined proposals for a range of reforms to incapacity benefits beginning in 2008 for new claimants. The ‘gateway’ onto the benefits – the Personal Capability Assessment (PCA) – will be reformed so that it:

- assesses an individual’s eligibility for financial support based on their functional capability;
- identifies those who are capable of taking part in work-related activity; and
- identifies those for whom this would be an unreasonable requirement due to their illness or disability.

55. This issue will be explored in Chapter 3.

56. A new Employment and Support Allowance (ESA) will replace Incapacity Benefit and Income Support paid on the grounds of incapacity. The ESA will consist of, for the first 12 weeks, an allowance set at the basic Jobseeker’s Allowance (JSA) level. Following completion of the new PCA claimants will either get the ‘Employment Support Component’ of ESA for taking part in work-related activity, which will be paid at a higher level than the current long-term IB rate, or the ‘Support Component’ – a higher payment for those deemed to be so limited by their illness or disability that it would be unreasonable

41 Q 239

42 Ev 225, vol 2

43 HC Deb, 7 March 2006, col 1350W and col 1351W

to require them to undertake work-related activity. It is anticipated that those currently receiving Income Support with the Enhanced Disability Premium or Severe Disability Premium will continue to receive the additional payments currently provided through these premiums.⁴⁴

57. To help claimants move into work increased support will be available, tailored to address the individual's capacity. Incapacity Benefit Personal Advisers (IBPAs) and the private and voluntary sector will help those engaged in work-related activity. This support will be informed by progress in the Pathways to Work areas which will roll out nationwide in 2008 alongside the introduction of the new benefit. Existing incapacity benefits claimants will remain on the current system but will be engaged with more proactively. Extensions to include existing claimants in Pathways to Work will be rolled out "as resources allow."⁴⁵ These issues will be further examined in Chapter 5.

44 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 42

45 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 48

3 A reformed 'gateway' onto incapacity benefits

The role of GPs and other health professionals

58. GPs are the first point of contact when someone becomes sick and, as the Green Paper points out, are seen as the 'gatekeepers' to sick pay and benefits.⁴⁶ The difficulty with GPs having this role was outlined in some of the evidence received during this inquiry. For example, UnumProvident said that under the current system the concern of the GP is whether their patient is sick – not whether they are capable of a return to work.⁴⁷ The Disability Rights Commission (DRC) commented that the expectations of GPs needed to be raised to include employment as an option for disabled people⁴⁸ and A4e argued that GPs needed to “embrace the concept of ‘employment is good for you’.”⁴⁹

59. The Green Paper says that GPs and primary care teams can play a pivotal role in supporting and advising patients on their fitness for work. It sets out a range of strategies to help with this process. These include:

- supporting GPs and primary care teams to help their patients back to work by identifying effective interventions and rewarding staff who take active steps to help their patients remain in or return to work;
- supporting GPs in recording sickness certification and revising the medical certificate to make it more user-friendly and to include fitness for work advice;
- piloting an occupational health advice line and developing training courses and online learning modules for GPs on fitness-for-work issues; and
- piloting employment advisers in GP surgeries.

60. The last of these proposals was widely reported in the media prior to the publication of the Green Paper.⁵⁰ According to the Minister for Work, this proposal is based on existing practice where some non-governmental organisations have placed employment advisers in surgeries around the country. Based on this, the piloting of employment advisers in GP surgeries has already begun in two surgeries in Bridgend and Paisley.⁵¹ The evidence received during the inquiry – both before and after the publication of the Green Paper – presented different views. Some supported the proposal as an effective way to bring different sectors together for the benefit of the client.⁵² Others argued that it could

46 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 33

47 Ev 99, vol 3

48 Ev 26, vol 2

49 Ev 91, vol 3

50 See, for example: *The Observer*, *GPs paid to send sick back to work*, 22 Jan 2006; *Sunday Times*, *Doctors set to get bonuses if they cut sicknotes*, 22 Jan 2006; *Daily Telegraph*, *Weakened Blair forced to water down benefit reform*, 13 Dec 2005.

51 HC Deb 8 March 2006, col 1547W

52 Vol 2: Ev 170; and Vol 3: Ev 44; Ev 99; Ev 104

compromise the patient/doctor relationship and cause patients to avoid attending the surgery for necessary health support.⁵³

61. Leonard Cheshire – a large voluntary sector provider of support to disabled people – warned that GPs should not be excessively controlled by Government and “must retain the discretion to advise their patients to the best of their ability without any external pressure.”⁵⁴ The Shaw Trust – a voluntary sector provider of employment services to disabled people – argued that GPs only have limited time to spend with their patients and did not consider the long-term implications of issuing a sick note to a patient. They stated that Occupational Health professionals should play a greater role in supporting people who become ill while at work and that this should be co-ordinated via the employer.⁵⁵

62. The Chartered Institute of Personnel and Development (CIPD) took this further, stating that the Green Paper omitted any suggestions of how to improve the way GPs and employers work together so that individuals’ rehabilitation return to work was managed in a co-ordinated way. They argued that further guidance or advice for employers and GPs should be available. The CIPD also said that involving occupational health professionals was acknowledged as the most effective means of managing employee absence, yet research which they conducted with more than 1,000 large organisations found that only 62% used occupational health services.⁵⁶

63. Occupational health support can be provided to individuals in Pathways to Work areas and the Green Paper suggests this as an option in the ‘work-activity plan’ that each ESA claimant will be obliged to complete.⁵⁷

64. The First Step Trust highlighted a tendency for mental health services to be risk averse, discouraging individuals from considering returning to work for fear of provoking a relapse.⁵⁸ In supplementary evidence to the Committee, Mind, the Royal College of Psychiatrists and Rethink recommended that the Government target a campaign at mental health service staff to ensure they understand the potential benefits of work and that training for staff emphasised the recovery model of mental illness.⁵⁹

65. The Committee was keen to hear the views of GPs on the Green Paper and requested written evidence from the British Medical Association (BMA). The BMA’s evidence stated:

“The Green Paper fundamentally misrepresents the role of GPs by referring to their key role ‘in helping people back to work’. The central purpose of the primary health care team in managing the sick is restoration of health, or where this is unrealistic, ensuring the best possible strategies for the patient to manage the chronic illness.”⁶⁰

53 Vol 2: Ev 166; Ev 170; and Vol 3: Ev 15; Ev 251

54 Ev 60, vol 3

55 Ev 27, vol 3

56 Ev 250, vol 3

57 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730. Jan 2006, p 43

58 Ev 34, vol 3

59 Ev 205, vol 2

60 Ev 268, vol 3

66. We recommend that there should be clarification of the status, importance and relevance of sickness certification in the process of applying for Statutory Sick Pay and other benefits.

Reform of Statutory Sick Pay

67. Statutory Sick Pay (SSP) is payable to employees who are unable to work because of a health condition or disability that lasts for more than four days in a row. It is payable for up to 28 weeks, after which some people may move onto claiming Income Support or Incapacity Benefit. The current rate is £70.05, although some employees receive more from their employer's sick pay scheme.

68. The Green Paper sets out the Government's plans for reforming SSP. The aim is to simplify it to enable employers to manage sickness rates and to help employees stay in work. It proposes to do this by abolishing:

- the requirement to link periods of sickness separated by no more than eight weeks;
- the need to link together periods of sickness with a previous employer;
- the need to wait three days before an employee becomes entitled to SSP; and
- the rules that prevent payment of SSP where employees have previously been claiming incapacity benefits.⁶¹

69. In oral evidence, Richard Exell, Senior Policy Officer at the Trades Union Congress (TUC), "wholeheartedly welcomed" the abolition of the waiting days in SSP as it would increase the benefits paid to people, especially in short periods of sickness.⁶² The TUC's written evidence also welcomed the other aspects of the proposed reforms to SSP.⁶³ Marilyn Howard, representing the Disability Rights Commission (DRC), also acknowledged the improvements to SSP suggested in the Green Paper. She suggested that the SSP process could become more 'managed' to enable individuals and employers to work together at an early stage of someone becoming ill to identify what adjustments might be needed to enable the person to remain in their job.⁶⁴ A different view was given by the mental health organisation Mind, which said that changes to SSP could result in employers pressurising staff to return to work before they were ready or moving to dismiss staff.⁶⁵

70. During the Committee's visit to the Netherlands we heard from a private employment reintegration provider that is contracted by employers to work with their employees who are on sick leave. These private service providers act as an intermediary between employers and employees, identifying what support is required to enable someone to move back into work as soon as possible and providing appropriate services.

61 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 36-37

62 Q 88

63 Ev 81, vol 2

64 Q 136

65 Ev 170, vol 3

71. The GP's perspective on SSP was provided by the BMA which argued that absence from work due to short-term sickness assessment was best assessed by employees and employers, with advice from occupational health professionals and factual information from GPs: "Absence management is a human resource issue not a medical issue, and thus it should not fall under the remit of GPs or even the NHS."

72. In oral evidence to the Committee, the Secretary of State said that the principal responsibility of the GP was to secure the best possible outcome for the patient and in some instances this was to support the person so that they could remain in work. He went on to say: "We are not trying to ask GPs to perform roles that are not consistent with their primary and over-arching responsibility to secure the wellbeing of their patients."⁶⁶

73. We welcome the measures to reform Statutory Sick Pay as a necessary simplification that will improve the system for claimants and employers. The Committee is concerned, however, that further efforts need to be made to reconcile GPs with the changes that the Government proposes to make. The Committee recommends that the Department enters a close dialogue with health professionals, including those working for mental health services, GPs and their professional representatives in order to assess the most appropriate way that the Green Paper proposals on Statutory Sick Pay – and their wider role in helping ill or disabled people back to work – can be taken forward and to ensure full co-operation by all stakeholders.

Transferring from Jobseeker's Allowance

74. The Government also hopes to reduce the incapacity benefits caseload by making it more difficult for people to move from claiming JSA to incapacity benefits. From 1 June 2004 to 31 May 2005, 176,600 people transferred from claiming JSA to incapacity benefits.⁶⁷ The Green Paper proposes to make full use of the current rules where JSA claimants are allowed two spells of short-term sickness of two weeks within a 12 month period. JSA claimants will have to exhaust these permitted spells of short-term sickness before they can claim incapacity benefits. It is intended that more proactive sickness management arrangements will be introduced, such as 'return from illness' interviews, revision of the Jobseeker's Agreement and referral to specialist assistance.⁶⁸

75. Little evidence was received by the Committee on this issue, with the exception of written evidence from Mind which argued:

"the primary motivation for this change is to prevent movement from JSA to IB, rather than providing appropriate support for people to get back to work where they can do so. These proposed changes should only go ahead if JSA staff are provided with comprehensive, ongoing training on mental health issues."⁶⁹

76. The inadequacy of staff training on mental health issues was frequently raised during the inquiry. We return to this issue in Chapter 5.

66 Q 241

67 HC Deb 18 April 2006, col 419W

68 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 38

69 Ev 170, vol 2

77. The Committee acknowledges that it is important to ensure that people are receiving the appropriate benefit for their situation and that it may be more suitable for some to remain on Jobseeker's Allowance rather than move to incapacity benefits. The Department should ensure that the distinction between the two is properly understood by Jobcentre Plus staff.

The current Personal Capability Assessment

78. Under the present system, incapacity for work is determined by the Personal Capability Assessment (PCA). The PCA does not distinguish between people who can or cannot work. Rather, it draws a line between people who should not be expected to seek work in return for benefit and those who can be expected to do so (and therefore claim Jobseeker's Allowance). The PCA was introduced in 2000, replacing the prior All Work Test.

79. The PCA usually takes place after someone has been claiming Statutory Sick Pay (SSP) for 28 weeks. The first stage of the PCA process is completion of a questionnaire (the IB50 form) which awards points according to the level of difficulty the individual has in performing certain physical and mental activities. The claimant may then be referred for a medical examination by a doctor at the DWP's Medical Service (currently contracted out to the private organisation, Atos Origin). The doctor prepares a report to be considered by a DWP decision maker along with the IB50 questionnaire and any other evidence provided by the claimant's GP. The decision maker then decides whether the claimant has 'passed' the PCA and so qualifies for incapacity benefits.⁷⁰

Reforms to the Personal Capability Assessment

80. The Green Paper states that the 'gateway' to incapacity benefits will be improved by transforming the PCA so that it focuses on assessing people's capability for work in addition to their entitlement to benefits.⁷¹ The reformed PCA will take place within 12 weeks of initial application and claimants will need to satisfy the PCA before they become eligible for the new benefit, Employment and Support Allowance (see chapter 4). Eligibility for benefit will be based on evidence provided by medical practitioners and capability for work may be assessed by other health professionals. Once the PCA has been completed, the report will include a recommendation on the timescale for review. This will be within 12 months of the first assessment, unless the person's condition suggests that a review within that timescale is inappropriate.

81. The other significant difference between the current PCA and the reformed PCA is how it will assess those with more severe disabilities. Under the current system certain groups are exempt from the PCA, usually due to the nature of an individual's illness or disability. This includes: those who are registered blind, people with tetraplegia or paraplegia, those receiving the highest rate of the care component of Disability Living Allowance, and people who are terminally ill. The Green Paper proposes to replace the 'exempt' category with an assessment of "the severity of the impact of that condition on the

70 Child Poverty Action Group, *Welfare Benefits and Tax Credits Handbook 2005/06*, p 772-786

71 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 38-39

individual's ability to function."⁷² This group currently has a working title of 'reserved circumstances.' Most claimants of the new benefit will have to take part in 'work-related activity.' Those in the reserved circumstances category will not be obliged to undertake such activity but can volunteer, if they so wish.

82. The Green Paper also commits the Government to 'a comprehensive review' of the mental health component of the PCA. This will be carried out "by a group of experts in the field" with the intention of ensuring that the reformed PCA reflects "the type of [mental health] conditions prevalent today."⁷³ We discuss this further in paras 99-108 below.

Reactions to the proposed reforms

83. Evidence received by the Committee prior to the publication of the Green Paper was fairly consistent in criticising the existing PCA and calling for it to be reformed.⁷⁴ Following publication of the Green Paper, the evidence we received could be described as cautiously welcoming the suggested reforms to the PCA. The different issues that were raised in the evidence are set out below. However, it is worth noting that several witnesses pointed out that the Green Paper lacks detail on a number of areas, including the content of the PCA, making it difficult to give specific comments on such issues.⁷⁵

Content of the new Personal Capability Assessment

84. Basing eligibility for incapacity benefits on an assessment of people's capability for work rather than on the severity of their impairment marks a significant shift in the gateway to incapacity benefits. In oral evidence, Richard Exell from the Trades Union Congress (TUC) described this as "one of the more radical and welcome elements of the Green Paper."⁷⁶

85. A number of suggestions were made to the Committee regarding the possible content and design of the new PCA. Lorna Reith, Chief Executive of Disability Alliance, commented that medical evidence would still be an important part of the new PCA. She argued that such evidence needed to be placed in the context of, for example, a person's education and employment background.⁷⁷ Richard Exell of the TUC said that an individual's personal history should be taken into account⁷⁸ and Mark Baker, Head of Social Research and Policy at the Royal National Institute for the Deaf (RNID), commented:

"we need a much more holistic assessment of the person's ability to do paid work and how much paid work they can do, as well as the local job market. We know other considerations that ought to be taken into account as well, including local

72 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 39

73 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 40

74 Vol 2: Ev 24; Ev 180; Ev 194; and Vol 3: Ev 67; Ev 136; Ev 165; Ev 186

75 Qq 123-4, 150, 152, 160; Vol 2: Ev 109; Ev 140; and Vol 3, Ev 237

76 Q 93

77 Q 162

78 Q 95

transport infrastructure for a person getting to and from work, or whether a person has parenting or caring responsibilities as well.”⁷⁹

86. Dave Simmonds of the Centre for Economic and Social Inclusion (CESI) also argued for a more individualised approach but pointed out that it would be more expensive and require more personal adviser time.⁸⁰

87. Cliff Prior, Chief Executive of Rethink, argued that the new assessment should consider the additional disadvantages faced by those with mental health conditions, because of the way in which they are perceived in society:

“If you can imagine a society in which there were no wheelchair ramps and the state did not provide people with wheelchairs; it rather thought that people who could not walk were slackers and shirkers; that they probably brought it on themselves and frankly it was their own responsibility to – not get on their bike but get themselves to work. They were thought of as dangerous people, always at risk of causing some trouble or maybe even serious violence, and 80% of the newspaper headlines were about supposed connections with violence. Now, in that sort of world you could not just assess somebody who could not use their legs; you would have to take into account all those different social constructs, all those various stigmas and prejudices, and that is what we have in mental health.”⁸¹

88. Marilyn Howard, representing the DRC argued that disabled people should be at the centre of the assessment process and that it should be based firstly on “the individual’s aspirations and where they want to get to.” She warned that those carrying out assessments should “not have the same kinds of low expectations of disabled people that we have seen for years and years hitherto.”⁸² She also said:

“I think it would be far better to look at means of assessing people to look at what kinds of job options would be suitable for them and what kinds of arrangements with support, adjustments in employment, that people would need to have. Probably there is a difference between looking at eligibility for benefit and what people need to do in order to move towards work and it is not very clear from the Green Paper how those two different things would interrelate. There seems to be a suggestion that the Personal Capability Assessment in some way would be recalibrated but remain the gateway to benefit, but in addition there is a Capability Assessment which is looking at the wider issues about what people need to do in order to move back towards work. The underpinning basis of the benefit needs to be able to accommodate both of those.”⁸³

89. The points raised above suggest that there remains considerable work for DWP to do in finalising the detail of the PCA.

79 Q 161

80 Q 96

81 Q 216

82 Q 126

83 Q 124

Replacing the PCA 'exempt' category

90. Although the lack of detail on how the Department intends to identify the reserved circumstances group was commented upon,⁸⁴ the proposal to abolish the PCA 'exempt' category was largely welcomed in the evidence received by the Committee for not 'writing-off' certain claimants because of their disability. For example, TUC stated that they:

“strongly support the Government’s refusal to write anyone off for paid work: in particular, we would oppose any attempt to establish a medically-defined group of ‘unemployable’ disabled people, who are not offered any return-to-work support.”⁸⁵

91. The group of disabled people who currently fall into the 'exempt' category that were mentioned most frequently in the evidence the Committee received were blind people. In evidence, the Royal National Institute for the Blind (RNIB) welcomed the removal of the 'exempt' category but said that they “would like some assurance from Government that systems will be in place to support blind people to work as a result of the exemption being removed.”⁸⁶ This issue will be considered later in the report in Chapters 5 and 6.

92. Under the current rules, the number of people who are now 'PCA exempt' has increased by a significant number since the introduction of Incapacity Benefit. There are currently 461,000 claimants who are exempt from the PCA compared with just 59,000 in May 1995 – an increase from 2% of the working-age caseload to 17%.⁸⁷ Commenting on this increase, Dr Peter Kenway, Director of the New Policy Institute, said that the current PCA was seen as a hurdle to cross in order to get a higher level of benefit. He stressed that any new assessment would continue to be viewed in this way, if the reforms introduced a two-tier system with a higher benefit rate.⁸⁸

93. In evidence, we asked the Secretary of State whether he thought that the reforms would build in an incentive for people to try to get into the 'reserved circumstances' group and thus move into the higher rate of the new benefit, with no work-related conditions attached. He responded that the Department had decided that it was right to provide people who are more seriously disabled with more financial help but that this brought about a debate on where the line should be drawn. He went on to say:

“I am confident we will be able to do that and we should do it without doing what we currently do, which is to designate people simply because of the condition they might have, so blind or deaf people are automatically assumed to be currently incapable of work and treated accordingly. I think that is absolutely appalling. [...] I think there is a way of making the system more refined and more discerning and discriminating but yes, it does create a problem and create potential for an argument around where the line should be drawn. We will have to try and get that right as far as we possibly

84 See, for example, Q 150 [Mr Harrop]; Ev 109, vol 2; Ev 255, vol 3

85 Ev 82, vol 2

86 Q 149

87 DWP, *Work and Pensions Longitudinal Study, Incapacity Benefits Quarterly Statistics*, May 1995 and August 2005

88 Q 101

can, and I suspect this is something that we will have to reflect on very carefully in the Green Paper consultation [...]”⁸⁹

94. Finally, it is worth pointing to evidence submitted from Professor Richard Berthoud. He provided us with early findings on his research on the labour market position of disabled people (which was subsequently published by the DWP).⁹⁰ His research found that disabled people’s employment prospects are strongly influenced by the type and severity of their disability. But they are much less disadvantaged by their impairments if they live in a prosperous area and if they have had a good education. Importantly, these characteristics are more relevant to disabled people than to the rest of the population. His analysis also suggested that it will be very difficult for the Department to distinguish between disabled people who can and cannot work.

95. Professor Berthoud’s analysis of statistical data between 1985 and 1997 also led him to suggest that disability as an ‘economic identity’ has now become more accepted. However, he concluded that the approach taken by the Government in Pathways to Work is still appropriate as it “aims to reduce employment disadvantage through a combination of rehabilitation, labour market engagement and financial incentives, and [...] is already showing some clear signs of success.”⁹¹

96. Further issues around the distinctions between the ‘reserved circumstances’ and other claimants are addressed in the rest of this chapter.

The Capability Report

97. The scope of the new PCA bears some resemblance to the Capability Report that is currently used in the Pathways pilot areas. The Capability Report looks at the employment recently undertaken by the claimant and provides a more work-focused assessment. It is prepared by the DWP Medical Services doctor and sent to the claimant’s Personal Adviser at Jobcentre Plus. Findings from the evaluation of the Pathways pilots suggest that the Capability Reports have little value for the Personal Advisers working with incapacity benefits clients for two reasons. First, they tend to arrive too late for them to be of much use to the adviser and their client – rarely arriving in time for the client’s second work-focused interview. Second, the report tends to contain information that personal advisers describe as “generic, standardised and repetitive” that is of minimal use and tells them nothing beyond what they gather themselves during a work-focused interview.⁹² In oral evidence, Marilyn Howard, representing the DRC, pointed to this evidence from the Pathways evaluation and said that it would be necessary to find out more about how well the Capability Report was working to establish whether there is a future role for it as currently designed.⁹³

89 Q 266

90 Ev 189, vol 3 and Berthoud, R (2006) *The Employment Rates of Disabled People*, DWP Research Report No 298, Leeds: CDS

91 Ev 193, vol 3

92 Knight, T et al, (2005) *Incapacity Benefit reforms – the Personal Adviser role and practices: Stage 2*, DWP Research Report No 278, Leeds: CDS, p 51

93 Q 125

98. The Committee welcomes the shift in eligibility criteria that the reformed Personal Capability Assessment will bring. However, the absence of detail in the Green Paper suggests that the Department has not made much progress in redesigning the PCA. This makes it difficult to consider how the reformed system will work in practice as we do not know what the new assessment will contain. We recommend that the Department carefully considers the evidence received during this inquiry, its own consultation, and the findings from the Pathways evaluation to ensure that the new assessment takes account of the complexity and reality of disabled people’s lives, as well as the social elements of their disability, rather than simply whether they are entitled to benefit.

The mental health component of the PCA

The current assessment

99. The current mental health component of the PCA was criticised in evidence to the Committee by both organisations representing those with mental health conditions and others.⁹⁴ Witnesses felt that neither the IB50 questionnaire nor the medical examination adequately addressed mental health conditions.

100. The current IB50 questionnaire assesses entitlement to incapacity benefits by awarding a client points on the basis of the difficulty she or he has in completing a series of ‘descriptors’, or descriptions of activities. It has a separate physical and mental health assessment. Evidence we received raised concerns that this questionnaire is weighted against mental incapacity.⁹⁵ The physical assessment is scored on the basis of 89 possible descriptors across 14 groups of conditions. Each descriptor is allotted between 3 and 15 points, with a total score of 15 being needed to qualify. By contrast the mental health assessment contains only 25 possible descriptors across only 4 conditions. The mental health descriptors are allocated only 1 or 2 points each, with a minimum of 10 needed to qualify.

101. Rethink argued that many of the descriptors allocated one point represented “very serious symptoms indeed, which would severely impact on an individual’s ability to perform work.”⁹⁶ Dr Jed Boardman, from the Royal College of Psychiatrists, gave the Committee one such example: “agitation, confusion, forgetfulness that has resulted in potentially dangerous accidents in the past three months”. He stressed: “Now, it is a pretty high level of lack of functioning to get to that, and you can imagine [...] you can still not be able to work at much lower levels.”⁹⁷ Dr Boardman also argued that the current PCA,

“does not cover the range of capabilities for specified activities that I think should be covered for a more comprehensive look at somebody with a mental health problem

94 For example, Vol 3: Ev 4, 21, 32, 143, 169, 186, 239, 249, 257

95 For example, Vol 2: Ev 180 and Ev 200

96 Ev 180 (vol 2)

97 Q 201

because, of course, they are not a homogenous group and they have a lot of different symptomatic and incapacity experiences.”⁹⁸

102. Under the current system, after completion of an IB50 questionnaire, claimants may then be referred for a medical examination. Respondents to our inquiry told us that this stage in the process was also failing those with mental health conditions. Rethink argued that assessors lacked knowledge of mental health issues and also suggested that claimants sometimes overmedicated before an assessment so therefore did not present their usual condition.⁹⁹ Sue Christoforou, Policy Officer at Mind, argued that doctors conducting the new assessment, and decision-makers, should have at least NVQ level three mental health training.¹⁰⁰ Dr Jed Boardman told the Committee that he had frequently heard complaints that assessors were “inappropriate”, “uncaring”, “unregarding” and failed to listen.¹⁰¹

103. In addition, Mind, the Royal College of Psychiatrists and Citizens Advice Scotland expressed concern that the medical report prepared by doctors following completion of a medical assessment did not fully explore mental health problems, commonly under-estimating their severity.¹⁰² The quality of medical assessments across all conditions is discussed further in paras 125-134.

104. In oral evidence to the Committee, Ms Natascha Peter, a former Incapacity Benefit claimant, told us of her own experience of the current assessment:

“it was not until I received the documentation stating why I had had my Incapacity Benefit stopped that it was evident that the doctor I had spoken to had no understanding of mental health issues and had not taken anything I had said into account. He had not taken into account that I had to leave work due to stress and that I found it difficult if my routine was disrupted and he did not take anything in to account of my background. Because of the way I come across it may not necessarily be evident that I am an anxious person and he did not take into account the fact that it would take quite a lot of effort for me to attend the PCA in the first place and present myself.”¹⁰³

The reformed assessment

105. In the Green Paper the Government acknowledges the need to make changes to the current mental health component of the PCA. It states:

“Given the changing pattern of mental health, we need to ensure that the new medical assessment reflects the type of conditions prevalent today. Accordingly we

98 Q 201

99 Ev 180-181, Vol 2

100 Q 210

101 Q 202

102 Vol 2: Ev 160, Ev 172 and Ev 201

103 Q 203

are convening a group of experts in this field to undertake a comprehensive review of this and make recommendations.”¹⁰⁴

106. Organisations representing those with mental health conditions welcomed the redesign, but warned that it would not be successful unless all stakeholders were involved from the outset, rather than consulted at a secondary stage. (The further involvement of external stakeholders in the wider design of the PCA is addressed in paras 135-137). They also expressed concern that there were no definite plans to pilot the newly designed PCA before implementation.¹⁰⁵ A report published in February 2006 by Citizens Advice on medical assessments for incapacity and disability benefits argued that DWP should appoint a mental health champion, to provide a greater focus within the Department on providing a better service to those with mental health problems and to improve the assessment of mental health conditions.¹⁰⁶

107. The Secretary of State told the Committee:

“I think it is perfectly possible to devise a sensible test in relation to mental health, of course. It will need to rely very heavily, of course, on expert medical opinion but I am sure it will need to go wider than that, and those are, again, discussions we will need to have with mental health interest groups and others who have an interest in this... Just as it is important in relation to physical disability, it is just as important in relation to mental health that we get a broad consensus about a sensible way forward.”¹⁰⁷

108. We welcome the Government’s decision to review the mental health component of the Personal Capability Assessment. However, in order to ensure that concerns with the current assessment are adequately addressed, the expert panel tasked with the review of the PCA for those with mental health conditions must include people with mental health problems, their carers and organisations representing them. The new assessment should also be piloted with those with mental health conditions to ensure it is suitable.

Delivery of the PCA

Who should carry out the PCA

109. A key issue raised by several organisations was the extent of the involvement of GPs in the new PCA. Bert Massie, Chairman of the DRC, pointed out that the medical profession might be able to establish someone’s impairment, but not necessarily their capability for work. Therefore a broader team of specialists was required.¹⁰⁸

110. The Green Paper suggests that, under the reformed PCA, eligibility for benefit would continue to be assessed by GPs and capability for work could be considered by other health

104 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 40

105 Vol 2, Ev 205

106 Citizens Advice, *What the doctor ordered? CAB evidence on medical assessments for incapacity and disability benefits*, February 2006, p 2

107 Q 253

108 Q 125

professionals. During the Committee’s visit to the Netherlands, we heard of its similar assessment process where medical assessments are conducted by doctors employed by the government agency that assesses benefits, followed by an assessment of capacity to work carried out by labour specialists. Each aspect of the assessment takes around an hour and is accompanied by other medical information and a statement by the claimant’s most recent employer.

111. It is notable that there are very different figures on the length of medical assessment in the UK. A recent report published by Citizens Advice on medical assessments for incapacity and disability benefits criticised them as too short, with clients reporting rushed or incomplete assessments. Citizens Advice collected evidence from a review of 96 cases that had failed the PCA and found that the average assessment took 25 minutes (a range of 15 to 69 minutes).¹⁰⁹ A recent parliamentary answer put the average assessment time at 38 minutes.¹¹⁰

112. Rethink argued that a “workable mechanism” for the new PCA “would at the very least need to be based on a more holistic model of disability, rather than the medical model currently used” and “would need to involve a far wider variety of health professionals, including occupational therapists and advocates.”¹¹¹ Mind went further than most organisations and questioned whether there was a need for a medical assessment to form part of the new PCA at all. Ms Christoforou, Policy Officer for the organisation, argued,

“Certainly the employment advisers that deliver our local Mind association employment services are not doctors and they will need to make an assessment in order to determine whether people are appropriate for the services that they provide, and they will look at factors [...] such as educational background, employment background, [...] and [...] the whole issues about stigma and discrimination [...] So it is not necessarily about having the label of depression or bipolar disorder; it is about how all the relevant factors impact on a person’s ability to move into the work place.”¹¹²

113. In oral evidence, the Secretary of State pointed out that the current contract for delivery of the PCA did not end until 2012 and therefore the current contractor, Atos Origin, would continue to carry out the medical assessments. In terms of the involvement of other health professionals in the PCA, he went on to say:

“my understanding is that people agree that we should involve the skills and expertise of a wider relevant range of healthcare professionals to help us do this. There will be a list of people, I am sure, occupational therapists and physiotherapists and others, but who actually is involved in individual assessments I think is going to have to be something we discuss with people over the next few months.”¹¹³

109 Citizens Advice, *What the doctor ordered? CAB evidence on medical assessments for incapacity and disability benefits*, February 2006, p 12

110 HC Deb, 30 January 2006, col 291W

111 Vol 2, Ev 178

112 Q 212

113 Q 249

Timing of the PCA

114. The Green Paper states that the revised PCA will take place within 12 weeks of a new claim for benefit. Highlighting the importance of this aim, Richard Exell, of the TUC said:

“one of the things that makes a difference to getting people into jobs is carrying out quickly an assessment of their needs. If you can do that before changes in their attitudes to work have settled in then you are far more likely to be able to help them into jobs. If the Government really can meet this 12 week target for its PCAs, that is going to have a beneficial effect as well.”¹¹⁴

115. A recent parliamentary question asked whether the Department had made an assessment of the merits of conducting the assessment as soon as an initial claim for the new benefit is made. The response highlighted the importance of an early assessment in maximising the claimants’ chance of returning to work and stated:

“However, many people will be on Employment and Support Allowance for very short periods of time and so carrying out assessments too early in a claim could lead to nugatory assessments taking place.”¹¹⁵

116. Evidence received from a variety of organisations argued that the 12 week target was a desirable aim but would be very demanding given the Department’s current financial constraints. Witnesses also highlighted that the financial implications for claimants remaining at a lower level of benefit could be considerable.¹¹⁶ Importantly, as Citizens Advice Scotland pointed out, there are no drivers to ensure that the assessments will take place within 12 weeks.¹¹⁷

117. In oral evidence to the Committee, the Secretary of State replied that he was “confident” that this target will be met.¹¹⁸ He went on to say that the PCA should be carried out:

“swiftly, efficiently and promptly. My advice is that we will be able to do that and, obviously, I regard that as a fundamental part of these reforms and I will be doing all that I can to make sure that happens.”¹¹⁹

118. The Committee welcomes the Government’s commitment to carry out the revised Personal Capability Assessment within 12 weeks but is concerned about how often this will be achieved in practice. Those who are not assessed within this period should not suffer financially as a result. The Committee therefore recommends that the Department establishes contingency measures for such an occurrence to ensure that ill or disabled people are not financially penalised.

114 Q 109

115 HC Deb, 15 March 2006, 2255W

116 Vol 3, Ev 125, Vol 2: Ev 80, Ev 185, Ev 242; Q 96; Q 104 and Q 208 [Ms Christoforou]

117 Vol 3, Ev 162

118 Q 250

119 Q 251

Existing claimants

119. The outline of the new PCA applies only to claimants of the new Employment and Support Allowance. The Green Paper explains that, for existing claimants of incapacity benefits, DWP is planning to complement its existing case review with ad hoc case checks by a dedicated new team: “Where these checks produce doubt about the nature or extent of an individual’s incapacity, the Green Paper outlines, a fresh PCA will be required.”¹²⁰ Mind’s evidence to the Committee expressed concern that such ad hoc reviews would introduce fear and uncertainty, and were unnecessary since eligibility for benefit was already reviewed on a regular basis.¹²¹

120. The Committee recommends that, rather than carrying out ad hoc case checks of existing claimants, the Department should review claims systematically. Case reviews should not be random but based upon specific guidelines. We recommend that the Department re-examines the processes that currently govern case reviews and consult on the criteria upon which future checks would occur.

Fluctuating conditions

121. The current PCA was also criticised for failing to address the fluctuating nature of certain conditions, with organisations arguing that a one-off assessment provides an inadequate snapshot of a varying condition.¹²² This was seen as a particular issue for those with mental health conditions. In oral evidence, Mr Shaun Hallam, Area Service Manager for Rethink, who has bipolar disorder, told us that he had failed the PCA four times “because at that time I was in a grandiose, fairly manic mood when you can be quite cheerful, quite chatty”.¹²³

122. The Green Paper acknowledges that health conditions can fluctuate in intensity.¹²⁴ However, it considers the ‘scenarios’ for those with fluctuating conditions only from the standpoint of advisers and employers, rather than also at the stage of assessment for incapacity benefits. This was criticised in evidence to the Committee. Richard Exell, from the TUC, told us:

“I think that is possibly one of the weaker areas of the Green Paper...I know plenty of people who are able to work at 100 per cent of what everyone else can do this week, next week they can work at 500 per cent of what everyone else can do, incredibly effective, sleeping three hours a night and enthusing everyone else, and then for a month afterwards they can do no work at all. It is extraordinarily difficult for employers to cope with that and it is extraordinarily difficult to work out assessments that are going to fit in with that. Essentially the Green Paper promises

120 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 48

121 Vol 2, Ev 173

122 For example, Vol 2, Ev 162

123 Q 203

124 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 44

that something wonderful is going to be done and they will tell us what it is later on.”¹²⁵

123. During the Committee’s visit to the Netherlands, we learnt that individuals are assessed as having a percentage disability which then determines the number of hours of work they are expected to be able to carry out. However, this option was dismissed in evidence by Richard Exell as one that “would not necessarily get us further beyond the Personal Capability Assessment” because it appears to be embedded in a medical model of disability. He argued:

“I think it would be far better to look at means of assessing people to look at what kinds of job options would be suitable for them and what kinds of arrangements with support, adjustments in employment, that people would need to have.”¹²⁶

124. We are disappointed that the Green Paper did not contain any detail on how the new Personal Capability Assessment will assess those with fluctuating conditions. This is a difficult area on which DWP should consult extensively with stakeholders, including employers, to ensure that those with fluctuating conditions receive the right assessment and do not continue to be excluded from the labour market.

Appeals against a PCA decision

125. A number of those submitting evidence argued that the quality of medical assessments in the current PCA was poor and that this led to a high level of incorrect decisions being made.¹²⁷ The Report by the President of Appeal Tribunals found that, in 2004-05, 50% of Incapacity Benefit appeals cases surveyed were overturned and found in favour of the claimant. In comparison 28% of cases were overturned for JSA claimants, 35% for Income Support claimants and 48% in Disability Living Allowance cases.¹²⁸

126. The main reason for overturned Incapacity Benefit cases was that the tribunal was given additional evidence not available to the decision maker (this occurred in 70% of cases). The report found that tribunal chairmen commonly commented that the presence of the appellant at the tribunal either produced new evidence or shed light on existing evidence. This was particularly the case when dealing with mental health issues.¹²⁹

127. The second most reported reason for incapacity benefits cases being overturned was that the medical report under-estimated the severity of the disability. This occurred in 50% of overturned cases and increased from 37% in the previous year. Tribunal chairmen

125 Q 97

126 Q 124

127 Vol 2, Ev 160, Vol 3, Ev 62, IB 63, Ev 164-165, Ev 186 and Ev 202

128 The Appeals Service, *Report by the President of Appeal Tribunals on the standards of decision-making by the Secretary of State 2004-05*, July 2005, p 38-40

129 The Appeals Service, *Report by the President of Appeal Tribunals on the standards of decision-making by the Secretary of State 2004-05*, July 2005, p 33

expressed concern that the length of time taken to complete medical examinations was inadequate, resulting in incomplete histories being taken (also see paragraph 111 above).¹³⁰

128. One further problem was pointed out in a recent report from Citizens Advice, which found that those challenging decisions at a tribunal could face difficulties in obtaining further medical evidence as doctors might not find the time to do a report for an appeal tribunal and might also require payment which the claimant might not be able to afford.¹³¹

129. The issue of poor quality medical assessments has been scrutinised by Parliament over recent years. Our predecessor Committee, the Social Security Committee, conducted an inquiry in 2000 examining the performance of Medical Services.¹³² It concluded that the contract provider had failed to improve the quality of medical examinations and reports and that steps should be taken to renegotiate the contract so that performance to claimants was improved.¹³³

130. In 2001 and 2003, the National Audit Office (NAO) produced reports on DWP medical services and, more recently, the Committee of Public Accounts looked at the medical assessments for Incapacity Benefit and Disability Living Allowance. The Committee found that improvements had been made in the medical assessment process but that the number of successful appeals continued to suggest that the performance of doctors and decision-makers needed to be improved and that the contractor should enforce rigorous standards. The Committee of Public Accounts also reiterated a recommendation made by the Social Security Committee: that the Department should provide regular feedback on appeal tribunal cases to doctors and decision-makers so that they knew the outcomes of the cases they examined.¹³⁴ In November 2005, the DWP issued new guidance which emphasised the role of reconsideration in the decision-making and appeal process.¹³⁵

131. Nonetheless, the Green Paper acknowledges that further improvements to the decision-making and appeals process are needed and states:

“We recognise that a robust and independent appeals process is an integral part of any fair system of assessment. The current system generates a very high number of appeals, many of which are successful. We believe that improvements can be made so that the need for appeals is minimised.”¹³⁶

132. The Department proposes to reduce the number of appeals by:

130 The Appeals Service, Report by the President of Appeal Tribunals on the standards of decision-making by the Secretary of State 2004-05, July 2005, p 34

131 Citizens Advice, *What the doctor ordered? CAB evidence on medical assessments for incapacity and disability benefits*, February 2006, p 14

132 Social Security Committee, Third Report of 1999-2000, *Medical Services*, HC 183

133 The current provider (Atos Origin) was awarded a seven year contract to deliver medical services for DWP, worth £500m, in 2005 – the contract can be extended by up to five years, costing an additional £350m. (http://www.atosorigin.com/en-us/Newsroom/en-us/Press_Releases/2005/2005_03_16_02.htm)

134 Committee of Public Accounts, Sixteenth Report of 2003-04, *Progress on improving the medical assessment of incapacity and disability benefits*, HC 120

135 DWP (2005) *Decision Makers Guide Memo Vol 1*, 11/05

136 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 40

- ensuring that claimants have a clearer understanding of the basis for the initial decision;
- incorporating a comprehensive reconsideration process prior to an appeal moving to tribunal; and
- ensuring that new evidence is included in the reconsideration process rather than at tribunal.

133. Finally it is worth considering a comment made by Richard Exell from the TUC. Referring to a reformed PCA, he said:

“If there is going to be a new test then there are going to be masses of appeals, you can guarantee that. The effect of the new test will be the same as it always is, initially you get a big reduction in the numbers coming onto the benefit and then advice workers, and so on, find their way round the new system and the numbers start creeping up again, and a big load of appeals will almost certainly be part of that.”¹³⁷

134. The Committee welcomes the proposals in the Green Paper to reduce the number of appeals. However, we believe that further action is necessary to improve the quality of medical assessments. The Committee recommends that:

- a) a review of the length of time taken to complete medical assessments is undertaken by the Department;**
- b) doctors should be encouraged to take the time to undertake assessments appropriately and should receive more training on best practice in performing assessments, particularly when dealing with mentally ill claimants; and**
- c) more effort is made to gather medical evidence that may affect a case.**

Working to reform the PCA

135. The Green Paper states that the Department will work with health professionals, disability groups and personal advisers to reform the PCA, yet several leading disability organisations and the Royal College of Psychiatrists told us that they had not yet been invited by the Department to take part in any such discussions.¹³⁸ In evidence, the Secretary of State reiterated the Government’s intention to involve disability organisations, the voluntary sector, the medical profession and the BMA in redesigning the PCA, plus looking at international evidence and “the best medical and occupational health evidence that is available to us.”¹³⁹ He did admit: “We have to crack on with this pretty soon, so if they have not got the invitations yet, they will be getting them very soon.”¹⁴⁰ This suggested a worrying lack of momentum on the behalf of the Department.

136. Following the evidence session with the Secretary of State, we were contacted again by Rethink which informed the Committee that DWP had since confirmed that an ‘expert

137 Q 121

138 Qq 164-166, 205

139 Q 246

140 Q 247

panel' of health professionals, including psychiatrists, and occupational health professionals were going to meet to formulate possible policy options for the reform of the PCA. Disability organisations would then be consulted a month or so later. Understandably, Rethink said that they were "very disappointed by this process."¹⁴¹

137. The Committee acknowledges the importance of involving all stakeholders in reforming all aspects of the Personal Capability Assessment (PLA) and welcomes the Government's commitment in the Green Paper to do so. We are not, however, content with the process that we understand the Department has now begun. Disability organisations as well as medical experts must play a key role in advising the Department on the content and delivery of the PCA, the 'reserved circumstances' group and the reform of the appeals process and we recommend that they are included in all discussions with the Department, and not merely consulted as a secondary process. We are also concerned by the delay in producing detail on the PCA and recommend that the Department produces a possible model for the reformed PCA as soon as possible. Once the Department has completed its work on redesigning the PCA we intend to examine whether it is satisfactory or not.

4 The Employment and Support Allowance

138. The proposal in the Green Paper that has probably received the most attention is that of the reform of incapacity benefits. Unlike the current incapacity benefits system, the new benefit will not assume that all claimants are incapable of work. This chapter will examine the evidence received during the inquiry on the proposed new benefit.

The structure of ESA

139. From 2008, and for new claimants only, a new Employment and Support Allowance (ESA) will replace Incapacity Benefit (IB) and Income Support paid on the grounds of incapacity. This will be structured as follows:¹⁴²

- When an individual applies for the ESA, they will enter an assessment phase lasting no more than 12 weeks (this includes the reformed PCA – as outlined in the previous chapter). After 8 weeks, claimants will undertake a work-focused interview (WFI). During this assessment phase, they will receive a ‘holding benefit’ set at Jobseeker’s Allowance (JSA) rates.
- If the PCA confirms eligibility for the benefit, the claimant will move on to the main phase of the ESA. Most will receive the ‘Employment Support’ component which will be conditional on drawing up a personal action plan focused on rehabilitation and work-related activity. The benefit rate will be higher than the holding benefit and set above the current long-term Incapacity Benefit rate. If claimants do not attend their WFI or prepare an action plan, the benefit will be reduced in a series of slices down to the holding benefit level.
- Claimants with the most severe illnesses and disabilities, as identified in the new PCA, will receive the ‘Support’ component of the ESA which will be paid at a higher level than the current equivalent rate. They will not be required to undertake work-related activity, but will be able to engage in it on a voluntary basis.

140. The new ESA will not contain age additions or adult dependency payments. Those currently receiving Income Support plus the Enhanced Disability Premium or the Severe Disability Premium will continue to get the additional support currently provided through these premiums.

Reactions to the proposed new benefit

141. Evidence received on the new benefit system was mixed and, as with the PCA, it was felt that the limited detail in the Green Paper inhibited useful discussion on all aspects of the reforms. The main areas raised were: the level at which the benefits will be set; the content of the action plan and ‘work-related activity’; the extent and necessity of compulsion and sanctions; the ability to move between the two components; the effect of

142 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 41-45

the reforms on existing claimants; and of the implications for benefit simplification. We discuss these issues below.

Benefit levels

142. As described above, the Green Paper states that both components of the ESA will result in claimants receiving more money than under the current system. In spite of this commitment, concern was expressed in evidence that some claimants may still lose out in comparison with the current system. Lorna Reith, Chief Executive of Disability Alliance, and the written evidence from the Trades Union Congress (TUC) raised concerns about the rate of the holding benefit being set at JSA levels. They pointed out that many people who have been ill and claiming Statutory Sick Pay (SSP) will, under the current rates, move from benefit of £70.05 to £57.45.¹⁴³ When questioned on this issue, the Secretary of State said:

“ we felt it was appropriate really not to make a judgment at a point where somebody is applying for Employment and Support Allowance about what their level of disability was or is or might be. That is why we made a decision to have, as it were, a neutral holding rate, and the obvious rate to fix that at was Jobseeker’s Allowance. So that is broadly the thinking, the rationale behind that. It is true, clearly, that therefore somebody on Statutory Sick Pay will come down to the new holding rate for Employment and Support Allowance but then has the prospect, assuming they come through the PCA process, of getting the long-term rate for Incapacity Benefit as it currently is paid up to 12 weeks and not wait 52 weeks to get it, which is what they would have to currently do under the existing system.”¹⁴⁴

143. He went on to point out that some people will qualify for support through the Enhanced or Severe Disability Premium prior to the outcome of the PCA as entitlement to these is dependent upon a separate process, such as whether the individual can claim the medium or high rate of the Disability Living Allowance (DLA) care component.¹⁴⁵

144. A further issue raised was whether those on the holding benefit will receive the age-related rates currently available on JSA.¹⁴⁶ Different rates mean that those aged under 20 receive less benefit than others. It is not clear whether this will transfer over onto the holding benefit rate.

145. The Committee is concerned that those moving onto the new ‘holding benefit’ may experience a substantial drop in income. We disagree with the Secretary of State’s assessment that the Jobseeker’s Allowance (JSA) level is an “obvious rate” at which to set the holding benefit. We recommend that the holding benefit be set at a level comparable with Statutory Sick Pay to ensure a more consistent income for ill or disabled claimants. If the holding benefit is set at JSA rates, it would be unfair to award younger claimants less benefit due to the age-related rates that currently apply to JSA.

143 Qq 88, 152; Ev 82, vol 2

144 Q 260

145 Q 261

146 Q88, Ev 109, vol 2

146. The abolition of the dependency and age allowances was felt by some who gave evidence to be particularly harsh as they provide a valuable source of income for disabled people.¹⁴⁷ The long-term rate of Incapacity Benefit is currently £78.50 and the age allowances are £16.50 or £8.25 – a substantial addition to the total benefit income.

147. Further issues were raised in evidence illustrating the constraints brought about by the lack of detail in the Green Paper. Dave Simmonds of the Centre for Economic and Social Inclusion (CESI) questioned whether some claimants could opt to remain on the holding benefit and receive a lower amount of benefit.¹⁴⁸ It was later clarified by the Secretary of State that it would not be possible to remain at the holding benefit rate without being subject to the JSA conditionality requirements.¹⁴⁹

148. Lorna Reith of Disability Alliance asked whether any of the new benefit would be taxed; and if it would be treated as income when assessing other benefits and tax credits.¹⁵⁰ The Disability Rights Commission (DRC) asked what the implications were of absorbing the disability premium into the new ESA structure for recipients of Housing Benefit.¹⁵¹ The Green Paper does not provide detail on these, and other issues.

149. Several areas of clarification are also required on the issue of merging a means-tested benefit (Income Support) with a contributory benefit (Incapacity Benefit). For example, will those aged under 25 and receiving the means-tested version of ESA receive a lower rate, as they would on Income Support?¹⁵² What about those with caring and other family responsibilities?¹⁵³ Which aspects of the benefit will be contributory or means-tested?¹⁵⁴ Age Concern questioned whether the contributory side of incapacity benefits would evolve into a means-tested benefit.¹⁵⁵ The Secretary of State confirmed in oral evidence that this would not happen under the current Government.¹⁵⁶

150. We are disappointed that there are a range of issues requiring further clarification on the level at which the Employment and Support Allowance will be set. We recommend that the Department provide more detailed information in the response to this report. We urge the Department to work closely with disability organisations to ensure a proper assessment is made of the structure of the new benefit, how it will affect the income of ill or disabled people in comparison with the current system and work to alleviate inconsistencies within the system. DWP should ensure that the resulting benefit levels maintain the principle of no loss to existing claimants when a new benefit is introduced.

147 Q 90, Vol 3: Ev 62; Ev 211

148 Q 90

149 Q 263

150 Q 150

151 Ev 110, vol 2

152 Q 88; Ev 109, vol 2

153 Ev 108, vol 2; Ev 182, vol 3

154 Q 150 [Ms Reith]

155 Ev 121, vol 2

156 Qq 264-5

Benefit adequacy

151. Discussions on the actual levels of the new benefit and comparisons with the current system tend to lead to questions around benefit adequacy. Written evidence from the New Policy Institute (NPI) set out their analysis of various Government statistics showing that 30% of working-age disabled adults have incomes below the poverty line – this is double the rate of working age-adults without a disability and is also substantially higher than it was in the 1990s.¹⁵⁷ NPI attribute these poverty rates to the way in which increases in benefits and tax credits have been channelled towards children and pensioners, while benefits for working-age adults without dependent children have only kept pace with inflation rather than average incomes. In oral evidence, Dr Peter Kenway, Director of NPI, suggested that the Government should set a poverty target for disabled people, alongside the employment target, similar to the current child poverty target.¹⁵⁸

152. The Child Poverty Action Group (CPAG) took issue with the Green Paper’s implied assertion that the current structure of Incapacity Benefit, with a higher long-term rate, was generous and acted as an incentive to remain on benefit rather than working.¹⁵⁹ CPAG said: “We do not believe that the ‘generosity’ of benefits is a deterrent to employment.”¹⁶⁰ Scope stated: “No-one grows rich on incapacity benefits. In fact, anyone relying on IB alone would struggle to make ends meet.”¹⁶¹ Shaw Trust reinforced this view, arguing that there was no evidence to suggest that people remain on incapacity benefits because of financial incentives – rather it was down to issues such as the claimant’s lack of confidence or lack of available support.¹⁶²

153. The inadequacy of incapacity benefits was raised by several other witnesses who argued that a ‘budget standards’ approach should be used to set new benefit levels. Lorna Reith, Chief Executive of Disability Alliance, cited research which her organisation had conducted that looked at the additional costs incurred by disabled people as a result of their disability and compared this with actual benefit rates.¹⁶³ The research found that disabled people face substantial extra costs in everyday life for things such as extra heating, services and personal support, which are not met by benefits. The benefit shortfall varied between £220 and £232 per week.

154. Two further issues were raised by Dr Kenway, from the NPI, and Andrew Harrop, Policy Manager for Age Concern. They both pointed to the importance of the level at which the ESA will be up-rated over time, arguing that it should increase in line with earnings rather than prices, in a similar way to the Guaranteed Credit within the Pension Credit.¹⁶⁴ Dr Kenway and Andrew Harrop also highlighted the difference between the rate of incapacity benefits for those approaching state pension age and Pension Credit. They

157 Ev 60, vol 2

158 Q 88

159 See, for example, DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 4 & 27

160 Ev 212, vol 3

161 Ev 242, vol 3

162 Ev 24, vol 2

163 Q 155

164 Qq 90 & 154

argued that this disparity could not be justified: older people claiming incapacity benefits could receive up to £30 less than someone of pension age.¹⁶⁵

155. Finally, Scope reminded the Committee that: “The present government’s aim has always been ‘work for those who can, security for those who can’t’. It is questionable whether current benefits actually deliver on the second part of this aspiration.” **The adequacy of the level at which the Employment and Support Allowance will be set is of great importance. The new benefit must ensure that those claiming either the Employment or Support component receive an adequate amount. We also recommend that the Department publish a full analysis and explanation of its calculations of benefit adequacy in this area, including the basis of future upratings.**

Work-related activity

156. The Green Paper states that most people will receive the Employment Support component of ESA and this will be conditional upon drawing up a personal action plan focused on rehabilitation and work-related activity. The Green Paper sets out the range of work-related activity that might be available to claimants, with advice and support provided by Personal Advisers and the private and voluntary sector.¹⁶⁶ This will be informed by current work undertaken in Pathways to Work areas and could include:

- ‘Work tasters’ through work trials, voluntary work and permitted work
- ‘Managing health in work’ using the Condition Management Programme and NHS Expert Patients programmes
- ‘Improving employability’ through basic skills courses and confidence training
- ‘Jobsearch assistance’ through New Deal for Disabled People Job Brokers, other New Deal programmes and Disability Employment Advisers
- ‘Stabilising life’ through activities to stabilise health conditions, assessing childcare options, managing home finance and stabilising the housing situation.

157. The Green Paper includes the consultation question:

“Do the types of ‘suitable activity’ we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?”¹⁶⁷

158. Few comments were made in the evidence specifically on the work-related activities outlined in the Green Paper. Evidence received prior to the publication of the Green Paper from a range of organisations referred to the difficulties individuals faced in taking part in activities other than full-time work.¹⁶⁸ This is explored in further detail in the following chapter in connection with the roll-out of Pathways to Work (see paras 271-276).

¹⁶⁵ Qq 88, 154-55

¹⁶⁶ DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 42-43

¹⁶⁷ DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 44

¹⁶⁸ See, for example, Qq 43, 71, 74, 84, 185, 196; Ev 26, vol 2; Ev 168, vol 3

159. Philippa Simkiss, Head of Employment and Lifelong Learning at the Royal National Institute for the Blind (RNIB), argued that the condition management aspects of the proposed work-related activities were irrelevant and the employment-related activities were often inaccessible to blind people.¹⁶⁹ More broadly, speaking of the employment support currently available through Jobcentre Plus, she also argued that blind people are effectively excluded from taking part in any activities. Dr Mark Baker, Head of Social Research and Policy at the Royal National Institute for the Deaf (RNID), told us that the situation was similar for deaf people. This resulted from a lack of staff awareness of issues affecting deaf or blind people and a lack of communication support.¹⁷⁰ These issues are covered further in the following chapter in the section on ‘disability specific services.’

Views on compulsory work-related activity

160. ESA will be paid to those who undertake work-focused interviews and agree an action plan. It is also envisaged that engagement in the work-related activities outlined above “would often increase over time as personal advisers work with claimants to build up their individual capacity for work.”¹⁷¹ Those who do not participate in the process will have their benefit gradually reduced – ultimately to the level of the holding benefit.

161. In evidence to the Committee, the Secretary of State confirmed that:

“the conditionality regime, until we are clear about resources in the next Spending Review and beyond, cannot go further at this point than requiring people to do the work-focused interviews and to prepare the action plan.”¹⁷²

162. He went on to say:

“We are not proposing at the moment to sanction failing to take work-related activities; that is not part of the reforms. It might become so in the future”¹⁷³

163. This section will chiefly look at involvement in work-related activity rather than work-focused interviews, which are covered in Chapter 5.

164. The issue of conditionality and benefit sanctions was widely raised in the written and oral evidence, with different views being expressed. Those representing ill or disabled people were broadly against the imposition of compulsory work-related activity and benefit sanctions.¹⁷⁴ CPAG, for example, argued that claimants should be given a choice whether or not to engage in work-focused activities and their decision should not jeopardise their incapacity benefit.¹⁷⁵ Disability Alliance stated:

169 Q 181

170 Q 167

171 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 42

172 Q 296

173 Q 298

174 See, for example, Vol 2: Ev 48; Ev 162; Ev 175; and Vol 3: Ev 73; Ev 200

175 Ev 202, vol 3

“We are opposed to any further conditionality or sanctions being applied to sick or disabled people. We believe making interviews, work-related activity and action plans compulsory is unnecessary, potentially unworkable and likely to lead to hardship.”¹⁷⁶

165. On the other hand, evidence from employment service providers tended to be more positive.¹⁷⁷ The Wise Group said that it would be:

“wrong to assume that compulsory participation in work-focused support will incite a hostile response from claimants; for some people this may actually provide the impetus they need to instigate a return to the labour market. Mandatory programmes can be helpful in terms of incentivising people who have been economically inactive for a long time and who are demoralised, isolated or lacking in confidence.”¹⁷⁸

166. Looking specifically at the Green Paper proposals, Andrew Harrop from Age Concern warned:

“there needs to be quite a lot of caution in going beyond the Pathways to Work model into compulsory activity as opposed to compulsory interviews. [...] people are so different in their needs at different stages of their claim, with different levels of incapacity and the different distance from retirement, that to expect everyone to be mandated on to programmes and in what the Green Paper says it could be mandated to a specific activity, that is clearly not going to be very productive or good value for money, because if people do not feel able and ready to be part of that activity it will not deliver results for them.”¹⁷⁹

167. Richard Exell, Senior Policy Officer at the TUC, made an interesting point:

“We know, from lots of experience now with active labour market programmes, that people do become more likely to get jobs when they become the centre of attention for Jobcentre Plus. Simply spending more time with a group of people does have an effect on getting more and more of them into jobs.”¹⁸⁰

168. This begs the question, is further compulsion necessary? Several of those submitting evidence pointed to the quote often made by Government, that one million disabled people want to work, and queried, if this is the case why was compulsion needed?¹⁸¹

169. Dave Simmonds of CESI said:

“there would be grave concerns if the positive features within the Green Paper were overshadowed by both arguments about the level of conditionality as well as what we

176 Ev 112, vol 2

177 Vol 2: Ev 13; Ev 23; and Vol 3: Ev 85; Ev 110

178 Ev 13, vol 2

179 Q 175

180 Q109

181 Vol 2: Ev 114; and Vol 3: Ev 135; Ev 211

would consider to be an inappropriate diversion of resources into managing what would be inevitably a very difficult sanctions regime to police [...]"

170. He went on to argue that evidence suggested that it would be more worthwhile putting further effort into conveying a positive message of what support is available to help disabled people move into work rather than using more compulsion – in other words, using more carrot and less stick.¹⁸² On a similar issue, Rethink argued that media messages about conditionality put out by the DWP press office compounded anxiety for those with mental health conditions.¹⁸³

171. Much of the evidence we received argued that conditionality was particularly inappropriate for claimants with mental health conditions and fluctuating conditions.¹⁸⁴ Mind warned that it could cause deterioration in health and distress and might lead to claimants taking up unsuitable work.¹⁸⁵ Rethink pointed out that conditionality was particularly unhelpful for those with severe mental illness, many of whom would have experienced compulsory treatment in hospital.¹⁸⁶ They also stressed that sanctions were also unnecessary as people with mental illness already had the highest ‘want to work’ rate of any disability group¹⁸⁷ – yet they also have the lowest employment rate of any group of disabled people, with just 24% in employment.¹⁸⁸

172. The Sainsbury Centre for Mental Health took a different view. They supported the levels of conditionality in the Pathways pilots, accepting that some conditionality was needed in order “to get people who had given up hope to start thinking seriously about work” and that the current levels of compulsion were “perceived as supportive.”¹⁸⁹

How conditionality will be enforced

173. More monitoring and policing of claimants’ engagement in work-related activities will clearly result in additional costs for Jobcentre Plus but it appears that no assessment has yet been made of this. Lorna Reith commented that it appeared to be Incapacity Benefit Personal Advisers (IBPAs) who would have this role.¹⁹⁰ CPAG questioned whether IBPAs would be sufficiently well-trained to be able to assess whether action plans were suitable and police engagement with work-related activities.¹⁹¹ This issue was raised many times in connection with those with mental health conditions. The Sainsbury Centre for Mental Health warned that increasing the levels of conditionality, such as requiring people to undergo psychological therapy, “could have damaging effects on people’s motivation and

182 Qq 113-114

183 Ev 180, vol 2

184 Vol 2, Ev 123, Vol 3: Ev 7, Ev 27, Ev 35, Ev 183, Ev 249, Ev 253, Ev 256, Ev 259, and Ev 272

185 Vol 2, Ev 160 and Ev 175

186 Vol 2, Ev 179

187 Vol 2, Ev 179

188 ONS, *Labour Force Survey*, August 2003

189 Vol 3, Ev 256-257

190 Q 163

191 Ev 205, vol 3

may backfire by focusing their attention on their eligibility for the enhanced benefit rather than on actually getting a job.” In oral evidence, Richard Exell from the TUC told us:

“[in the Green Paper] there is a list of what can go into people’s Action Plans...one of the things there is – ‘activities to stabilise mental health problems, for example, use of cognitive behavioural therapy.’ I am a survivor of mental health services myself and the idea of being told by a DWP personal adviser who has had half a day’s training on mental health issues, that I have got to take my pills, or see my therapist or lose my Incapacity Benefit is utterly horrific.”¹⁹²

174. In oral evidence the Secretary of State denied that this would happen, “No. We will not do that. We cannot compel people to undergo medical treatment. That is not part of the sanctions regime.”¹⁹³ The Committee welcomes this commitment.

175. Mind pointed out that claimants might not be able to communicate deteriorations in such conditions to their advisers and others raised concerns that staff lacked knowledge of mental illness and might therefore misinterpret its symptoms as being uncooperative.¹⁹⁴ Dr Jed Boardman of the Royal College of Psychiatrists outlined for us the difficulties inherent in making decisions about the behaviour of those with mental health conditions,

“That is a rather difficult question in the sense that anybody could be labelled as being awkward because they will not take part in something for good reasons to themselves which are related to their anxieties, their poor motivation because of their depression problems and so on. It is really almost a question of how you label that uncooperativeness. It is something I have to engage with with patients most days. Are they doing this because they do not want to, because they are being awkward, or because they simply cannot?”¹⁹⁵

176. Mental health conditions may fluctuate, causing the claimants difficulties in undertaking work-related activity – and also for the IBPA in assessing whether the activities have been carried out. The Green Paper does state that in cases where individuals have fluctuating conditions, Personal Advisers will be given discretion to “agree appropriate action” such as a pause in work-related activity, until conditions have improved sufficiently.¹⁹⁶

177. We questioned the Secretary of State on whether it was appropriate for non-health professionals to make judgements about those with mental health conditions. He replied:

“I think it is entirely reasonable to place the responsibility at that point. It has to be clearly matched by the appropriate level of training, and we do, as I said, try very hard to do that. We do not ask Atos Origin to make benefit sanctions; that is not the contract we have with them. I am not persuaded that it would be sensible to employ, as it were, medically qualified people to make decisions about whether it is right to

192 Q 113

193 Q 303

194 Vol 2, Ev 181 and Q 163 [Ms Lorna Reith]

195 Q 226

196 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 44

sanction in relation to non-attendance for a work-focused interview. That is four square within the responsibilities of Jobcentre Plus to resolve.”¹⁹⁷

178. He stressed that there were additional safeguards in place under the current Pathways pilots for those with mental health conditions, such as home visits to establish why they had failed to attend a WFI.¹⁹⁸

179. The Committee has no objections to the list of work-related activities in the Green Paper: the range is suitably varied and covers activities that may be regarded as a useful stepping stone to work. However, the Department should develop a strategy to ensure that all disabled people, including groups such as people with learning disabilities, deaf and blind people have full access to the range of services offered. We are also concerned that the Department is intending to extend compulsion beyond attendance at work-focused interviews without adequate training or evidence-based guidance for Incapacity Benefit Personal Advisers (IBPAs) in distinguishing claimants who are ‘unwilling’ to participate from those who are ‘unable’. As the evidence shows that many existing incapacity benefits claimants are volunteering to participate in Pathways to Work without compulsion, we are concerned that without adequate IBPA training and clear guidance, increased compulsion could damage both the relationship of trust between IBPAs and their clients and the reputation of the Pathways programme itself. We recommend that the Department further explore involving a wider group of trained professionals to assist personal advisers in the important role that they play.

Moving between the two components

180. Some witnesses raised concerns that those assessed as eligible for the higher level of ESA would be ‘written off’ and not be given any opportunities or attention in the future.¹⁹⁹ The Green Paper states:

“although it is likely that the majority of individuals in this category will never be able to work again, we recognise that for some their situation may change such that return to some form of appropriate work becomes an option. In these circumstances, individuals will be provided with the support necessary to help them achieve this if they wish.”²⁰⁰

181. In oral evidence to the Committee, the Secretary of State confirmed that those with fluctuating conditions would be able to move between the two components of ESA depending on the state of their condition.²⁰¹ However, as Dr Mark Baker from the RNID pointed out to us, the Government had given no explanation as to how this process would be controlled – whether, for example, it would be done via a new PCA or some other means.²⁰²

197 Q 319

198 Q 318

199 Q 233 [Dr Jed Boardman] and Vol 3, Ev 34

200 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 39

201 Q 267

202 Q 152

182. The Revolving Doors Agency stressed that this group of claimants who might be able to return to work at some point “would be likely to have problems as varying as those who are able to work in some capacity” and that transfer into this group “should be a key point at which to [...] refer them to mental health services and other agencies that are able to work with them.”²⁰³

183. A further issue was raised in oral evidence to the Committee by Philippa Simkiss from the RNIB who asked:

“what would happen to somebody if they have been on the lower rate for, say, three years and the system has not delivered a job despite the best efforts of the individual in seeking a job as to what point does it become clear they are not going to get a job and will they be allowed to progress on to the higher rate of support?”²⁰⁴

184. The same point was made by others,²⁰⁵ including the TUC who suggested that in cases such as these, after a certain period of time, claimants should be put on a self-management regime.²⁰⁶ When questioned on this issue, the Secretary of State replied that the decision to move onto the Support component, with no conditions attached to it, would be primarily based on a medical assessment.²⁰⁷

185. The Committee recommends that claimants who have been engaged in work-related activity for a specified period of time, for example, one year, should review their action plan with their personal adviser and other specialists to ensure that the activities contained within it are appropriate for them. Once the new benefit has been in place for two years, we recommend that it is reviewed by the Department to ensure that the work-related activity system is working properly. As with all new benefits, it should also be subject to a full evaluation.

Existing claimants

186. The new ESA and the attached conditional requirements will only apply to new claimants. Those currently claiming incapacity benefits will remain on their current benefit. Engagement in work-related activities, including WFIs, will be extended to them “as resources allow.”²⁰⁸ (see Chapter 8). Since February 2005, some existing claimants in Pathways to Work areas are required to take part in three WFIs. This was further extended to cover more of the caseload on a mandatory basis from April 2006.

187. It is worth remembering that there are currently more than 2.7 million incapacity benefit claimants, with around 650,000 new claims made each year and 700,000 moving off the caseload. This means that it will take several years before the number of new claimants on the reformed system outnumber those on the old system. Evidence received suggested

203 Vol 3, Ev 271

204 Q 156

205 For example, Vol 3, Ev 213

206 Vol 2, Ev 82-83

207 Q 269

208 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 48

that it is unfair to offer different services, apply different conditions and provide different levels of benefits to what are effectively similar claimants.²⁰⁹ Lorna Reith said:

“I think there is an element of unfairness in that all of the publicity has been around existing claimants and then a system comes in which proposes to leave them exactly where they are; none of this is going to affect existing claimants, though no doubt they will be used in the press at some point in the future; it is all about new people coming on to the benefit.”²¹⁰

188. She went on to ask:

“What is the justification for treating those people differently? I am not saying automatically you would bring those people across, but you could offer people a choice of moving into the new system.”

189. In evidence, the Secretary of State said that the Department had no intention of moving existing claimants of incapacity benefits onto the ESA. He argued:

“I do not think you should set about these sorts of reforms, as it were, by tearing up people’s entitlement to benefits. [...] I do not think it should be part of our agenda to retrospectively change benefit entitlement, [...] it is likely to be the case in two or three years’ time that the claimants who will be the hardest to reach and to place in the labour market will be people on old incapacity benefits, not people coming into new Employment and Support Allowance. But, again, I cannot see any alternative way of managing this process of change other than the way we have set out in the Green Paper.”²¹¹

190. This neatly leads onto the issue of benefit simplification, which we consider below.

Benefit simplification?

191. The Green Paper says that the new ESA – which integrates a contributory and means-tested benefit into a single benefit – will simplify the current system. This view was not taken by all those who gave evidence. The Disability Rights Commission (DRC) asked:

“How will the different combinations relate to the categories of ‘reserved circumstances’ receiving the additional support payment, and other ESA recipients receiving work-related premiums? Assuming each of these could receive either a) means tested and contributory payments; b) only contributory c) only means-tested payments, this suggests six different combinations, rising to seven or eight when existing claimants (including former invalidity benefit recipients) are included. This presents a challenge to the longer term vision of a simpler system.”²¹²

192. Lorna Reith also pointed to the different benefit levels that will be paid to new and existing claimants and said that “there is a worry that an opportunity to simplify has not

209 Qq 152, 157, 177; Ev 211, vol 3; Ev 252, vol 3

210 Q 157

211 Q1 280-1

212 Ev 110, vol 2

been taken.”²¹³ She went on to propose a method that would simplify part of the structure. She suggested that current claimants of Severe Disablement Allowance (SDA) – which was abolished in 2001 – could be transferred onto the higher rate of ESA as this group of people have already been classified as severely disabled.²¹⁴ The Secretary of State, however, said that he rejected the idea of moving existing claimants onto ESA as this could result in people losing out financially.²¹⁵

193. In an evidence session with Leigh Lewis, the Permanent Secretary of DWP, we asked whether, in examining ways to simplify the benefits system, the Department had looked at buying out people’s rights to incapacity benefits by paying the claimant a certain sum of money if they moved onto the new benefit. The Permanent Secretary replied that the team of staff working on benefit simplification were ruling nothing in or out.²¹⁶

194. A short chapter of the Green Paper sets out the Government’s aim for long-term benefit reform encompassing all working-age benefits. It states:

“We consider that there may be advantages in moving towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those with a long-term illness or disability.”²¹⁷

195. In evidence to the Committee, the Secretary of State explained:

“we are not talking about there simply being one working-age benefit. Some people have looked at this part of the Green Paper and have assumed that there will only be one working age benefit; that is not what I think is likely to come out of this. We are talking about a more streamlined, more coherent system, and I think everybody will probably sign up to that.”²¹⁸

196. He further explained that he envisaged that the main thrust of the simplification would be in the design of a streamlined benefit system with a single portfolio of help and support services.²¹⁹ The Secretary of State was also keen to point out:

“The Employment and Support Allowance is a long-term reform of Incapacity Benefit and provides a much more straightforward, streamlined, simpler form of supporting people on Incapacity Benefit, and is in itself an example of the sort of wider reforms that I would like to see right across the benefit system in the direction of the change that many people have argued for some time [...] So Employment and Support Allowance itself I would cite as an example of the longer term direction of change and not something that is likely to be cast out five, six, ten years down the track.”²²⁰

213 Q 150

214 Q 152

215 Q 281

216 Oral evidence taken before the Work and Pensions Committee on 6 February 2006 HC 895, (2005-06), Qq 52-53

217 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 92

218 Q 272

219 Q 272, 277-9

220 Q 279

197. The Committee agrees with the broad approach to reforming incapacity benefits that is taken in the Green Paper. We are, however, anxious that the Department is in danger of introducing further complexity to a system of incapacity benefits that is already unwieldy and confusing to claimants and Jobcentre Plus staff alike. **We are very concerned that, by introducing a two-tier system, the proposed reforms will establish a further level of complexity. The unconditional higher rate could build incentives into the system which might ‘encourage’ claimants to claim the Support component rather than the Employment Support component of the Employment and Support Allowance (ESA).**

198. It also appears that little consideration has been given to policing the boundaries and creating a mechanism by which people can move between the two components. We recommend that the Department should clarify the mechanism and resources needed for people with fluctuating conditions to move between the Employment Support and Support components of the ESA.

5 The performance of Pathways to Work

199. As already noted in the report, considerable effort will be required to reduce the incapacity benefits caseload by one million. This chapter will examine the performance of the Pathways to Work pilots. (For a description of the Pathways pilots, see paragraphs 29-31 in Chapter 2). The majority of the evidence received during the inquiry, both before and after publication of the Green Paper, broadly acknowledged that the approach taken by Pathways to Work was the right one.²²¹ The current 'light touch' approach to dealing with clients was particularly welcomed.²²² That said, criticisms of specific aspects of the pilots were raised and these will be addressed below. First we consider the Government's own assessment of the performance of Pathways.

Increasing the off-flow of claimants

200. Pathways to Work is being evaluated by a consortium of independent research and policy specialists.²²³ To date, early findings from the evaluation have been published,²²⁴ with further results expected between now and 2008.

201. So far, the Government have judged Pathways to be a success.²²⁵ This assessment resulted in its decision to roll-out the pilots nationwide in 2008.²²⁶ Statistics from the Department's administrative data systems were reported in January 2006.²²⁷ These show that, by August 2005, 148,000 people had registered as new claimants in Pathways areas. From these, there were 44,500 initial work-focused interviews (WFIs), with a further 34,500 beyond the initial WFI. In addition, a further 7,840 existing claimants volunteered for an initial WFI. There had been 17,670 starts on the Choices package, of which: 8,540 were NDDP registrations; 7,490 were Condition Management Programme (CMP) referrals; and 1,650 were enrolments on other programmes such as Workstep. Of the 44,500 customers who have had at least one WFI there have been 19,500 job entries. It is disappointing that the Department does not publish regular updates on the Pathways data to enable a fuller assessment of whether or not Pathways is performing well. **We recommend that the Department publish quarterly statistics on the performance of Pathways to Work.**

221 See, for example, Q 33; Vol 2: Ev 13; Ev 19; Ev 23; Ev 65; Ev 81; Ev 112; and Vol 3: Ev 48; Ev 75; Ev 182

222 Q 33; Ev 183, vol 3

223 The consortium is led by the Policy Studies Institute and includes the National Centre for Social Research, the Social Policy Research Unit, the Institute for Fiscal Studies, Mathematica and David Greenberg of the University of Maryland.

224 Corden *et al* (2005) *Incapacity Benefit Reforms Pilots – Findings from a longitudinal panel of clients*, DWP Research Report No 259, Leeds: CDS; Knight *et al* (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, Leeds: CDS; Barnes H & Hudson M, (2006) *Pathways to Work – extension to some existing customers: early findings from qualitative research*, DWP Research Report No 323; Corden, A & Nice, K (2006) *Incapacity Benefit Reforms Pilot: Findings from the second cohort in a longitudinal panel of clients*, DWP Research Report No 345, Leeds: CDS; and Barnes, H & Hudson, M (2006) *Pathways to Work: Qualitative Research on the Condition Management Programme*, DWP Research Report No 346, Leeds: CDS

225 See, for example, Ev 219, vol 2; and DWP, Cm 6730, Jan 2006, p 28

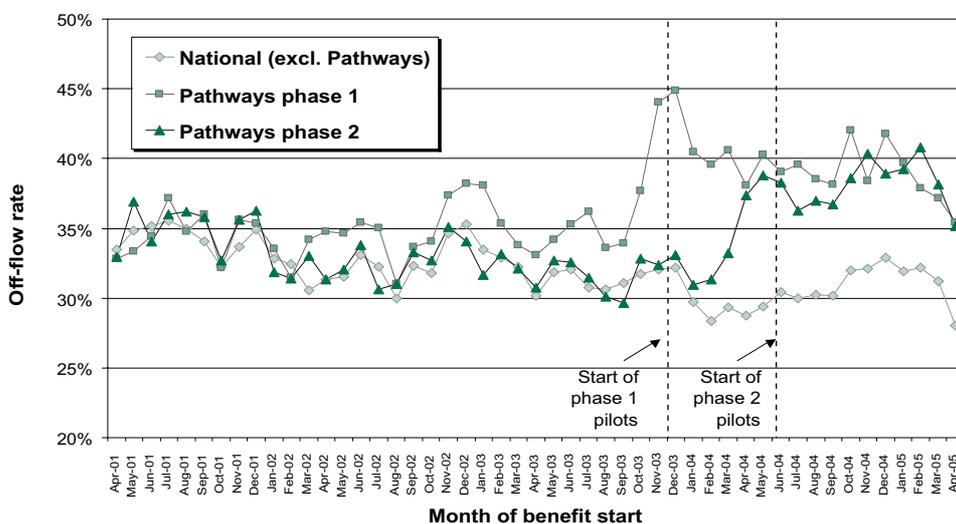
226 HC Deb, 24 January 2006, col1307W

227 Blyth, B, *Pathways to Work Pilots performance and analysis*, DWP Working Paper No 26, Jan 2006, p8

202. The Department's analysis found that there was an increase of around eight percentage points in the six month incapacity benefits off-flow rate in Pathways areas compared with other offices nationally. Following our evidence session with the Secretary of State, the Department provided further written information clarifying that the six month off-flow rate in the first seven Pathways areas was 41% compared with 34% nationally.²²⁸ However, it should also be noted that the DWP report summarising the performance statistics of Pathways pointed out:

“It is not yet possible to be certain that these additional exits from benefit all relate to entries to employment. However, there is no evidence that the additional off-flows are disproportionately caused by transfers to other benefits.”²²⁹

Chart 2: The six-month off-flow rate of incapacity benefits claimants in Pathways to Work pilot areas and nationwide



203. Table 1 shows recent figures of the national picture of claimants leaving IB and SDA in the six and 12 month periods to February 2005 and in the last seven years.²³⁰ It is notable that the destination of more than half of all claimants leaving IB and SDA is unknown and the second largest group are those transferring to another benefit.

228 Ev 254, vol 2

229 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots performance and analysis*, DWP Working Paper No 26, January 2006, p1

230 HC Deb, 30 January 2006, col 253W

Table 1: Destinations of claimants leaving Incapacity Benefit and Severe Disablement Allowance

Incapacity benefit (IB) and severe disablement allowance (SDA) leavers by destination during periods shown.	IB/SDA claims ending in the last six months ¹		IB/SDA claims ending in the last 12 months ⁽²⁾		IB/SDA claims ending in the last seven years ⁽³⁾	
Transfer to other benefits ⁽⁴⁾	83,900	24%	166,000	25%	1,334,000	25%
Return to IB/SDA ⁽⁵⁾	16,700	5%	32,400	5%	268,600	5%
Reach retirement age or are recorded as moving to state pension	29,000	8%	60,900	9%	448,500	8%
Recorded as death of claimant	13,100	4%	25,800	4%	183,400	3%
Recorded as returned to work ⁽⁶⁾	14,500	4%	26,700	4%	136,500	3%
Residual unknown destinations	198,200	56%	395,500	56%	2,965,800	56%
Total number of claims ending	355,400		707,400		5,336,800	

Source: Information Directorate, 5 per cent. samples (terminations dataset).

(1) IB/SDA claims ending in the last 6 months includes IB/SDA claims terminating from 1 Sept 2004 to 28 Feb 2005, this is the latest year for which figures are available.

(2) IB/SDA claims ending in the last 12 months includes IB/SDA claims terminating from 1 March 2004 to 28 Feb 2005,

(3) IB/SDA claims ending in the last seven years include IB/SDA claims terminating from 1 March 1998 to 28 February 2005.

(4) Those transferring to other benefits include those moving onto income support pension credit, jobseeker's allowance, working families tax credit, disabled persons tax credit within 90 days of the IB/SDA claim ending.

(5) Return to IB/SDA includes those who make another claim to IB/SDA within 90 days of their previous claim terminating.

(6) It is known that the number recorded as returning to work underestimates the true situation. It is not possible to determine the number that moved to employment, however the "Destinations of Benefit Leavers 2004" report showed that 62 per cent. of IS, JSA and IB leavers entered employment of 16 hours or more a week.

(7) Destinations of terminated IB/SDA claims are assigned in the priority order shown above.

Notes:

1. Figures are rounded to the nearest hundred.

2. Figures for the "last six months" and "last 12 months" given above will increase significantly following receipt of late notifications.

204. A further issue of note is that an additional breakdown of the statistics on the movement off incapacity benefits shows that there is a substantial difference in the off-flow rate depending upon the age of the claimant. Those aged under 50 in Pathways areas have an average increased off-flow rate of 10 percentage points. For those aged over 50 the increase in the off-flow rate is only 4 percentage points.²³¹

Incapacity Benefit Personal Advisers

Training

205. Evidence received by the Committee suggested that Incapacity Benefit Personal Advisers (IBPAs) are vital to the success of Pathways.²³² This is reinforced by early findings from the Pathways evaluation which showed that clients appreciated the support given by IBPAs, who were described as "helpful, supportive and 'not pushy'."²³³ More recently, the

231 Figures were calculated from those provided in HC Deb, 20 March 2006, col 130W

232 Vol 2: Ev 96; Ev 113; Ev 120

233 Corden et al (2005) *Incapacity Benefit Reforms Pilots – Findings from a longitudinal panel of clients*, DWP Research Report No 259, Leeds: CDS, p 2

evaluation found that clients viewed the amount of personal support from IBPAs as a positive element of Pathways.²³⁴ IBPAs also played a crucial role in overcoming the anxieties of clients after they received their letter inviting them to their initial WFI (see para 225), by describing the purpose and content of Pathways, providing assurance that they would not be ‘forced’ into work and emphasising the opportunities that participation might lead to.²³⁵ Nonetheless, areas of concern around the role of IBPAs were raised in evidence to the Committee. That most frequently mentioned was the inadequacy of their training.²³⁶ Leonard Cheshire pointed out that the reforms “will require highly trained personal advisers delivering highly personalised support.”²³⁷ The Child Poverty Action Group (CPAG) said that the limited training received by IBPAs was unlikely to equip them with the necessary skills and sensitivities that are required to do the job effectively.²³⁸

206. IBPAs themselves have recognised the inadequacy of certain aspects of their training. Findings from the Pathways evaluation showed that the central focus of the training – interviewing skills – was highly valued by IBPAs. Aspects of the training which they felt had not fully prepared them for their role included:²³⁹

- the administrative and procedural aspects of the job, such as making referrals and implementing the Return to Work credit;
- contact with providers of the Choices package of support;
- guidance on how to deal with clients with more complex or severe conditions;
- dealing with clients with mental health conditions; and
- training on benefits and tax credits and also on the computer system Labour Market System (LMS).

207. Reassuringly, the research also suggested that IBPA training had improved since the earlier stages of the pilot, as it found that those who been through later tranches of the IBPA training felt better prepared for their job than the IBPAs who were trained earlier on in the pilots.

208. According to the Secretary of State:

“We provide, I think, up to about 26 days of specialist training for Incapacity Benefit Personal Advisers [...] we do try very hard to make sure that our personal advisers are properly trained and equipped to do the very difficult job that we ask them to do. Can we improve on that? Yes, I am sure we can and we should always be prepared to look at ways of improving the training that we provide, and we do that. We do make

234 Corden, A & Nice, K (2006) *Incapacity Benefit Reforms Pilot: Findings from the second cohort in a longitudinal panel of clients*, DWP Research Report No 345, Leeds: CDS, p 34

235 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, Leeds: CDS, p 41

236 See, for example, Vol 2: Ev 27; Ev 88; Ev 86; Ev 184; and Vol 3: Ev 115; Ev 204;

237 Ev 61, vol 3

238 Ev 205, vol 3

239 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 23-25

a major effort to try and get this right. It is a very difficult field, certainly in relation to mental health, to make sure we have given our advisers the full range of competences they need. It is very difficult.²⁴⁰

209. DWP later confirmed that IBPAs receive 26 days training, consolidated through line manager coaching, mentoring and the use of small learning groups. Most of the training consists of four five-day workshops on: developing interviewing skills; developing knowledge and understanding of the client group and health conditions; case conferencing with the Condition Management Programmes and other NHS professionals; and engaging with employers, work-place support, working with the DDA, disclosure and advocacy.²⁴¹

210. Citizens Advice Scotland described the IBPA as having “a complex and skilled role, where judgement has to be used as to when and how to engage with claimants.”²⁴² The exercising of judgement and the importance of training is of paramount importance when dealing with claimants with more challenging illnesses or disabilities, such as mental ill health, learning disabilities, autism, blindness and deafness. For example, the National Autistic Society and mental health organisations pointed out that people with autism and mental health conditions may have communication difficulties and warned that these might be misinterpreted by an IBPA as un-cooperative behaviour. Consequently, they argued that an IBPA working with someone with autism must have understanding of the condition and should also work with external organisations who have specialist knowledge of that area.²⁴³ Several organisations raised the issue of IBPAs not being sufficiently skilled to recognise people with fluctuating conditions, an issue previously mentioned in this report.²⁴⁴

211. The evaluation of the Pathways pilots found that IBPAs working with new claimants were concerned that they had received insufficient training to deal with clients with mental health conditions.²⁴⁵ IBPAs working with existing claimants also said that they had some concerns about working with customers with severe and enduring mental health conditions and they believed their training should have included a specific session or sessions dealing with these cases.²⁴⁶ More recent research on IBPA’s experience of working with existing IB clients found that advisers believed that their training had not prepared them well for the demands of the job, both generally and because the existing customers had such complex and severe problems.²⁴⁷ Considering the information provided by the Department on the content of the training, these findings from the evaluation are worrying.

240 Q 317

241 Ev 254, vol 2

242 Ev 164, vol 3

243 Ev 115, vol 3; and Ev 117, vol 3

244 See, for example, Ev 71, vol 3; Ev 185, vol 3

245 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 26

246 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 3 & 24

247 Barnes & Hudson, (2006) *Pathways to Work – extension to some existing customers: early findings from qualitative research*, DWP Research Report No 323, Feb 2006

212. In oral evidence, when questioned whether he would consider creating a special group of IBPAs who had been specifically trained to handle customers with mental health conditions, the Secretary of State replied that it was “something we can certainly look at.”²⁴⁸

213. Several organisations suggested that the private and voluntary sector were better placed to work with clients with more complex cases, or with specific disabilities, who required more support to move into work.²⁴⁹ For example, Mencap’s written evidence said that if clients with a learning disability had an initial WFI, they were usually referred to Mencap because the IBPAs were unable to provide them with support.²⁵⁰ Mencap told the Committee in oral evidence that IBPAs in the Derbyshire and Essex Pathways pilot areas referred learning disabled clients directly to Mencap as they felt it was the best service for them. However, they also pointed out that this was largely due to the fact that IBPAs did not have any expertise in learning disabilities, compared with physical disabilities or mental health.²⁵¹

Knowledge of benefits

214. Incapacity benefits claimants who are considering moving into work need reassurance that their income will not suffer as a result. Some may be concerned about access to other benefits that they currently receive, for example Disability Living Allowance or Child Tax Credit, and others may be worried about what happens if a job placement is unsuccessful and they have to return to benefit. Several pieces of evidence pointed to the importance of claimants being able to access reliable advice on work and benefit rules.²⁵² CPAG pointed to evidence from the Pathways evaluation which found IBPAs were sometimes criticised for their lack of knowledge of the benefit system. They consequently argued that benefit applicants should receive advice and support on accessing their full benefit entitlement as an integral part of reformed system.²⁵³ Mind argued that IBPAs should be able to give advice on the full range of benefits and the financial implications of moving into work – including issues such as Permitted Work rules, Linking Rules and access to free medical prescriptions.²⁵⁴

215. Evidence also pointed to the importance of a claimant’s family circumstances when assessing levels of financial support and advising on the impact of work upon the benefits currently received.²⁵⁵ It is also crucial that IBPAs are aware of issues such as an individual’s caring responsibilities when advising on benefit entitlement and also when assisting in drawing up a work-related activity plan with claimants. Citizens Advice pointed out that some claimants may not be able to combine work-related activities with their caring responsibilities.

248 Q 320

249 Vol 2: Ev 47; Ev 57; Ev 134; Ev 144; Q 167

250 Ev 47, vol 2

251 Qq 77-78

252 Vol 2: Ev 201; Ev 115; Vol 3, Ev 65; Ev 187

253 Ev 197, vol 3

254 Ev 183, vol 3

255 Vol 3: Ev 184; Ev 197; Ev 206

216. The Committee recognises that Incapacity Benefit Personal Advisers (IBPAs) have an important role in supporting their clients and the majority do it well. We are, however, concerned that they may not be as well trained as they need to be. In particular, we recommend that IBPAs receive a fuller training package on disability awareness and mental health. In addition, all IBPAs should be sufficiently skilled to be able to offer advice on benefits and tax credits and the impact upon them of moving into work. They should be able to calculate whether or not a claimant would benefit financially from moving into work compared with staying on benefits, or be able to refer the client onto someone else who can. The Department should also consider how IBPAs can benefit from the sharing of best practice experience. IBPAs should also be able to benefit from a clearly defined career path.

IBPA caseload

217. The size of each IBPA's individual caseload has also been acknowledged as causing difficulties. The Employment Related Services Association (ERSA) argued that if their caseload continues to increase, it will impact on outcomes.²⁵⁶ A Pathways evaluation report found that the typical caseload of an IBPA was 50-60 clients compared with 30 clients at an earlier stage of the pilot. The report also found that IBPAs voiced concerns over the amount of time spent on administrative tasks and frequently reported taking on additional duties to cope with staff shortages in other areas of the Jobcentre Plus office.²⁵⁷

218. In evidence to the Committee, the Secretary of State said that that falling numbers of incapacity benefit claimants "will help ease some of the pressure on some of the front line, particularly the personal advisers".²⁵⁸ However, in light of the increasing number of WFIs that will have to be delivered under the reformed system – and the fact that many of these will be with existing claimants who will be further from the labour market than new claimants – it is difficult to see how IBPAs can become less pressured. Already, we are receiving comments, for example from the Shaw Trust, which stated: "There appears to be a shortage of staff within Jobcentre Plus with the necessary expertise to act as Personal Advisers within the Pathways programme."²⁵⁹ If IBPAs are required to carry out WFIs and provide ongoing support to clients when Pathways is rolled out, rather than staff of voluntary or private sector providers, this will be a key area of concern. (The resources available for national rollout are discussed further in Chapter 8).

219. The Committee recommends that the Department closely monitor the caseload of Incapacity Benefit Personal Advisers (IBPAs) to ensure that they are able to offer a full service to all of their clients. IBPAs should not be relied upon to carry out tasks that other Jobcentre Plus staff are employed to do. In our report into the Efficiency Savings Programme in Jobcentre Plus, we recommended that Jobcentre Plus should set out its timetable for providing administrative support to Personal Advisers. We reiterate this recommendation.

256 Vol 2; Ev 22

257 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278

258 Q 327

259 Ev 27, Vol 2

220. The Committee is also concerned that there will be insufficient trained staff to deal with the increased number of WFIs that will take place under the reformed system. We recommend that the Department develop, and publish, a strategy to develop the IBPA workforce to show that the future national roll-out will be sufficiently staffed.

221. A further issue that was raised in relation to staffing issues was that of the low pay levels of IBPAs. Sue Christoforou, representing Mind, said:

“given the going rate outside of London for an Incapacity Benefit adviser is £12,000 a year and given that the training they are getting at the moment in the Pathways to Work area lasts 13 weeks and covers the IT systems, the benefit systems, the main health conditions, one wonders whether the money is attracting the right calibre of staff and whether their training is adequate, and I cannot help but think that neither of those two things are the case”.²⁶⁰

222. We recommend that the Department urgently review the pay levels for Incapacity Benefit Personal Advisers to ensure that it is sufficient to attract the right calibre of people.

Compulsory work-focused interviews

223. IBPAs can waive or defer a claimant’s attendance at a WFI. Unauthorised non-attendance may result in a benefit sanction, although this is currently used as a last resort. By August 2005, there had been a total of 44,500 initial WFIs for new clients and a further 34,510 repeat WFIs had taken place.²⁶¹ The Pathways evaluation found that IBPAs reported varying levels of failures to attend interviews – the actual rate across the first seven pilot areas was around 20%.²⁶² A total of 370 benefit sanctions had been imposed as a result of claimants not attending a WFI.²⁶³

224. In the evidence received, most organisations agreed that WFIs were a useful tool in helping disabled people take steps towards possible employment, although views on whether they should be compulsory were mixed. Many disability organisations, and also the Public and Commercial Services Union (PCS), tended to argue against compulsion,²⁶⁴ certainly beyond a first WFI, whereas those in favour of compulsory WFIs tended to be private sector service providers.²⁶⁵

225. The evidence received highlighted the point that there is a fine balance between encouraging people to find out about the support that is available to them and not wanting to frighten people off. Mencap were one of several organisations arguing that compulsion can lead to a fear of being pressured into work and a fear of losing benefits.²⁶⁶ Mind and

260 Q 224

261 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots*, DWP Working Paper No 26, January 2006, p 11-13

262 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 55

263 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots*, DWP Working Paper No 26, January 2006, p 13

264 See, for example, Vol 3: Ev 29; Ev 207-208; Ev 220 and Q 175

265 See, for example, Vol 2: Ev 13; Vol 3: Ev 86; Ev 110, Q 45

266 Ev 48, vol 2; Ev 114, vol 2; Ev 207, vol 3

CPAG referred to clients becoming alarmed when they received their letter to attend a WFI, interpreting it as ‘threatening’ a withdrawal of benefits. CPAG asked for a review of the language used.²⁶⁷ The Committee requested a copy of the standard letter that is sent to claimants for their initial WFI. To give an example of the tone of the letter:

“As your Adviser, I need to meet with you to discuss how we can improve your chances of finding work, now or in the future. We want to make sure that you are getting the right support and are claiming all the right benefits. It is important that you attend and participate in this interview. If you do not your benefit may be affected.”²⁶⁸

226. Sue Christoforou, Policy Officer at Mind, told the Committee that after receiving such letters some of her clients had “gone out immediately to get a job because they feel that is what that letter is saying to them, completely inappropriate jobs, and after a number of days the job fails”.²⁶⁹ CPAG also argued that a more flexible timetable of WFIs should be introduced as this would help the IBPA to accommodate issues around the health of the client and to reassure the client that the adviser is aware of their condition.²⁷⁰

227. On the other hand, the TUC said that it was reasonable to expect people to attend WFIs where they can find out about help available to return to paid work.²⁷¹ Arguably, a key approach to tackling the claimants’ fears is to ensure that IBPAs are adequately trained (see paras 204-212 above).

228. Mind argued that conditionality could reduce trust in the IBPA, the relationship with whom was a crucial part in assisting a claimant back into work.²⁷² Lorna Reith, Chief Executive of Disability Alliance, pointed out in oral evidence that advisers had themselves raised the issue of conditionality undermining the relationship of trust they had with their clients.²⁷³

229. In evidence, the Secretary of State said:

“I really do not think it is unreasonable or Draconian to say to people coming into the benefit system ‘Now that we are going to provide this extra help and support, we do expect to see you regularly to plan with you your return to work, and that will be a condition of your entitlement to benefit.’ [...] For new claimants it has been a requirement to be part of the work-focused interview arrangements, and [...] the vast majority of the successes, the job entries, have come from people who have entered Pathways through that particular route. So I would take issue with those

267 Ev 160, vol 2; Ev 176, vol 2; Ev 207, vol 3

268 Standard letter sent to claimants, obtained from the Department for Work and Pensions

269 Q 223

270 Ev 207, vol 3

271 Ev 77, vol 2

272 Ev 175, vol 2

273 Q 175

people who say we do not need a conditionality regime here. I think it is an absolutely essential part of these reforms.”²⁷⁴

230. The Committee recognises that a delicate balance is required to ensure that compulsory work-focused interviews (WFIs) provide claimants with the opportunity of accessing the range of support services available through Pathways and Jobcentre Plus in a sensitive manner. We recommend that the Department revise the standard letter sent to claimants requesting attendance at their initial WFI to ensure its tone is one that will encourage attendance.

Applying benefit sanctions

231. Currently, IBPAs are responsible for deciding whether to waive or defer a client’s attendance at a WFI and also whether to impose benefit sanctions. In evidence to the Committee, this ability of IBPAs to apply discretion was highlighted as a particular cause for concern.²⁷⁵ Referring to the ability to waive or defer a WFI, CPAG said:

“We are concerned that the process whereby a Personal Adviser can decide whether to waive or defer a WFI will inevitably be subjective, and may be flawed. There is not always agreement about whether somebody is ready and able to participate in work-focused activities. People who feel that they are not ready or able to take up employment will get little or nothing out of participating in a programme which is geared to helping disabled people access the labour market.”²⁷⁶

232. The Disability Employment Coalition pointed out that the reforms would potentially give considerable power to first level Jobcentre Plus staff who had not received adequate disability equality training and might not be able to judge whether severely ill or disabled people should be looking for work.²⁷⁷

233. The Pathways evaluation found that IBPAs felt that in most cases of a failure to attend the WFI, a reasonable explanation was later given (such as being ill on the day) and a further appointment was made. IBPAs did also recognise the risk that those with certain health conditions or those who were misusing drugs or alcohol were more likely to miss their WFI.²⁷⁸

234. Citizen Advice Scotland pointed out that the application of sanctions varied among IBPAs.²⁷⁹ This view was reinforced by findings from the Pathways evaluation which showed that there were different practices employed by IBPAs:

- some IBPAs were opposed to the sanctions regime and developed strategies to avoid using them, such as fashioning justifiable reasons as to why the claimant had missed

274 Q 309

275 See, for example, Ev 114, vol 2; Ev 43, vol 3; Ev 164, vol 3

276 Ev 207, vol 3

277 Ev 129, vol 3

278 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 55-56

279 Ev 164, vol 3

their interview, others used deferrals and waivers as a method of avoiding imposing sanctions;

- a second group of IBPAs argued that sanctions were an integral part of Pathways and should therefore be used; and
- a third group described being given clear guidance from management to make more use of sanctions.²⁸⁰

235. On the issue of whether or not IBPAs are sufficiently trained to administer a benefit sanction, the Secretary of State said:

“We do, as I said, try and make sure that our personal advisers have the necessary training to allow them to discharge their functions, one of which is to make a determination in some cases of a decision to sanction. I think it is entirely reasonable to place the responsibility at that point. It has to be clearly matched by the appropriate level of training, and we do, as I said, try very hard to do that.”²⁸¹

236. Benefit sanctions were also criticised on the grounds of the high poverty levels of disabled people.²⁸² The Centre for Regional Economic and Social Research (CRESR) argued that the imposition of sanctions for non-attendance at WFIs would be particularly harsh in areas where they may not be enough jobs for incapacity benefits claimants to move into.

237. Mind suggested that instead of applying sanctions, claimants should be incentivised to attend WFIs through additions to a minimum benefit, set at an ‘adequate’ level.²⁸³ They suggested that such incentives might include paying prescription charges or access to concessionary rates, for example, for cinemas or adult education.²⁸⁴

238. The issues of compulsory activities and the application of sanctions are also addressed later in this chapter in the section looking at the national roll-out of Pathways and the Government’s proposals to extend compulsion further to include mandatory participation in work-related activity.

The Condition Management Programme

239. The Condition Management Programme (CMP) is an employment rehabilitation service that has been developed jointly by Jobcentre Plus and the NHS. The CMPs are run in co-operation with local health providers with the aim of helping clients manage their disability or health condition. To date, there have been nearly 7,500 referrals to the CMP. A recent parliamentary answer said that of those who have taken part in the CMP, 17% were no longer claiming benefits and 9% were in work within six months.²⁸⁵

280 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 57-61

281 Q 319

282 Ev 200, vol 3; Ev 59, vol 3

283 Ev 161, vol 2

284 Ev 163, vol 2

285 HC Deb 8 March 2006, col 1549W

240. Early findings from the Pathways evaluation suggest that the CMP was the service provided within the ‘Choices’ package that was most positively received by clients, particularly the one-to-one sessions with health professionals.²⁸⁶ A similar view was obtained from the evidence received during the inquiry. The CMP was welcomed because it helped those with ‘invisible’ disabilities and health conditions deal with issues such as pain management, fatigue and coping with everyday life.²⁸⁷ However, the Papworth Trust, RNIB and RNID pointed out that the CMP cannot provide appropriate help to those who are deaf or blind.²⁸⁸

241. In their written evidence, the Papworth Trust told the Committee about their involvement in the CMP in the Essex Pathways pilot area. They said that clients attended the CMP in the hope that it would help them manage their health condition or disability but many had vague expectations of what the programme provides. Those with a clearer understanding of the CMP’s objectives tended to feel that it had a positive impact on their health and how better to manage it. In addition, those who had a strong wish to enter work also responded more positively to the CMP than those who did not view employment as possible or desirable.²⁸⁹

242. Although the CMP was generally well received by clients and disability organisations, it is worth highlighting findings from the Pathways evaluation which showed that some claimants who agreed to take part in the CMP lacked understanding of the aims of the service and what it would actually involve.²⁹⁰ In addition, IBPAs varied in their level of referring clients to the CMP, largely due to misunderstandings of the services offered by the programme. Some IBPAs thought the CMP providers mainly helped those with complex mental health conditions or disabilities while others would not refer clients with mental health conditions.²⁹¹ Evidence from DWP’s administrative data systems analysed IBPAs use of the Screening Tool and found that 30% of CMP clients stated that they expected to return to work within the next six months. This compared with 64% of NDDP clients.²⁹²

243. Mind, Rethink and the Royal College of Psychiatrists particularly praised the Cognitive Behavioural Therapy (CBT) model currently being tested as part of the CMP.²⁹³ An internal evaluation of Rethink’s programme in Derbyshire found that the fact that the programme dealt only with mental health problems was valued by participants.²⁹⁴ Mr Matthew Lester, Director of the Employment Related Services Association (ERSA), told the Committee:

286 Corden, Nice and Sainsbury (2005) *Incapacity Benefit Reforms Pilot: Findings from a longitudinal panel of clients*, DWP Report 259, p 43

287 Q 138 (Ms Reith)

288 Q181

289 Ev 68, vol 3

290 Corden, A & Nice, K (2006) *Incapacity Benefit Reforms Pilot: Findings from the second cohort in a longitudinal panel of clients*, DWP Research Report No 345, Leeds: CDS, p 48

291 Knight et al (2005) *Incapacity Benefit Reforms – the Personal Adviser role and practices: Stage Two*, DWP Research Report 278, p 57-61, p 69-70

292 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots*, DWP Working Paper No 26, Jan 2006, p 14

293 Vol 2: Ev 166; Ev 177; Ev 197

294 Ev 206, vol 2

“we can see from our involvement [...] the tangible effects when you start talking positively to people about work, particularly people with mental health issues. Some people very quickly respond because they realise they are not alone, it is as simple as that.”²⁹⁵

244. A further issue was raised by the Shaw Trust which argued that the CMP relied too heavily on limited NHS resources.²⁹⁶ A debate in the House in February 2006 on mental health services highlighted the difficulties those with mental health conditions faced in accessing CBT, with some GPs having no access to such therapies for their patients.²⁹⁷ In September 2005, in a speech to the Sainsbury Centre for Mental Health, Professor Lord Layard, Government adviser, stressed that the National Institute for Clinical Excellence (NICE) guidelines stated that CBT was “of equal effectiveness to anti-depressants”. Yet, he added, it was “not adequately available”, with only one in ten patients having this option.²⁹⁸

245. In evidence to the Committee, the Secretary of State did acknowledge that there are shortages in provision of services such as CBT.²⁹⁹ However, he went on to say that in some Pathways areas, providers had utilised their funding to buy CBT services from the private sector and stressed that this should be encouraged.³⁰⁰ In addition, the Chartered Society of Physiotherapists said that there is currently a shortage of physiotherapists who would be able to provide services through Pathways to Work if it was rolled out nationally.³⁰¹

246. In a parliamentary answer in April 2006, the Minister for Employment and Welfare Reform responded that the Department recognised that it needed sufficient health professionals in a range of specialisations in order for its incapacity benefit reforms to be successful. She added that DWP was currently creating a planning group to help identify likely requirements and potential solutions and that it was working closely with the Department of Health to look at ways in which access to such therapies could be improved.³⁰²

247. The Committee acknowledges the importance of the services provided through the Condition Management Programme (CMP) and supports its inclusion in the extensions to, and national roll-out of, Pathways to Work. We are concerned that the Pathways evaluation suggests a varying level of awareness of the content of the CMP among Personal Advisers and recommend that the Department makes further efforts to ensure that current, and future, Advisers are properly informed of the content of the Programme and how to refer their clients to it. In addition we are also concerned that there may be a capacity problem with the numbers of trained Cognitive Behavioural Therapists or other appropriate therapists when Pathways is further rolled out.

295 Q 39

296 Ev 26, vol 2

297 HC Deb, 7 February 2006, col 745

298 Professor Layard’s address to the Sainsbury’s Centre for Mental Health, 12 September 2005

299 Q 283

300 Q 284

301 Ev 221, vol 3

302 HC Deb, 19 April 2006, col 220W

Disability specific services

248. It is apparent from the evidence received by the Committee that there is a strong argument for Jobcentre Plus to provide access to additional support for claimants with certain disabilities. The Royal National Institute for the Deaf (RNID) went as far as saying that Jobcentre Plus is actually inaccessible to deaf people.³⁰³ They argued that all Jobcentre Plus staff should have a far greater level of deaf and disability awareness training and should be trained in dealing with the needs of deaf people.³⁰⁴ The Royal National Institute for the Blind (RNIB) stressed that their client group required prolonged and specialist support to enable them to make steps towards the labour market, whether through accessing training programmes, or help with finding job vacancies, completing application forms and support in the workplace.³⁰⁵

249. Not all disabled people will require such a high level of intervention. For example, Matthew Lester of ERSA said:

“If the impairment is not the most significant reason they are not at work, then you can have a generic-type programme [...] If the impairment is a significant barrier to work or they perceive it to be – and there is a very important point there about self-perception, then you need some specialist help to deal with that.”³⁰⁶

250. Some argued that complex conditions require expertise provided by external organisations specialising in the condition or disability. For example, Forth Sector said:

“Different client groups have specific support needs and it will be important for any future roll out of Pathways to Work to allow for specialist support to be funded for priority client groups. This is particularly true of people with mental health problems who have very specific fears, concerns and barriers that they will need support to overcome to gain and retain employment.”³⁰⁷

251. David Congdon, head of campaigns and policy at Mencap, stated: “In general, all the different schemes from the Department tend inadvertently to miss out people with a learning disability”. He argued that this was partly due to the fact that DWP did not monitor which groups of ill or disabled people take part in various employment schemes and, “If no monitoring takes place at the level of those specific and discrete groups of disabled people, no-one identifies accurately that they are missing out.”³⁰⁸

252. The Committee recommends that the Department reviews the access of its services to all disabled people and monitors service use by different groups of disability and support needs. The Department should also ensure that, where specialist support is needed from external organisations, that this can be easily accessed by Personal Advisers.

303 Q 167

304 Ev 143 and 146, vol 2; Q 167

305 Ev 141, vol 2; Q174

306 Q 48

307 Ev 108, vol 3

308 Q 78

Return to Work Credit

253. The Return to Work (RtW) credit – a payment of £40 per week for up to 12 months for those who enter full-time work and earn less than £15,000 – was also identified in the evidence as a particularly beneficial aspect of the Pathways pilot.³⁰⁹ By August 2005, there had been a total of 11,500 RtW credit awards.³¹⁰ It was widely recognised in the evidence that, as a financial incentive, the RtW credit makes an important contribution to the income of a disabled person when moving into employment.³¹¹ Nonetheless, the evidence did highlight a few areas of concern and issues needing clarification.

254. Age Concern praised the credit but also drew the Committee's attention to the similar Employment Credit that was available under the New Deal for 50+. They said that it was responsible for half of all that programme's job entries until the credit was replaced in April 2003 by the Working Tax Credit – resulting in job entries falling by a half. From this, they concluded that the RtW credit should continue as a flat-rate, visible payment in the Pathways roll-out.³¹²

255. Several organisations asked what would happen to claimants when the RtW credit ended after one year.³¹³ For example, Rethink argued that those in low-paid jobs might find that when their credit was withdrawn, they were worse off financially than when they were receiving benefits.³¹⁴ This leads to the question of whether people are moving from claiming the RtW credit back to benefits.³¹⁵ Work Directions suggested that one way to ease the transition would be to flag up, at around 45 weeks, the fact that the credit was coming to an end. This would ensure that clients had fully explored all options available to them to continue earning at a similar rate.³¹⁶ When asked what the rationale for time limiting the RtW credit was, the Secretary of State told the Committee that there would have to be some limit on the extent of help that the credit could provide and that the evidence so far suggested that 52 weeks was a reasonable time limit. He also referred to the credit providing a foothold into work in the hope that claimants could then progress their income above an entry level.³¹⁷

256. The Committee welcomes the financial support provided to disabled people by the Return to Work credit. However, problems may occur when this support ends after 52 weeks. We recommend that recipients of the credit are fully informed of the time limit at the outset of their claim. They should also be reminded of the date when the credit is ending by their Personal Adviser at least eight weeks prior to its withdrawal, with opportunities for them to discuss their options.

309 Vol 2: Ev 116; Ev 120; Vol 3: Ev 182; Ev 207; Q 168 [Ms Reith], 231

310 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots*, DWP Working Paper No 26, Jan 2006, p 16

311 Vol 2: Ev 120; Ev 177; Vol 3: Ev 1; Ev 41; Ev 112; Ev 208

312 Ev 120, Vol 2

313 Vol 2: Ev 177; Vol 3: Ev 112; Ev 208

314 Ev 177, vol 2

315 Ev 40, Vol 3

316 Ev 112, vol 3

317 Q 285

257. Recent findings from the Pathways evaluation confirmed that some claimants viewed the RtW credit as providing a useful source of income when moving into work, and also when moving into self-employment. Some welcomed the quick application process and resulting payments however others experienced delays which quickly led to financial problems.³¹⁸

Existing claimants

258. Since the Pathways to Work pilots first began, they have been targeted at new incapacity benefits claimants. In February 2005, Pathways was formally extended to existing claimants who had been on benefit for up to three years and from April 2006, the extension included those who have been claiming for up to eight years. In one pilot area (Somerset) Pathways was extended to all existing claimants. Prior to this, existing claimants could volunteer to take part in Pathways. In the early stages of the pilots, around one in ten participants were existing claimants.³¹⁹

259. For the initial extension covering the first phase of the pilot areas, a live benefits data scan to identify existing eligible claimants found a total of 22,650 people. By the end of July 2005, 7,840 first WFIs had taken place with a further 3,750 second WFIs and 2,050 third WFIs. 2,860 claimants were recorded as failing to attend. By the end of July 2005, nearly half of the 22,650 identified by the data scan had been booked in for their first WFI, suggesting that the pilots appeared to be on target to call in all eligible existing claimants by March 2006, although there is not yet any data suggesting that this has been completed. As a result of the WFIs attended by the end of July 2005, there were 420 NDDP registrations, 800 referrals to the CMP, 380 referrals to other programmes and 210 recorded job entries.³²⁰

260. Evidence received during the inquiry supported the extension of Pathways to existing incapacity benefits claimants but presented voluntary participation in Pathways by existing claimants as evidence that compulsion to participate was not necessary.³²¹

261. A recent report from the Pathways evaluation found that IBPAs had mixed views on the reduced number of mandatory WFIs for existing claimants. Some felt that having fewer WFIs was a positive decision, while others thought it unfair and that the number of compulsory WFIs should be the same for new and existing claimants. Many IBPAs also thought that there should be more discretion given to IBPAs to tailor provision to the claimants' needs and levels of motivation.³²²

262. In evidence to the Committee, the Secretary of State was asked for the rationale behind existing claimants attending three rather than six WFIs. He explained that the Department recognised that these claimants were very different to new claimants and were

318 Corden, A & Nice, K (2006) *Incapacity Benefit Reforms Pilot: Findings from the second cohort in a longitudinal panel of clients*, DWP Research Report No 345, Leeds: CDS, p 52-53

319 'Start of new regime for long-term IB claimants', DWP press notice, 7 February 2005

320 Blyth, B, *Incapacity Benefit Reforms – Pathways to Work Pilots*, DWP Working Paper No 26, Jan 2006, p 19

321 Ev 113, vol 2; Ev 198 and 200, vol 3

322 Barnes, H & Hudson, M (2006) *Pathways to Work – extension to some existing customers*, DWP Research Report No 323, Leeds: CDS, p 25-33

likely to have had minimal contact with Jobcentre Plus since their claim began. Consequently, a proactive approach with more frequent interviews would not be appropriate.³²³ The Secretary of State also confirmed that those clients who wanted more support than could be offered in three WFIs from their IBPA would be able to access it.³²⁴ Findings from the evaluation of the Pathways extension suggested that existing claimants needed more support than new claimants and did tend to make slower progress. Although there were some job entries, progress tended to be on ‘soft’ outcomes such as increased confidence, changes in attitude and motivation and punctuality at interviews.³²⁵

263. The situation of existing claimants will be explored in more detail in the following chapter regarding the national roll-out of Pathways to Work. Before moving onto looking at the proposed roll-out, the next section briefly addresses the cost-effectiveness of the current Pathways pilots.

Are the Pathways pilots cost-effective?

264. The Pathways pilots covering one third of the country cost £150m per annum. (Chapter 8 analyses the costs of the current pilots and future roll-out of Pathways in more detail). In a parliamentary answer, the Minister for Work stated that “the average funding per person on the Pathways programme, for each person entitled to access it, is around £400, excluding the Return to Work credit.”³²⁶ This figure represents the total cost of the Pathways programme, excluding the Return to Work credit, divided by the total number of programme starts.³²⁷ Additional information provided in recent parliamentary answers provides further detail on some of the individual elements of the Pathways pilots. For example, the average cost per participant in the NDDP element of the Pathways pilots is £1,600 and for the Condition Management Programme it is £1,500.³²⁸

265. When the Secretary of State was asked whether he thought the 8 percentage point improvement in claimants moving off incapacity benefits was enough to justify the resources used by Pathways, he responded:

“yes, absolutely. The break-even point would have been about four percentage points. We have doubled that. [...] So it is definitely a cost-effective intervention from the taxpayers’ point of view, and we are right now to proceed with a national roll-out.”³²⁹

266. Following the evidence session, the Department provided the Committee with further detail on savings achieved by Pathways and the ‘break-even point’. It commented that savings were driven by the additional numbers moving off the incapacity benefits caseload plus:

323 Q 311

324 Q 315

325 Barnes, H & Hudson, M (2006) *Pathways to Work – extension to some existing customers*, DWP Research Report No 323, Leeds: CDS, p 31-32

326 HC Deb, 7 February 2006, col 1170W

327 HC Deb 18 April 2006, col 429W

328 HC Deb 18 April 2006, col 427-8W

329 Q 286

“the savings per person helped off IB by Pathways, from benefit savings and additional NI and tax revenue if they go into work. For example, the IB-only benefit savings from one person off the benefit over a year would be around £3,500 on average.”³³⁰

267. On the break-even point the Department stated:

“However, savings don’t materialise straight away because of lagged effects. For example we have to pay the costs upfront of WFIs and support services, but the benefits might only be seen after, say, 6 months when people leave benefit to start a job as a result of the Pathways intervention.

The breakeven point is therefore determined by the extent to which long run savings exceed long run costs, and by the time it takes for the intervention to have an impact (before the impact, everything is a cost and savings are zero).”

268. We will continue to monitor the cost-effectiveness of the Pathways to Work programme.

6 National roll-out of Pathways to Work

269. The Secretary of State has indicated that Pathways to Work will be rolled out nationally in 2008 alongside the introduction of the new benefit, ESA.³³¹ On the national roll-out, the Secretary of State said:

“I am absolutely convinced – and it is not just my view but the view of the OECD and many others – that the Pathways to Work is the leading international model for how we can provide more effective interventions for disabled people, and I think we are perfectly entitled to draw on that evidence and to say now is the time to extend the benefits of it to a wider cohort of people.”³³²

270. The roll-out will differ from the pilots in that it will primarily be delivered by the private and voluntary sectors and will test a range of ‘work-related activities’ to help disabled people move into work. There will also be an increased element of conditionality – the extent and content of which is yet to be confirmed.

The Pathways approach

271. While the current Pathways pilots were broadly welcomed, aspects of this approach were criticised, which raises questions on the content of the national roll-out. One issue that was frequently raised was that a ‘work-first’ approach is not appropriate for all disabled people and that many need first to deal with issues such as motivation, confidence, skills and so on.³³³ For example, A4e argued that for many disabled people, their disability is not perceived as their main barrier to work – other barriers included low self-esteem, out-of-date skills and long-term economic inactivity.³³⁴ Leonard Cheshire took this further and stated:

“In launching the green paper the Secretary of State for Work and Pensions stated that “work is good for people” This is plainly a gross simplification. For many people a return to work could have great potential benefits, and could help to improve their health condition. Some people, however, could find that returning to work, particularly if they do not yet feel ready to do so, could worsen their impairment and further distance them from the labour market.”³³⁵

272. Other issues raised regarded allowing people to make gradual steps towards work included doing voluntary work, work trials and taking up part-time, rather than full-time, work. Lorna Reith of Disability Alliance said that the Green Paper lacked information on enabling people to get used to the world of work again by building up their skills, their confidence and by doing part-time work.³³⁶ This was raised several times in the evidence

331 HC Deb 24 Jan 2006, col 1306-7

332 Q 287

333 Vol 2: Ev 23; Vol 3: Ev 19; Ev 67; Ev 91; Ev 92; Ev 188; Qq 33 [Mr Faulkner], 43 [Ms Howard]

334 Ev 91, vol 3

335 Ev 63

336 Q 185

received.³³⁷ Sue Christoforou from Mind argued the importance of providing stepping stones towards work at a speed which would not result in a deterioration of a person's health.³³⁸

273. The Green Paper does contain some information on enabling people to try out work before leaving incapacity benefits. The detail is confined to reiterating that those on incapacity benefits (and the new ESA) can undertake unlimited voluntary work; and mentioning work trials and the reformed permitted work as part of the suggested work-related activities. It does, however, ask for responses to the question of how best to improve work incentives within the new benefit so that people can try out periods of work and progress to full-time work where possible.³³⁹

274. One issue that was raised several times in the evidence received was the inadequacy of the earnings disregard for those claiming Income Support on the grounds of incapacity.³⁴⁰ Currently, those claiming Income Support are allowed to earn up to £20 without their benefit being withdrawn (after that, it is withdrawn pound for pound). Both Citizens Advice and Disability Alliance argued that the disregard was a useful way of facilitating access to work but highlighted that it had not maintained its value over the years since it was introduced – if it had, it would now be worth £35 to £40.³⁴¹ Disability Alliance pointed out that until October 2005, those on Income Support could work for up to 4 hours on the minimum wage. Since then, increases to the minimum wage had meant that the earnings disregard only allowed Income Support claimants to work 3 hours a week – and this would continue to fall as the minimum wage increased.

275. Disability Alliance suggested that the Department should publish a booklet explaining the various rules in order to alleviate the confusion among claimants and the public about whether it is possible to undertake paid work while claiming benefits.³⁴²

276. The importance of providing stepping stones from incapacity benefits into employment will be crucial in the success of the Pathways to Work roll-out. The Committee recommends that Incapacity Benefit Personal Advisers (IBPAs) and all private and voluntary sector service providers are given accurate information and training on the range of options that are available to disabled people to enable them to move towards paid work. Jobcentre Plus and other service providers should develop close partnerships with employers and voluntary sector organisations to build links that will promote opportunities for part-time and voluntary work for disabled people. The Committee also recommends that the earnings disregard for those currently claiming Income Support, and those who will claim the means-tested element of the Employment and Support Allowance, be increased to enable people to work at least four hours at the National Minimum Wage. This disregard should be up-rated annually.

337 Ev 116, vol 2; Vol 3: Ev 193; Ev 257; Ev 237

338 Q 233

339 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 43-47

340 Vol 2: Ev 117; Ev 162; Vol 3: Ev 1; Ev 38; Ev 127; Ev 188

341 Ev 117, vol 2; Ev 188, vol 3

342 Ev 117, vol 2

The roll-out of Pathways and existing claimants

277. In evidence, Lorna Reith of Disability Alliance said of the incapacity benefits reforms and the roll-out of Pathways to Work:

“I think there is an element of unfairness in that all of the publicity has been around existing claimants and then a system comes in which proposes to leave them exactly where they are; none of this is going to affect existing claimants, though no doubt they will be used in the press at some point in the future; it is all about new people coming on to the benefit.”³⁴³

278. A similar view was expressed by others submitting evidence,³⁴⁴ including Andrew Harrop of Age Concern, who said

“there are over a million existing claimants over the age of 50 and the Green Paper really does not have anything for them. It is a paper entirely about what would happen after 2008. [...] There are issues of unfairness in terms of not offering the intensive support to people already on the benefit who will get it in the future, but it is also not a sensible short to medium term strategy to only focus attempts at helping people off benefit and increasing the length of working lives for people claiming for the first time rather than people who would like to get back into the workforce who want the support but are not getting it at the moment.”³⁴⁵

279. In addition to the current extension to some existing incapacity benefits claimants in Pathways areas outlined above, the Green Paper says that further extensions to existing claimants will be rolled out “as resources allow”.³⁴⁶ This could include increasing the frequency with which claimants are assessed and further compulsory work-focused interviews. Further conditionality with existing clients may also be piloted as part of the proposed ‘city strategy.’

280. The Committee is concerned that existing claimants of incapacity benefits are in danger of being left behind as Pathways rolls out to new claimants. They may receive less benefit and less support to enable them to move into work. We recommend that the Department publishes a date by which existing claimants will be included in Pathways. The Department should also work closely with disability organisations to plan how best to reach existing claimants – who may have been on benefit for some years – and ensure that they are able to access the full range of support available to help them move into work, if they so wish.

The role of private and voluntary sector providers

281. In December 2005, before the Green Paper was published, the Committee held a very useful oral evidence session with representatives from private and voluntary sector service providers: Shaw Trust, Working Links, the Wise Group and the Employment Related

343 Q 157

344 Vol 2: Ev 144; Ev 134; Ev 109; Ev 250, vol 3

345 Q 177

346 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p47-48

Services Association (ERSA). Although, at that time, the content of the Green Paper was unknown, the evidence session provided the Committee with useful evidence on the possible future development of Pathways to Work and the additional support that could be provided by the private and voluntary sectors.

282. Strong support was expressed by several organisations on the involvement of private and voluntary sector service providers in helping disabled people move into work.³⁴⁷ There was a general feeling that, other than providing NDDP job-broking services, the private and voluntary sector had had insufficient opportunity to participate in Pathways to Work.³⁴⁸ This situation will change in the future as the Green Paper indicates that national roll-out will include greater involvement of the private and voluntary sectors.

283. The Green Paper states that a delivery network that is effective, accessible and flexible is needed to deliver the incapacity benefits reform programme. Services will build upon the success of NDDP and other initiatives. Voluntary sector and private providers will be invited to manage Pathways to Work in new areas and they will be encouraged to test new and innovative approaches. Service providers will be given the flexibility and discretion to tailor their policies to suit the individual needs of clients. Rather than replicating existing provision, new providers will be asked to focus on job entry and retention. The possibility of introducing outcome-based payments is also being considered in the consultation.³⁴⁹

284. In evidence to the Committee, the Secretary of State said that after the roll-out, two-thirds of Pathways to Work will be delivered by the private and voluntary sectors and the remainder by Jobcentre Plus.³⁵⁰

285. The Green Paper also contains proposals to tackle worklessness in cities and contribute to the aim of increasing the overall employment rate to 80% of the working-age population. Again, private and voluntary sector organisations will make a large contribution to the pilots that are proposed. Local consortia will be established to deliver the pilots and they will negotiate with Government to agree outcome targets that reflect the needs of the local community. The Green Paper also states:

“The consortia will be required to operate within the new national benefits structure, including the proposed conditionality arrangements for new claimants. Once the new benefits structure is in place, the Government will consider proposals from pilot areas to trial a range of conditionality and incentive structures for existing claimants. Administration of benefits will continue to be managed by Jobcentre Plus.”³⁵¹

286. The Public and Commercial Services Union (PCS) raised strong objections to the proposal that the national roll-out of Pathways will be led by the private and voluntary

347 See, for example, Vol 2: Ev 12; Ev 45; Vol 3: Ev 40; Ev 46; Ev 141

348 See, for example, Vol 2: Ev 13; Ev 20; Ev 28; Vol 3: Ev 124; Q 33

349 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 74-76

350 Q 324

351 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 77-78

sectors. They thought that this would be “a huge gamble” that negates the positive findings emerging from the Pathways evaluation.³⁵²

Providing a flexible service

287. Prior to the publication of the Green Paper, Chris Melvin and Matthew Lester from ERSA, Abigail Howard from the Wise Group and Ian Charlesworth from the Shaw Trust all highlighted the importance of the service provider being able to offer a flexible service to clients, particularly to those who might be further from the labour market.³⁵³ Ian Charlesworth criticised Pathways for failing to acknowledge that some people might need to go through many stages before they were ready for work. A similar point was made by many of the disability organisations who submitted evidence.³⁵⁴ PCS, however, argued that the pilots had shown that IBPAs could help “slow burner” cases as well as the “quick wins”.

288. Working Links said that the current approach used by Jobcentre Plus promoted unnecessary complexity in providing employment support to benefit claimants by their perceived barrier, for example, disability, age or lone parenthood. They argued that people had multiple barriers and a model based upon Employment Zones³⁵⁵ would provide more effective support to enable people to move into work.³⁵⁶ A similar argument was made by the Centre for Economic and Social Inclusion (CESI)³⁵⁷ and by Reed in Partnership who argued that a national roll-out of Pathways based upon the pilots would not be as effective as one based upon Employment Zones which allow greater freedom and flexibility to service providers.³⁵⁸ However, these arguments were put prior to the publication of the Green Paper and it appears that these concerns may have been met by the Government’s proposals to allow the private and voluntary sector to provide a fully flexible service.

289. In evidence to the Committee, the Secretary of State acknowledged:

“in the Employment Zones, for example, the private and voluntary sector providers have a very good track record in improving outcomes for Incapacity Benefit claimants and Jobseeker’s Allowance claimants. I think their performance actually exceeds Jobcentre Plus in a number of very important respects.”³⁵⁹

290. However, in their written evidence the PCS argued that they could not locate any reference to research that supported or explained the Government’s view that Employment Zones delivered the best outcomes.³⁶⁰

352 Ev 219-220, vol 3

353 Q 43

354 For example, Vol 2: Ev 47; Ev 163; Vol 3: Ev 67; Ev 114

355 Employment Zones were introduced in April 2000 in fifteen areas of the UK experiencing persistently high concentrations of long-term unemployed people.

356 Vol 2, Ev 42 and 45

357 Vol 2, Ev 56 and 59

358 Vol 3, Ev 47

359 Q 328

360 Vol 3, Ev 219

291. The private and voluntary sector providers who gave oral evidence to the Committee criticised the current Pathways pilots for failing to be efficient in the provision of services.³⁶¹ In evidence submitted after the Green Paper publication, the Shaw Trust confidently stated that the private and voluntary sectors “will out-perform the back-to-work rates achieved within existing Pathways pilots.”³⁶²

292. A further issue on the extended use of the private and voluntary sector to provide services was raised by the DRC, which stated that

“The impact of using private and voluntary sector providers to deliver Pathways in new areas without having to replicate existing provision will need to be closely evaluated as support may vary by locality, provider or individual adviser. Identifying the impact on employment rates by different impairment groups will be important.”³⁶³

Effectively engaging clients

293. Many of the private sector organisations that already work closely with Jobcentre Plus commented that claimants are often more willing to engage with them, or with voluntary sector organisations, than with Jobcentre Plus. In their written evidence ERSA commented:

“Rightly or wrongly, individuals are often uneasy dealing with Jobcentre Plus officials. These officials are sometimes viewed as ‘agents’ of the State, put in place to judge, and determine whether or not an individual is actively seeking employment.”

294. They compared this with services provided by ‘independent’ agencies that generated trust and appear unthreatening to clients.³⁶⁴ Similar views were expressed by voluntary sector organisations such as Mencap, RNID and RNIB which argued that the needs of their client group make them more suitable than Jobcentre Plus to deliver some services.³⁶⁵ The Wise Group argued that services that they currently provide which do not visibly name the service providers in the delivery process are effective as they do not “stimulate the same levels of mistrust amongst participants, as statutory agencies are liable to do.” Consequently, the Wise Group suggested a similar approach be taken in Pathways.³⁶⁶

295. A similar view was expressed by the Shaw Trust which said that clients will more readily engage with independent organisations than with Jobcentre Plus staff in discussions about returning to work, and that private and voluntary sector organisations are more prepared to challenge clients’ assumptions about their own work readiness.³⁶⁷ On a similar point, several organisations raised concerns that the concentration by Jobcentre Plus on job entry targets had skewed the focus of some IBPAs to prioritise those closest to the

361 Qq 31-33

362 Vol 2, Ev 40

363 Vol 2, Ev 110

364 Vol 2, Ev 21

365 Qq 77-78, 167, 170; Ev 144, vol 2

366 Vol 2, Ev 14

367 Vol 2: Ev 24 and 28

labour market.³⁶⁸ ERSA said that private and voluntary sector providers were particularly effective when dealing with clients who are the ‘hardest to help,’ compared with Jobcentre Plus staff.³⁶⁹ This was also acknowledged by the Secretary of State who said that a broader partnership that included the public sector, but with the expertise of the private and voluntary sectors, would be a positive step forward when Pathways is rolled out.³⁷⁰

296. Ian Charlesworth of the Shaw Trust³⁷¹ and Matthew Lester of ERSA argued that the issues of benefits and work needed to be better separated to prevent clients from worrying that an invitation to attend a WFI would mean that their benefits might be withdrawn. Matthew Lester said:

“we get a huge number of people who say they will not engage with Jobcentre Plus simply because of the fear of losing their benefit. They want to work but they do not want people to start talking about it because of the fear of losing their benefit. That is this trust issue. It pollutes the whole relationship in those interviews because it changes the emphasis and people are potentially at risk of losing their benefits.”³⁷²

297. Similar points were made by CPAG and Mind (also see paras 221-226).³⁷³ This leads on to the question of the extent to which private and voluntary sector organisations should be involved in implementing the planned national roll-out of Pathways. For example, should they provide WFIs for incapacity benefits claimants, as the Green Paper suggests will be piloted in cities.³⁷⁴ There were mixed views on this issue.

Delivery of work-focused activities and interviews

298. Several organisations pointed out that it may not be appropriate for voluntary sector organisations to deliver certain aspects of Pathways. At a fundamental level, CPAG argued that voluntary sector organisations might not actually have the coverage or capacity to take on a role as a primary provider of services.³⁷⁵ Leonard Cheshire took this a step further and said that voluntary organisations “could find their core purpose compromised by close involvement in a system that could penalise their client group.”³⁷⁶ When asked whether his organisation would be willing to deliver the conditional aspects of an employment programme Mark Baker, from RNID, said “We would be reluctant to involve ourselves in regulating benefit, and we do not see that as part of our job.” Employment Opportunities pointed to potential conflicts of interest and said that “charities must see service delivery as

368 Vol 2: Ev 159, Ev 177, Vol 3, Ev 60 and Ev 176

369 Vol 2, Ev 21

370 Q 327

371 Q 34

372 Q 35

373 Vol 2, Ev 162 and Vol 3, Ev 202

374 DWP. A new deal for welfare: Empowering people to work, Cm 6730, Jan 2006, p 74-78

375 Vol 3, Ev 213

376 Vol 3, Ev 64

a means to an end, not an end in itself.”³⁷⁷ A similar warning was also given by CPAG which said:

“We are especially worried about non-state providers being given the power and the discretion to sanction claimants. Extending delivery through these sectors raises difficult questions around accountability, and the impact that delivery contracts - and the financial motives these create - will have on quality of service.”³⁷⁸

299. The TUC expressed their concern about the type of involvement that the private sector would have in delivering the reform programme. They said:

“We would not be alone in being worried by the thought of private companies having the power to tell disabled people to apply for a job or lose their benefits - and having an incentive to do so.”³⁷⁹

300. They also complained that the Green Paper was ambiguous and lacked detail on these issues.

301. A different view was presented by other service providers. The Shaw Trust said that they believe “that there is great merit in providers other than Jobcentre Plus being involved in the delivery of the initial work-focused interviews.”³⁸⁰ On the administering of benefit sanctions, Mr Chris Melvin of ERSA argued that there are already instances where voluntary and private sector providers are providing a service to claimants and paying their benefits. If the client does not engage, the cases are referred to decision-making and appeals to decide whether they have breached their benefit regulations.³⁸¹

302. The Committee welcomes the involvement of the private and voluntary sectors in delivering aspects of the reform programme, including work-related activity programmes and work-focused interviews, recognising both the potential benefits and some of the risks. We are aware that there may be difficulties for some voluntary organisations, due to coverage, capacity issues or potentially conflicting roles. However, the requirement to deliver sanctions for non-compliance is more complicated. The Committee recommends that the decision of whether to administer a benefit sanction should rest with a DWP decision-maker rather than a contracted service provider. The Department should carefully consider the views of private and voluntary sector service providers received during its consultation on this issue.

Outcome-based funding

303. As stated above, the Green Paper sets out the Government’s intention to test further outcome-based funding for those delivering services for the national roll-out of Pathways. It also states: “Our objective will be to focus providers on improving job entry and

377 Vol 3, Ev 77

378 Vol 3, Ev 213

379 Vol 2, Ev 83

380 Vol 2, Ev 28

381 Q 45

retention, rather than simply asking them to replicate existing Pathways to Work provision.”³⁸² Again, the evidence presented mixed views on this issue.

304. Many disability organisations, and the union PCS, opposed outcome-based funding on the grounds that it might encourage service providers to assist disabled people who are perceived as easier to help and who are closer to the labour market.³⁸³ For example, RNID stated:

“We are concerned that proposals to have outcome-based funding will militate against people with complex problems or perceived barriers to the labour market, as these people are likely to prove more costly in terms of the time and nature of the interventions they may need to become work-ready.”³⁸⁴

305. The Disability Rights Commission said that outcome-based contracts would require safeguards to ensure that providers did not have incentives to prioritise those perceived to be closer to the labour market rather than those with more complex barriers or higher support needs.³⁸⁵ To mitigate against this, the RNIB argued that contracts for private and voluntary sector providers should recognise a range of outcomes – not just finding someone a job and keeping them there for three or six months – and acknowledged that some people needed more help in progressing to employment.³⁸⁶ During the Committee’s visit to the Netherlands we heard that service providers there also use outcome-based contracts and receive funding for placing their clients in employment; they receive more if this is then sustained for at least six months; and also receive payments for placing clients in training, education and for recognised ‘soft outcomes’.

306. A joint memorandum from Mind, Rethink and the Royal College of Psychiatrists argued that outcome-based contracts would only produce a crude measure of success in finding full-time employment for clients and “there is a real danger that people will move into unsuitable jobs, but that this outcome will be short-term only, yet services will be rewarded for achieving this unsatisfactory outcome.”³⁸⁷

307. The National Autistic Society informed the Committee of an issue raised by their employment agency, Prospects, which:

“has encountered difficulties with the rigid nature of outcomes based, time limited funding, when structures do not make allowances for the fact that people with autism need more support than is often available. As a result, Prospects has to provide that additional support as a cost to itself.”³⁸⁸

382 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 75

383 Vol 2: Ev 141, Ev 169, Ev 193 and Ev 205, Vol 3: Ev 117 and Ev 220

384 Vol 2, Ev 145

385 Vol 2, Ev 110

386 Vol 2, Ev 141

387 Vol 2, Ev 205

388 Vol 3, Ev 117

308. A suggestion was made that smaller specialist and voluntary sector organisations would benefit from payments in advance rather than payment by results.³⁸⁹ Nonetheless, several other private and voluntary sector service providers were in favour of outcome-based funding.³⁹⁰

309. We welcome the Department's commitment to extend outcome-based funding, but believe it needs to consider carefully how best to progress with such funding to ensure that all providers – private and voluntary sector – do not skew their focus towards helping into work those who are already closer to the labour market. Providers must receive payments that recognise the ongoing support needed, not only to move a disabled person into work, but also to ensure their jobs are sustained. We recommend that the contracts reward providers for a range of outcomes leading up to and including job entry and that job retention for at least 12 months is rewarded.

310. One final point of note is what will happen with the other employment programmes delivered by Jobcentre Plus – particularly those which overlap with Pathways. Dave Simmonds from CESI argued that for the roll-out of Pathways to be a success, the reform of other employment programmes delivered by DWP, including the mainstream New Deal programmes, would be necessary.³⁹¹ This is an important issue but one which the Committee did not have time to consider during this inquiry.

311. The Department should clarify its intentions for the future with regard to the wide range of employment programmes it delivers, including the New Deal 50 Plus.

389 Vol 3, Ev 141

390 Vol 3, Ev 47 and Q 67

391 Q 116

7 Moving into sustainable employment

312. The aim of moving one million people from incapacity benefits and into employment is a positive step, but much will depend upon whether the jobs that people move into are sustained or if they result in a move back onto benefits. The evidence received during the inquiry raised a wide range of issues, such as: a lack of available jobs in some areas; whether disabled people were being placed in suitable jobs; poor attitudes of employers to recruiting disabled staff; low levels of understanding of disability issues among employers; the occurrence of actual discrimination; and appropriate in-work support for disabled people and their employers.

Are there sufficient jobs in the right areas?

313. One pessimistic view on the comparatively low employment rate of disabled people and the Government's aim to get one million more disabled people into work is that there are simply not enough jobs for disabled people to move into. An additional issue is whether or not job vacancies are in the areas where incapacity benefits claimants live. The Government was keen to point out in the Green Paper that the incapacity benefits caseload is a national problem as the South East has more claimants than the North East.³⁹² However, this is rather a simplistic view as it does not take into account the size of the working-age population in these regions.³⁹³ When these are considered, the regions with the highest number of incapacity benefits claimants are Wales, the North East, North West and Scotland where around 10% of the working-age population are claiming incapacity benefits. This compares with just under 5% in the South East.³⁹⁴

314. When asked if he thought there were sufficient jobs for up to one million disabled people to move into Paul Newman, from the Employers' Forum on Disability, pointed to the number of vacancies reported by the Office of National Statistics (ONS).³⁹⁵ In the quarter to February 2006 there were nearly 618,000 vacancies reported to the ONS vacancy survey, up 16,400 on the previous quarter, but down 29,300 over the year. The ONS also reported that 10,000 new vacancies are placed at Jobcentres every day, with at least as many coming up from other channels.³⁹⁶ The Shaw Trust said that they had yet to see evidence that local labour markets were unable to find the jobs required to help more incapacity benefits claimants move into work.³⁹⁷

315. Christina Beatty and Professor Steve Fothergill at the Centre for Regional Economic and Social Research (CRESR) have conducted research on the economic inactivity rates across Britain for a number of years. Their evidence to our inquiry began by pointing out that incapacity benefits claimants are highly concentrated in Britain's older industrial areas,

392 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 26

393 Vol 3, Ev 47

394 Vol 3, Ev 21

395 Q 15

396 Office of National Statistics, *Labour Market Statistics*, 15 March 2006

397 Vol 2, Ev 29

mainly in the North, Scotland and Wales.³⁹⁸ The five districts with the highest proportion of people claiming incapacity benefits are: Easington, Merthyr Tydfil and Blaenau Gwent, where one in five of the working-age population are claiming incapacity benefits; and Glasgow and Neath Port Talbot, where the claimant rate is one in six of the working-age population. This led the researchers to conclude that the Government's proposed reforms will work differently in different parts of the country, and that therefore the key to reducing the incapacity benefits caseload is through regional economic development.

316. Reed in Partnership also argued that new employment opportunities needed to be created in areas with the highest concentrations of incapacity benefits claimants.³⁹⁹ In addition, the Institute for Employment Studies (IES) argued that:

“the better a local labour market performs, the smaller the disadvantage of disabled people. If all localities enjoyed the level of economic buoyancy found in parts of the south east, many economically inactive disabled people would find work with no need for special schemes. In the absence of such buoyancy, employers may require rather more in the way of incentives and support than the green paper implies.”⁴⁰⁰

317. In spite of the views outlined above, it is also worth considering evidence submitted from the Greater London Authority (GLA) which said: “Contrary to what is widely believed, London includes some of the areas in the country with the highest rates of Incapacity Benefit receipt for people aged 50 and over.”⁴⁰¹ In particular, the boroughs of Hackney, Islington, Newham and Tower Hamlets have some of the highest numbers in the country of people aged over 50 claiming such benefits. The GLA memorandum highlighted key issues that affect the ability of people on incapacity benefits who live in London to move into work. These included: longer travel to work times and distances; fewer opportunities for part-time working; higher costs of living; and less demand for lower-skilled workers.

318. Similar issues were also raised by Dave Simmonds of CESI who said that problems such as these have produced a much lower job entry rate among New Deal for Disabled People (NDDP) participants in London. He argued for a customised programme addressing London-specific issues.⁴⁰²

319. The Papworth Trust said that Jobcentre Plus needed to take into account the state of the local labour market.⁴⁰³ Along with the Local Government Association, they also spoke of the need for local partnerships with employers, regional development agencies and any other relevant local organisations.⁴⁰⁴

398 Vol 3, Ev 16

399 Vol 3, Ev 46

400 Vol 3, Ev 245

401 Vol 3, Ev 158

402 Qq 106-108

403 Vol 3, Ev 67

404 Vol 3:Ev67; Ev 125

320. The Green Paper contains details of plans to pilot ‘city strategies’ to tackle worklessness and economic inactivity.⁴⁰⁵ It is not yet known where these will be.

321. The Committee acknowledges the local and regional differences in the rates of incapacity benefits claimants and recommends that the Government takes further action to help incapacity benefits claimants in areas with a high claimant rate move into work. While we welcome initiatives such as the planned ‘city strategy’, further effort and clarification of the content of the strategy are needed. We recommend that the Department develop further local strategies to tackle ‘pockets’ of high incapacity benefits caseloads and to address issues that are specific to an area. The Department should work closely on these issues with, for example, local and central government and the devolved administrations.

Type of jobs

322. Witnesses pointed out that there was a lack of evidence so far from the Pathways evaluation of the types of jobs into which people are moving.⁴⁰⁶ The DWP written evidence stated that “the quantitative evaluation will identify the types of jobs obtained by Pathways to Work pilot clients and will investigate sustainability and progression within employment.”⁴⁰⁷

323. The DRC were keen to point out that disabled people, particularly those with mental ill health or learning disabilities were often stuck in low-level employment, work preparation or life skills courses. They commented that it should not be assumed that disabled people could only do low level jobs: “what we have to do collectively is lift those expectations. As a society, if we lift our expectations and disabled people lift their expectations, employers will lift expectations, and that is what we are looking for.”⁴⁰⁸

324. Rethink argued that there was a need to break down the aggregated off-flow rates in order to see what kinds of jobs people with mental illness moving into employment were taking.⁴⁰⁹ Mr Shaun Hallam, Area Service Manager reported that, based on anecdotal experiences, those with mental health conditions were often going into work at levels “maybe 2 or 3 steps” below what they would want.⁴¹⁰ He told us: “There are thousands of people who have had very hard jobs and lost them due to ill health who just cannot get back into the field they are trained and expert in”.⁴¹¹

405 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, Jan 2006, p 76-78

406 Ev 167, vol 2; Q 234 [Mr Hallam]

407 Ev 226, vol 2

408 Q 135

409 Ev 174, vol 2

410 Qq 234-5

411 Q 214

Job retention

325. The importance of job retention was frequently raised in the evidence.⁴¹² By the end of August 2005, 11% of incapacity benefits claimants in Pathways areas who had moved into work returned to benefit within six months and a further 3% within 12 months.⁴¹³ It is also worth considering data from the NDDP which showed that, between July 2001 and May 2005, nearly 60,000 participants in the NDDP moved into work. Of these, 20% found sustainable full-time jobs and 60% found sustainable part-time jobs. 11% found unsustainable full-time jobs and 4% found unsustainable part-time jobs.⁴¹⁴

326. Richard Exell, Senior Policy Officer at the TUC, helpfully suggested a five-point plan for job retention and sustainability:

“One is having your Personal Adviser available for you once you have got your job and being able to intervene quickly when a problem emerges about hanging on to your new job. [...] Secondly, they need to deal with personal issues as well as strictly job-related issues. It is very often the personal problems which force people out of jobs. Thirdly, flexible working, especially for older disabled people; we know, for instance, that the ability to combine retirement with staying in part-time work is really helpful. Designing out health and safety problems at work, especially related to stress and musculo-skeletal problems, is a big problem for Incapacity Benefit claimants, so if we could do more on health promotion in the workplace, which is in the Green Paper, it is really useful stuff. A final point, it is an obvious one but it does not get said often enough, more attractive jobs tend to make people want to stay in them longer, so improving work quality will contribute to job sustainability.”⁴¹⁵

327. From an employer’s perspective, the Employers’ Forum on Disability argued that, to enhance job sustainability, disabled people need to be ‘pulled’ towards employers rather than ‘pushed’. The latter concentrates on individual action on behalf of the disabled person, such as improving motivation and skills, whereas the former is employer-centred and job-focused, ensuring that employers are better equipped to recruit and retain disabled people.⁴¹⁶ In evidence to the Committee, Paul Newman of the Employers’ Forum said:

“If you are doing just the pushing of the individual and equipping of the individual, but you find that there are employer barriers to people entering into employment and if you do not address those barriers, you are pushing people towards a brick wall, and I do not think that is a sensible thing to do.”⁴¹⁷

328. He later added that to promote job sustainability, the initial job match is crucially important.⁴¹⁸

412 Vol 2: Ev 55; Ev 115; Ev202; Ev 133; Vol 3: Ev 38; Ev 89; Ev 127; Qq9, 14, 27, 31, 130, 188, 189

413 HC Deb, 8 Nov 2005, col 378W

414 HC Deb, 21 Nov 2005, col1663W

415 Q 111

416 Vol 2, Ev 3

417 Q 1

418 Q 27

329. Finally, to enhance job retention, several of those submitting evidence suggested that disabled people in employment should have a statutory right to ‘Rehabilitation Leave’ to allow them time for rehabilitation and implementation of support packages, along with a guaranteed return to work, either to the same job or an equivalent post.⁴¹⁹ In January 2006, a Ten Minute Rule Bill on Rehabilitation Leave was presented to Parliament. The Bill aimed to ensure that “people who develop a disability during their working lives, or whose existing disability deteriorates, are supported to remain in employment where reasonably practicable.”⁴²⁰

330. The Government’s response to the Pathways to Work consultation in 2003 stated that “the examples of possible adjustments that might be required under the DDA should be adequate to meet the purposes of a period of disability leave.”⁴²¹ In evidence to the Committee, the Secretary of State indicated little support for the introduction of Rehabilitation Leave:

“I think we have to be careful about imposing additional cost and burdens on employers in that regard [...] but if that emerges from the Green Paper as an issue of concern, again, we would have to carefully reflect on that.”⁴²²

331. We believe that the Government should be more positive about Rehabilitation Leave, and recommend that the Department work with the Department for Trade and Industry, disability organisations and employers’ representatives to consider whether Rehabilitation Leave is a useful and appropriate element in reforming Statutory Sick Pay.

The provision of in-work support

332. The provision and availability of support for incapacity benefits claimants once they move into work was identified as key in promoting job retention. Mark Baker of RNID said that, although there were many reasons why people move in and out of work, the provision of in-work support was important – particularly for his client group.⁴²³ Speaking of RNIB’s provision of services on the NDDP programme, Philippa Simkiss of RNIB said that on-going support once people move into work was key, yet NDDP was not providing the funding for it.⁴²⁴ Andrew Harrop of Age Concern explained this apparent lack of engagement by Jobcentre Plus in providing in-work support as follows:

“The real challenge facing Jobcentre Plus is that it has not made that cultural shift to being an organisation that helps people with their work issues as opposed to getting

419 Vol 3: Ev 26, Ev 98, Ev 144 and Vol 2: Ev 141

420 HC Deb 2006, 18 January 2006, col 845

421 DWP, *Pathways to Work: Helping People into Employment: The Government’s response and action plan*, Cm 5830, June 2003, p 19

422 Q 338

423 Q 188

424 Q 188

a job. [...] Personal advisers see themselves as helping people to that first day in work rather than being there to provide longer term support.”⁴²⁵

333. In Pathways areas, a formal ‘In-Work Support’ programme is available to clients and includes mentoring, financial advice and occupational health support. By October 2005, only 1,120 people had taken up services provided through In-Work Support.⁴²⁶ Little evidence was received by the Committee on the formal In-Work Support scheme. The main point raised was the limited period of availability of in-work support.

334. Many suggested that in-work should last beyond six months.⁴²⁷ For example, Marilyn Howard of the DRC argued that in-work support should be for an unlimited amount of time and should be available to both the employer and the employee.⁴²⁸

335. Mind recommended that those with mental health conditions should receive open-ended support, arguing that the reassurance of having that support could play a very significant part in helping someone with mental health problems get back into and stay in work. It also pointed out that DWP was already trialling open-ended in-work support in its Working Neighbourhood pilots.⁴²⁹ During oral evidence, Ms Natasha Peter, a former incapacity benefit claimant with a mental health condition, told us that without on-going advice and support she could not have continued work: “I would have gone back to square one really.”⁴³⁰

336. Keith Faulkner, Managing Director of Working Links, said that his organisation often provided in-work support for disabled people for up to 24 months after someone entered work and that they funded this themselves, as most Jobcentre Plus programmes only supported people for 13 weeks.⁴³¹ Similar examples were heard during the Committee’s visit to the Derbyshire Pathways pilot, where we were told of the value of ongoing in-work support in promoting job sustainability.

337. The provision of in-work support is crucial to encourage job sustainability among incapacity benefits claimants who move into work. The Committee is concerned at the low level of take-up of In-Work Support in current Pathways areas and also the apparent lack of support provided by Incapacity Benefit Personal Advisers (IBPAs) once an incapacity benefits claimant moves into work. The Committee recommends that the Department further develop the in-work support that IBPAs can provide to their clients, extend the provision of in-work support beyond six months, where appropriate, and work to raise awareness of the In-Work service among both advisers and clients.

425 Q 187

426 Blyth B, *Incapacity Benefit Reforms – Pathways to Work Pilots performance and analysis*, DWP Working Paper No 26, Jan 2006, p 17

427 For example, Vol 2, Ev 167 and Vol 3, Ev 92

428 Qq 133, 136

429 Vol 2, Ev 167

430 Qq 231-232

431 Q 33 [Mr Faulkner]

Access to Work

338. IBPAs can also use the Access to Work (AtW) scheme to provide in-work support for their clients. AtW helps with the extra costs of employing a disabled person and can provide a wide range of support from the costs of employing a support worker, to specialist equipment and additional transport costs. In 2004-05, around 32,000 people received help through AtW at a cost of £59.5m.⁴³²

339. Written evidence suggested that AtW is widely viewed as beneficial to disabled people moving into work, yet awareness of the scheme – for both employers and disabled people – was identified as being very low.⁴³³ This is perhaps not surprising when looking at the budget for publicising the scheme. In both 2004-05 and 2005-06, £300,000 was allocated for publicising disability services and programmes, including AtW.⁴³⁴ To illustrate the low levels of awareness, the RNIB cited research which they conducted with employers which found that 74% of employers were unaware of the help they could receive through AtW.⁴³⁵ TUC went as far as stating, “disabled people have long suspected that there is a deliberate intention to ration the scheme through ignorance.” They believed that the Government feared that raising awareness levels might result in a demand for services which they could not meet.⁴³⁶

340. It is worth considering the low awareness of AtW alongside information given in a recent parliamentary answer which stated that for every person helped by AtW there is a net benefit to the Exchequer of almost £1,400 and a net benefit to the economy of nearly £3,000.⁴³⁷ In addition, the National Audit Office (NAO) recently compared the value for money of AtW against other forms of employment support for disabled people including NDDP, Work Preparation, Workstep and Remploy. AtW came out some way ahead of the other programmes. NAO’s cost-benefit analysis also assessed the additionality provided by the schemes: that is, the number of people who are in work as a result of the schemes who would not otherwise be so and how long the individual remains in work. This showed that AtW and NDDP were the only two schemes to break even and provide a net benefit to the economy, even if the person stayed in work for less than a year.⁴³⁸

341. The Access to Work scheme provides valuable support to those disabled people who know about it. Awareness among disabled people and employers is far too low and the Committee recommends that the Department takes steps to remedy this immediately. The budget for the Access to Work scheme itself should also be increased as a matter of urgency as success of the national rollout of Pathways to Work will suffer if the budget is insufficient.

432 HL Deb, 19 Dec 2005, col198WA

433 Vol 2: Ev 118, Ev 139, Ev 144, Ev 163, Ev 182 and Vol 3: Ev 129, Ev 174, Ev 189 and Ev 247

434 HC Deb, 19 July 2005, col1629-1630W

435 Vol 2, Ev 139

436 Vol 3: Ev 75 and Ev 80

437 HC Deb, 20 March 2006, 127W

438 NAO, *Gaining and retaining a job: DWPs’ support for disabled people*, HC 455, Session 2005-2006, 13 Oct 2005, p 50

Employers

342. Evidence received, for example from the Employers' Forum on Disability, RNIB and Leonard Cheshire, argued that the Government had not done enough to engage employers in the strategy to increase the employment rate of disabled people and decrease the incapacity benefits caseload.⁴³⁹ Criticisms were made that emphasis was being placed on the supply side of the problem with neglect of the demand side. Summarising some of the key issues, RNID stated:

“Nothing can be done about the employment opportunities for disabled people unless employers are prepared to recruit and retain them [...] RNID is disappointed to find that the Green Paper makes little mention of the vital role of employers in this equation. It is a stark fact that many employers will simply not engage disabled people, or those people coming straight from incapacity benefits. If the national rollout of Pathways to Work is successful, work needs to be done to ensure that there is sufficient demand for the skills and experience that disabled people have to offer. There is no sense in increasing the skills base if nothing is done to convince employers to recruit disabled people.”⁴⁴⁰

343. Referring to the lack of detail in the Green Paper on engaging employers, UnumProvident said:

“any successful programme that helps employees back to work must also positively engage with the employer. The Government should consider this interaction as much as is possible; beyond the city-focused strategies.”⁴⁴¹

344. The Green Paper contains little information on how DWP proposes to encourage employers to increase the recruitment of disabled people. The main employer focus rests on the early stages when people first become ill or disabled and are already in work (see Chapter 3 of this report). While developments on the proactive intervention to help with employee retention are welcome, there are a range of issues that are not addressed in the Green Paper.

Cross-government action on workplace health

345. In recent years the Government has taken a number of steps to support employees who develop a long-term health problem while they are in work. In November 2004, the Department of Health produced a White Paper on supporting people to make better choices for their health. The White Paper states:

“A common view, sometime inadvertently reinforced by health professionals, is that people with a physical or mental health problem should not try to go back to work until they are fully recovered. But with many conditions, inactivity compounds poor health and leads to long-term absence from work. There needs to be wider recognition of the positive benefits for individuals and their employers that can come

439 Vol 2: Ev 2, Ev 141, Ev 146 and Vol 3: Ev 65 and Ev 245

440 Vol 2, Ev 146

441 Vol 3, Ev 103

from getting people back into work when they have been off sick. For people who can be helped back to work again, a job can itself be an important step in the road to recovery and rehabilitation, helping people to enjoy better health and well-being as well as giving them greater control over their own health. And being out of work for long periods of time is likely to make a person's health problem much worse."⁴⁴²

346. Although this may be true for many ill or disabled people, it is not the case for all. Several pieces of evidence received during the inquiry commented that some people are simply not in a position to consider working in the near, or even the distant, future.⁴⁴³

347. A further important step of addressing health in the workplace was taken in October 2004, when the DWP published the 'Framework for Vocational Rehabilitation.' This recognised that, to date, the Government strategy had focused mainly on helping ill or disabled people move into work rather than helping those who are already in employment to keep their jobs when they became ill or disabled. The Framework recommended that initial efforts should concentrate on helping people remain, or to return quickly, to work and that DWP should establish a Vocational Rehabilitation Steering Group and a Standards and Accreditation Working Group.⁴⁴⁴

348. The Government, through the Health and Safety Executive, is also now piloting a new service for small and medium-sized enterprises in England and Wales called Workplace Health Connect. This offers advice on occupational health, safety and returns to work and consists of an advice line with an associated website and a workplace-focused regional problem-solving service with access to specialist help.⁴⁴⁵ In Scotland, the development of creating healthy work places is more advanced. The Scottish Executive launched a new organisation in April 2005 called the Scottish Centre for Healthy Working Lives which will deliver a number of the Executive's health initiatives including Scotland's Health at Work.

349. More recently, in October 2005, a joint document was published by the DWP, the Department for Health and the Health and Safety Executive (HSE) which aims to "break the link between ill health and inactivity."⁴⁴⁶ A partnership has been established between health departments and the HSE to take forward this work, with wider engagement from stakeholders to ensure full involvement of those who have a role to play in promoting the health and well-being of working-age people. We welcome this initiative. There is a vital need for inter-departmental co-operation and we hope that this partnership will work proactively across departments to support workplace health.

The Strategy Unit report and the Office for Disability Issues

350. Action on engaging employers has been focused elsewhere within Government. As described earlier in Chapter 2, in January 2005, the Prime Minister's Strategy Unit

442 Department of Health, *Choosing Health: Making health choices easier*, Cm 6374, November 2004, para 5

443 Vol 3, Ev 27, 57, 72, 108 and 113

444 DWP, *Building Capacity for Work: A UK Framework for Vocational Rehabilitation*, October 2004, p 39

445 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 30-31

446 HM Government, *Health, work and well-being – Caring for our future: A strategy for the health and well-being of working age people*, October 2005, p 2

published the report 'Improving the Life Chances of Disabled People'.⁴⁴⁷ Amongst other things, the report analysed what needed to be done to improve the support available to employers in recruiting and retaining disabled employees and produced a number of recommendations and actions to be taken forward up to 2008. These included:

- a) The results of the Employer Engagement Project, run by DWP during 2005, should be considered with the Department of Trade and Industry (DTI) and fed into a campaign, to be led by employers, to promote the business benefits of employing disabled people.
- b) DWP, DH and DTI should consider how best to establish a single information point for employers on all aspects of recruiting and retaining disabled employees.
- c) Small and medium-sized enterprises (SMEs) should be provided with practical advice on their legal obligations to disabled people and on recruiting disabled people. Jobcentre Plus should develop partnerships with organisations that SMEs are in regular contact with.
- d) Improving the effectiveness of the current accreditation identifying good employers of disabled people by: reviewing the "two ticks" disability symbol; including the employment of disabled people in the Investors in People accreditation criteria; and developing an employment standard that encourages employers to introduce good employment practice.
- e) As part of their public sector duty, Government departments, agencies and local authorities should take the lead in demonstrating, promoting and reporting on best practice in recruiting and retaining disabled people, with Jobcentre Plus leading as an exemplar employer.
- f) To inform disabled people of the employment services that are available to them DWP, DH and DfES should work with the private and voluntary sector to create a national online directory of employment service providers to disabled people.⁴⁴⁸

351. The Strategy Unit report also recommended establishing an Office for Disability Issues (ODI) to act as a focal point across government to improve outcomes and secure equal opportunities for disabled people and their families.⁴⁴⁹ The ODI was officially launched in December 2005 and is led by the DWP's Minister for Disabled People.

352. In evidence to the Committee, Bert Massie, Chairman of the Disability Rights Commission (DRC) welcomed the ODI and said that it would help to place disability at the heart of Government policies when they are at the development stage, rather than as an add-on when it may be too late.⁴⁵⁰

447 Prime Minister's Strategy Unit, *Improving the Life Chances of Disabled People: Final report*, January 2005

448 Prime Minister's Strategy Unit, *Improving the Life Chances of Disabled People: Final report*, January 2005, p186-194

449 See, www.officefordisability.gov.uk and 'Office for Disability Issues launched today', Department for Work and Pension press release, 1 Dec 2005

450 Q 147

Employer attitudes to disabled people and how to change them

353. An issue widely identified as being at the root of the problem of supporting more incapacity benefits claimants to move into work was that of the attitudes of employers towards disabled people.⁴⁵¹ In evidence to the Committee, Dave Simmonds from CESI said that the in-flow of people onto incapacity benefits was affected by a range of factors but that employer behaviour played a key role.⁴⁵² As an example of this, the Chartered Institute of Personnel and Development cited research which they conducted with a representative sample of 750 employers drawn from all sectors of the economy in 2005. 1 in 3 employers said that they deliberately excluded people with a history of long-term sickness or incapacity when recruiting staff.⁴⁵³

354. Many of the organisations representing disabled people who submitted evidence also gave accounts of employers' views of employing disabled people. RNIB cited their research which showed that nine out of ten employers thought that a blind or partially sighted person was either 'difficult' or 'impossible' to employ.⁴⁵⁴ In evidence to the Committee, Philippa Simkiss of RNIB added:

“DWP research shows that 9 out of 10 employers think it is difficult or impossible to employ a blind person and that was when David Blunkett was Minister! So there is a huge issue about persuading employers to take people on, and our experience is that the only way is to get one of our officers through their doors and talk on a one-to-one basis with employers. That is the only thing that works in terms of getting them jobs to keep and that is labour intensive.”⁴⁵⁵

355. A further example is that of attitudes towards people with a mental health condition. A DWP Research Report showed that 37% of employers would take on people with mental health conditions as compared to 62% who would take on physically disabled people.⁴⁵⁶

356. It also appears that people who become ill or disabled are aware of the attitudes they may face. Bert Massie, Chairman of the DRC, informed the Committee of research conducted by DRC and MORI which asked non-disabled people if they would tell their employer if they acquired a disability or long-term health problem. 25% said that they would not as they thought they would get the sack.⁴⁵⁷ He continued and said that there were two issues around why employers did not recruit more disabled people: ignorance and fear.⁴⁵⁸

357. A similar point was made by Disability Alliance which referred to the perceptions of employers, based on a limited knowledge of disability issues, that recruiting a disabled

451 See, for example, Vol 2: Ev 60; Ev 168; Ev 199-200; Vol 3: Ev 76

452 Q 119

453 Ev 251, vol 3

454 Ev 136, vol 2

455 Q189

456 DWP research report no 139, *Recruiting benefit claimants: A survey of employers in ONE pilot areas*

457 Q 132

458 Q 132

person was too much of a risk.⁴⁵⁹ This may go some way to explaining some of the points above and brings us to the question of how this lack of knowledge can be addressed.

358. The Disability Employment Coalition argued that the Government needed to do more to educate employers on recruiting and retaining disabled people and run public campaigns to promote the abilities of disabled people.⁴⁶⁰

359. Rethink and the Revolving Doors Agency stressed that employers needed information, advice and training about best practice in employing people with mental illness.⁴⁶¹ Rethink believed that employers should be discouraged from asking whether a person had been detained under the Mental Health Act on application forms.⁴⁶² It also expressed disappointment that the Green Paper had not considered the issue of stigma in detail, pointing out that successful anti-stigma campaigns were running in Scotland and New Zealand.⁴⁶³ The Sainsbury Centre for Mental Health suggested the Shift programme, a five-year initiative set up to tackle stigma and discrimination against people with mental health problems, as an example of a programme in which investment could be made.⁴⁶⁴

360. Dr Peter Kenway, Director of the New Policy Institute (NPI), pointed out that the Green Paper did not appear to consider the difficulties employers, especially small employers, would face in employing those with fluctuating conditions. He argued, “if one wants to get employers to take people on, then one has got to look at who is risking what and whether there is a role for the state in mitigating those risks.”⁴⁶⁵

361. In their written evidence, Rethink referred to the Strategy Unit report citing the first recommendation listed above (para 350) and pointed out that no concrete plans on the issue of promoting the business case of employing disabled people to employers had yet emerged from DWP and DTI.⁴⁶⁶ The importance of promoting the positive business case of employing disabled people was also raised by others.⁴⁶⁷ When asked how this could be done, Paul Newman, from the Employers’ Forum on Disability, pointed out that “People who are unemployed seem to be defined by their disability and people who are employed are defined by the jobs they are doing.” Consequently, the main point to get across to employers is defining potential employees in terms of their capability rather than their label of ‘incapacity’ or ‘disabled’.⁴⁶⁸

362. Written evidence from the Employers’ Forum set out a three-point strategy that would help employers to become more “disability confident” in recruiting people currently claiming incapacity benefits:

459 Ev 118, vol 2

460 Ev 132, vol 3

461 Vol 3, Ev 182, vol 2; Ev 270

462 Vol 2, Ev 192

463 Vol 2, Ev 192

464 Ev 258, vol 3

465 Q 103

466 Ev 192, vol 2

467 Ev 73, vol 6; Ev 175, vol 3

468 Q 3

- disability must be repositioned from an issue to do with “incapacity, doctors, damage and cost” to “the workplace, capability and investment in human potential;”
- employers, intermediaries and disabled people must become “willing and able” to deliver good job matches; and
- policy-makers must reposition the employer to become a “valued customer and potential partner”.⁴⁶⁹

363. These are all valuable suggestions, however, the NPI sounded a note of caution. They pointed out that changing employers attitudes is bound to take a long time, consequently, large shifts in the employment of disabled people will also take time.⁴⁷⁰

364. Paul Newman from the Employers’ Forum went on to talk of the importance of engaging employers and getting them to see beyond a person’s disability.⁴⁷¹ This requires intermediaries to make relationships with employers and, when vacancies arise, having a disabled person with suitable skills and who is ready for work. This may be managed via a Jobcentre Plus employee, such as a Disability Employment Adviser, or an independent private or voluntary sector provider, for example, an NDDP job-broker.⁴⁷² However, it is also worth noting a point made by the Institute for Employment Studies (IES). Referring to evidence from the evaluation of NDDP, they argued that NDDP job-brokers have:

“concentrated on the traditional supply-side role of providing support and job-search assistance to disabled clients, rather than proactively engaging with employers to stimulate them to recruit disabled people, and assist them in the process of doing so. The evaluation suggested, moreover, that there was considerable demand among employers for support of this kind.”⁴⁷³

365. The IES also stated that the development of targeted wage subsidies for employers who recruit incapacity benefits claimants could be considered. International evidence suggests that such financial incentives rate highly in terms of impact, but have rarely been used in this country with the exception of the Job Introduction Scheme.⁴⁷⁴ This has been running since 1977 and provides employers with a weekly grant of £75 for the first 6 weeks of employment. The Job Introduction Scheme has just 2,000 participants with an average unit cost of £500 and a programme cost of £0.9m.⁴⁷⁵

366. For the Government to meet its aim of reducing the incapacity benefits caseload by one million there remains much work to do in engaging employers and addressing the poor understanding that many have on disability issues. The Committee acknowledges the valuable recommendations made in the Strategy Unit Report on the Life Chances of

469 Ev 2-3, vol 2

470 Ev 61, vol 2

471 Q 17

472 Qq 6, 22-24

473 Ev 248, vol 3

474 Ev 248, vol 3

475 NAO, *Gaining and retaining a job: DWPs’ support for disabled people*, HC 455, Session 2005-2006, 13 Oct 2005, p3 & 19

Disabled People but is extremely concerned that the Green Paper does not address the issue properly. The evidence we received suggested that progress towards reforming employers' attitudes is wholly inadequate so far. We recommend that the Department urgently address this difficult but vitally important area. We also recommend that the Department utilises Jobcentre Plus, and its service providers, to work more effectively with employers in promoting incapacity benefits claimants as potentially valuable employees. Particular attention needs to be given to changing employers' attitudes towards employing those with mental health conditions. Finally, we recommend that the Department undertakes a review of the Job Introduction Scheme and considers whether further subsidies for employers would be effective.

The Disability Discrimination Act

367. Chapter 2 of this report outlined some of the developments that have taken place in recent years on disability discrimination legislation. The inquiry did not look at issues around disability discrimination in great detail, nonetheless, it is a crucial part of the aim to get more disabled people into work. This section looks at what action could next be taken to address employer discrimination. Much of this section looks at the helpful evidence – both written and oral – that the Committee received from the Disability Rights Commission.

368. Bert Massie, Chairman of the DRC, said: “it is interesting how many people lose their jobs because employers do not consider ways of keeping them in the job.” The DRC's written evidence said that many employers were failing to adopt best practice under the Disability Discrimination Act (DDA) when, had adjustments been made earlier, the employee could have remained in work.⁴⁷⁶

369. A further point made by Bert Massie was that, “Health and safety are often brought out as an excuse for dismissing people.”⁴⁷⁷ Such instances could instigate a case under the DDA, however, he was keen to point out that the DRC “takes no joy in saying ‘We've brought so many prosecutions this year.’ It would be far better for us to say ‘We haven't needed to bring any prosecutions this year because no-one's discriminating anymore.’”⁴⁷⁸

370. NPI suggested that the comparatively low employment rate of disabled people suggests “that the way the labour market works discriminates against disabled workers.”⁴⁷⁹ Bert Massie gave us an example:

“The evidence shows already that if you send two different applications to an employer with similar qualifications, one from someone who is obviously disabled and one from someone who is not, the non-disabled person is more likely to get the interview, so we know the prejudice is out there. [...] If you say can we use more stick, we have the stick in the DDA, [...] The problem we face is not so much when someone is being dismissed, because then there are all the trails you can follow, the

476 Ev 93, vol 2

477 Q 130

478 Q 136

479 Ev 61, vol 2

problem we have is when someone does not get the job. How do you prove that person did not get the job for a reason relating to their disability? Occasionally we find an employer who does it so badly we can take a case and win it, but it is much more difficult to use the DDA for job recruitment than on job retention.”⁴⁸⁰

371. RNID also criticised the poor performance of the DDA stating:

“The argument that the Disability Discrimination Act will ensure equality of opportunity is at best specious and is not borne out by the evidence; since its inception there has been no appreciable rise in the employment rate of disabled people.”⁴⁸¹

372. From the employer’s point of view of these issues, Paul Newman of the Employers’ Forum on Disability gave examples of employers’ completely inaccurate impressions of the types of situations that are covered under the DDA. He said that the sad thing was that “wrong information seems to flow so much more easily than good information.”⁴⁸² Consequently, he argued that it was important to tackle misleading media stories and instead ensure that “good stories” about disabled people in employment got out into the public domain. Bert Massie told the Committee that the DRC had a media team that monitors and rebuts negative and inaccurate information, however, it was very difficult to get publicity for positive news stories about disabled people and employment.⁴⁸³

373. Marilyn Howard from the DRC pointed out that public bodies, including Jobcentre Plus, will have to abide by the disability equality duty and promote the equality of opportunity for disabled people by the end of 2006.⁴⁸⁴ On this issue, the Green Paper states: “The legislation will ensure greater opportunities for disabled people to work by tackling discrimination in recruitment and employment.”⁴⁸⁵ Bert Massie argued that, as DWP has the lead on disability issues, it should therefore be performing the best. He commented: “There is a lot right but it is not there yet.”⁴⁸⁶

374. The Disability Discrimination Act represents a significant step forward in promoting equal rights for disabled people. However, awareness among employers appears to be limited, and frequently inaccurate, and DWP should work closely with the Disability Rights Commission to improve it. We recommend that the DWP issue guidelines to the whole of the public sector with the purpose of encouraging employers in this sector to employ people with a history of mental illness. We would like also to remind the Department that the new disability equality duty that comes into force in December 2006 places considerable focus on Jobcentre Plus, and the Department as a whole, to lead the way in tackling disability discrimination.

480 Q 143

481 Ev 146, vol 2

482 Q 7

483 Q 145

484 Q 134

485 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 49

486 Q 139

8 Costs of Pathways to Work and resources for the reform programme

375. In January 2006, in his statement on the Welfare Reform Green Paper, the Secretary of State announced that “over the next two years we will be investing a further £360 million from within my existing resources – my own budget- to extend Pathways to Work to every part of Britain by 2008”.⁴⁸⁷ Supplementary evidence sent by DWP to the Committee emphasised that this money was being allocated primarily for Pathways, but would “cover a range of welfare reforms as set out in the Green Paper.”⁴⁸⁸

376. Whether or not there would be sufficient resources for the reform programme outlined in the Green Paper, particularly the roll-out of Pathways to Work, was an issue of great concern in the evidence we received. We discuss the adequacy of the £360 million allocated to the national rollout and the costs of the current Pathways pilots in the section below. Later in this chapter we consider the opportunities available for existing claimants and the IT required to deliver the new benefit. Finally, we consider the potential impact of the efficiencies agenda on planned reforms.

Is £360 million adequate for national rollout of Pathways?

377. Many respondents to our inquiry were of the view that the funding announced was inadequate and that services in the Pathways areas risked being watered down.⁴⁸⁹ Lorna Reith, Chief Executive of Disability Alliance, told us that she was worried that full roll out might end up being a “Pathways light” version of the programme.⁴⁹⁰ Richard Exell, Senior Policy Officer at the Trades Union Congress (TUC), told us the £360 million allocation was his “number one concern” and suggested that at least £500 million was needed.⁴⁹¹ The Child Poverty Action Group (CPAG) also argued that £500 million was required if Pathways was to be rolled out at current spending levels.

The costs of the current Pathways pilots

378. There was disagreement between witnesses and the Secretary of State about the cost of the rollout of the Pathways to Work pilots to a third of the country. In oral evidence and a subsequent supplementary note to the Committee, Dr Mark Baker, Head of Social Research and Policy at the RNID, claimed that £320 million had been allocated by DWP for the purpose. He pointed out that in June 2003 the DWP document, “Helping people into employment: The Government’s response and action plan”, had announced that £100 million would be spent on seven initial pilots. Dr Baker highlighted that the Chancellor’s Pre-Budget report in December 2004 had then announced that a further £220 million

487 HC Deb, 24 January 2006, col 1307

488 Ev 256; Vol 2

489 For example, Vol 2: Ev 145, Ev 169 and Ev 193 and Vol 3: Ev 213

490 Q 168

491 Q 116 and Q 118

would be used to expand the pilots from seven areas to a third of the country.⁴⁹² Consequently, Dr Baker argued, it appeared that a total of £320 million had been spent on rollout to a third of the country. He expressed concern that the allocation of £360 million to the remaining two thirds of the country would therefore mean that national rollout was “going to be done slightly on the cheap”.⁴⁹³

379. However, in oral evidence to the Committee, the Secretary of State denied that this was the case, arguing:

“The first roll-out to Pathways to a third of the country cost us £150 million, incurred by the Department in rolling out Pathways to Work for a third of the country... We are now spending an extra £360 million over and above, if you like, the initial costs of roll-out to a third for the remaining two thirds of the country. I do not think anyone can say we are not fully funding the roll-out of Pathways. The total annual cost will be over £500 million, £150 million in the first third, £360 million in the remaining two-thirds.”⁴⁹⁴

380. We asked the Department to detail the agreed allocations for the Pathways pilots for each year and to clarify the figures of £100 million in DWP’s June 2003 document and £220 million in the 2004 Pre-Budget Report. They sent us the following table:

Table 2: Agreed allocations to Pathways

Where	When agreed?	Description	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Original 'Pathways 7'	Spending Review 2002	Compulsory flow, voluntary existing cases interventions	19	41	41	41	(41)	(41)
Expansion from 'Pathways 7' to 1/3 of country	PBR 2004	Compulsory flow, voluntary existing cases interventions	-	-	25	90	107	107
'Somerset'	PBR 2004	Compulsory existing cases interventions for all	-	-	2.5	-	-	-
Original 'Pathways 7'	Budget 2004	Compulsory existing cases interventions for longer duration cases	-	5.6	19.4	19.4	19.4	19.4
Total			19	46.6	87.9	150.4	167.4	167.4

492 Ev 147 and Q 172; Vol 2

493 Q 172

494 Q 291

381. The accompanying note explained that the £100 million figure from the June 2003 DWP document had referred to the allocation for the original Pathways seven areas for the first three years (between 2003/04 to 05/06) – that is 19 plus 41 plus 41, as shown in the first row of the table above. The £220 million in the 2004 Pre-Budget Report referred to the allocation for expansion from the seven areas to a third of the country for the first three years – that is 25 plus 90 plus 107 (more exactly £222 million), as shown in the second row of the table above.⁴⁹⁵

382. The note also explained that the Department had calculated the long run cost of the Pathways pilots in a third of the country to be £148 million per annum, that is £41 million per annum for the original seven areas, as shown in the first row of the table above, plus £107 million per annum for the further fourteen areas that took the coverage of Pathways to a third of the country, as shown in the second row of the table.⁴⁹⁶ The note added that this was the comparator being used by the Department in the context of the long run costs of rollout to the remaining two thirds of the country.

383. We regret that the Secretary of State's evidence to the Committee (see para 379 above) painted a confusing picture about the costs incurred in rolling out Pathways. He suggested that the £360 million for national rollout of Pathways was an annual allocation. However, the statement made by the Secretary of State to the House announced that £360 million was the *total* that would be spent over the next two years.⁴⁹⁷ While an annual expenditure of £360 million on two thirds of the country seems to compare well to an annual figure of £148 million on the remaining third, this comparison is far less favourable if £360 million is not an annual figure but a total being spent over two years.

384. The Secretary of State's evidence to the Committee also raised a further complication in comparing the cost of rollout to a third of the country to the cost of rolling it out to the remainder. He pointed out that, "Once Pathways ceases to be a pilot, the £40 a week Return to Work Credit becomes part of the Department's annually managed expenditure and not part of its Department expenditure limit [...] Maybe that is the reason why somebody has discovered this illusory gap in funding".⁴⁹⁸

385. We do not know whether other aspects of Pathways to Work will be funded outside of the £360 million figure. We know from the Green Paper that private and voluntary sector providers will manage Pathways in new areas.⁴⁹⁹ But we do not yet know the extent of this work and to what extent it will reduce the input of Jobcentre Plus and consequent costs. In its written evidence, the Shaw Trust suggested that the plan to increase contracting-out of programmes might reduce administration costs.⁵⁰⁰

386. The confusion among those submitting evidence over the budget for the national roll-out of Pathways to Work suggests that the Department needs to provide urgent

495 Vol 2, Ev 257

496 Vol 2, Ev 257

497 HC Deb, 24 Jan 2006, col 1307

498 Q 292

499 DWP, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006, p 75

500 Vol 2, Ev 41

clarification. This would help to alleviate concerns and reassure disability organisations of the integrity of the Government's intentions on the purpose of the reform programme.

387. We recommend that the Department provide us with detailed figures for any areas of expenditure related to the national rollout of Pathways that will come from budgets outside the announced £360 million allocated. It should also detail any savings it expects to make as a result of contracting out services. Without this transparency stakeholders will be unable to assess whether the rollout to the remaining two thirds of the country will be funded to the same level as the pilots. The Committee also believes that the success of the Pathways pilots will only be replicated across the country if sufficient resources are made available for the roll-out.

388. We also recommend that the Department should publish statistics – at least bi-annually – on the incapacity benefits claimant caseload, progress towards the target reductions and estimates of the resources that would be required to achieve the target.

Sufficient resources for existing claimants

389. The Welfare Reform Green Paper states that: “As resources allow, we will, over time, consider extending work-focused interviews to existing claimants to ensure that they are aware of the opportunities available to them, including Pathways to Work support as it becomes available.”⁵⁰¹ DWP's agreed allocation for Pathways across a third of the country per year, as in the table above, shows that £2.5 million had been allocated in one pilot area - Somerset – to roll out Pathways to all existing claimants. £20 million per annum had also been allocated to roll out WFIs to some existing claimants (those who claimed in the two years before the start of the pilots in 2004-05 and those who claimed in the three prior years in 2005-06) in the original seven pilot areas.

390. As we discussed in Chapter 5, a number of memoranda we received raised concerns that there would be a large number of existing claimants of incapacity benefits who would not have the same opportunities offered to them as to new claimants.⁵⁰² For example, RNID wrote: “Given that many long-term claimants will be those with the most complex needs, we are worried that many existing claimants may be ignored by opportunity, and that the proposals risk the creation of a sizeable number of disabled people who will be abandoned to exist on an outdated and obsolete system.”⁵⁰³

391. We are concerned that DWP does not appear to have put aside resources for existing claimants who wish to access the services offered by Pathways to Work. Every effort should be made to offer existing recipients of incapacity benefits the same opportunities as those which are being made available to new claimants.

501 DWP, *A new deal for welfare: Empowering people to work*, January 2006, Cm 6730, p 48

502 For example, Vol 3, Ev 252

503 Ev 145; Vol 2

IT requirements

392. Evidence we received from the Public and Commercial Services Union (PCS) stressed that the planned programme of reforms could only continue if there was “a fully developed and tested IT system in place.”⁵⁰⁴ Worryingly, during the Committee’s inquiry into the Efficiency Savings Programme in Jobcentre Plus we learnt that there had been a national failure of the Customer Management System, the system currently being used across Jobcentre Plus, in January 2006.⁵⁰⁵

393. The response on 3 March 2006 to a written answer requesting information on the additional IT needed by the Department for its programme of reforms stated: “We are unable to provide details of IT requirements or their costs until the period of consultation is completed and the final design of the proposals are agreed.”⁵⁰⁶ In oral evidence the Secretary of State told us that DWP had “started” an exercise in planning IT support for the new Employment and Support Allowance.⁵⁰⁷

394. The IT implications of the increasing complexity of the new ESA benefit structure, where claimants will be able to move between two different components, need to be taken into account.

395. We are concerned that the Department appears only to be in the very early stages of planning the IT needed to deliver the new benefit. The new Allowance is due to be introduced in 2008. Given the poor performance of IT in the Child Support Agency and the recent problems with the Customer Management System in Jobcentre Plus, DWP should not be complacent on this issue.

396. During the last Parliament, the previous Committee conducted an inquiry on DWP’s management of IT projects.⁵⁰⁸ This concluded that closer parliamentary scrutiny is required to improve the success of DWP’s IT projects. The report recommended that IT projects should involve key stakeholders prior to contracts being signed with IT providers and that the Department should present an implementation assessment for each major IT project – similar to a Regulatory Impact Assessment.

397. We recommend that DWP accelerates its IT planning for the reforms. While we understand that IT cannot be approved until the final designs of the benefit proposals are determined, the Department should be able to indicate its likely technology requirements, given the proposals in the Green Paper, and should consult key stakeholders upon these. The Department should provide an implementation assessment, setting out the purpose, timing, costs, IT requirements and major risks of the project - this should include risks posed by making changes to the IT system following implementation.

504 Ev 218; Vol 3

505 Work and Pensions Committee, Second Report of Session 2005-06, *The Efficiency Savings Programme in Jobcentre Plus*, HC 834-I, para 156

506 HC Deb, 3 March 2006, col 1034W

507 Q 275

508 Work and Pensions Committee, Third Report of Session 2003-04, *DWP’s Management of Information Projects: Making IT Deliver for DWP Customers*, HC 311

Potential impact of the efficiencies agenda

398. Some of the evidence we received raised concerns about the impact of DWP's efficiencies agenda on the Department's ability to implement its proposed reforms. In particular witnesses questioned whether there would be sufficient Incapacity Benefit Personal Advisers (IBPAs) for rollout and whether there would be sufficient resources available to give them adequate training.⁵⁰⁹ In a memorandum sent to the Committee before the publication of the Green Paper, A4e highlighted the importance of early investment in IBPAs. They argued that during the early months of the Pathways to Work pilots improvement in job outcomes and claimant activity were slow, because of late training and recruitment of IBPAs, with many not being in post until the go-live date.⁵¹⁰ Age Concern pointed out that the Green Paper did not comment on the need to develop capacity in the medium term by investing in recruitment and training. It pointed out that "the decision to roll-out Pathways to Work through contractors does not avoid capacity problems since voluntary and private sector providers will face similar skills shortages in the short term."⁵¹¹

399. The Public and Commercial Services Union's evidence to the Committee argued that there were elements of Pathways to Work that would be "damaged or prevented" by the ongoing efficiencies programme. It stated:

"The IB Reforms process is very resource intensive and takes up more Adviser time, pro rata, than other Advisory processes. Jobcentre Plus is in the middle of a massive jobs and estate cuts programme [...] The requirements of the IB reforms initiative will create massive problems for the proposed Jobcentre Plus organisation [...]"

PCS has raised our concerns about the lack of accommodation for Advisers. We were told at a meeting in May 2005 that the decision to rollout the IB reforms pilot to more Districts had created difficulties because the Jobcentre Plus Rollout programme had used a formula known as the Front of House Desk Allocation Model (FOHDAM) to allocate the number of desks. In Glasgow this has led to the situation where there were no spare desks for IB Personal Advisers, thus hindering the planned rollout.

By the end of 2008 Jobcentre Plus intend to close 577 sites, and PCS has just discovered that there are now proposals to close a further 124 sites, many of them small offices in rural areas. PCS believes that this huge reduction in offices would make it very difficult to deliver the Pathways to Work programme in Jobcentre Plus. Even if it remains possible then customers (who by the very nature of their inclusion in the pilot are likely to be less mobile than most) will find themselves forced to make difficult journeys to attend mandatory interviews. The Department recently made a decision to defer the closure by Atos Origin of 21 Medical Examination Centres. [...] We would argue that the same concerns (about the accessibility of services to

509 Q 133 [Mr Bert Massie] and Vol 3, Ev 70

510 Ev 89; Vol 3

511 Ev 134; vol 2

customers, that claimants might miss appointments and so be deprived of the benefits they need) apply in both instances.

The ongoing reduction in staffing resources also makes it difficult to envisage how Jobcentre Plus can continue to deliver the service it currently delivers, let alone introducing new processes. This will only add to the pressure on the existing Advisers.”⁵¹²

400. In supplementary evidence following the publication of the Green Paper, PCS argued that “the drastic headcount reductions imposed on the Department by the Government’s ‘Efficiency Challenge’ mean that Jobcentre Plus does not have the capacity to extend the successful Pathways approach across the country.”⁵¹³

401. In March 2006, the Committee published a report into the Efficiency Savings Programme in Jobcentre Plus. This concluded that service quality had deteriorated in Jobcentre Plus as a result of the efficiencies programme.⁵¹⁴ In particular, our report found that “too much has been done too quickly... and services and programmes suffered as a result”.⁵¹⁵

402. When asked whether IBPAs would be ring-fenced from the efficiency savings workforce reductions, the Secretary of State replied:

“we are clear that we can do the headcount reduction and build up at the same time our personal adviser network, our range of contact services between ourselves and our customers. To that extent you could say that that is true; they are ring-fenced, yes.”⁵¹⁶

403. We welcome the Secretary of State’s assurance that Incapacity Benefit Personal Advisers (IBPAs) will not be included in any headcount reductions. As a major new programme, reform of incapacity benefits and the national rollout of Pathways should not be expected to contribute to the efficiencies agenda. We recommend that resources for training IBPAs are also ring-fenced.

512 Ev 218; Vol 3

513 Ev 219; Vol 3

514 Work and Pensions Committee, Second Report of Session 2005-06, *The Efficiency Savings Programme in Jobcentre Plus*, HC 834-I, p 4

515 Work and Pensions Committee, Second Report of Session 2005-06, *The Efficiency Savings Programme in Jobcentre Plus*, HC 834-I, para 6

516 Q 325

Conclusion

404. The Government has taken a bold step in its declared 'aspiration' to reduce the incapacity benefits caseload by one million within ten years. It will undoubtedly be a challenge to achieve this but the Committee welcomes the Government's declared intention and will continue to monitor future progress.

405. The strategy set out by the Government in the Welfare Reform Green Paper requires further detailed work to achieve a reform programme that is able to provide appropriate support to ill or disabled people in moving from incapacity benefits into work. Again, we urge that, in designing and clarifying the details of the new Employment and Support Allowance and the range of support to help disabled people move off incapacity benefits and into work, DWP must work closely with all stakeholders including: employers, local authorities, other Government Departments, private and voluntary sector service providers, disabled people and disability organisations.

406. Finally, the Government's aspiration faces a potential barrier in the scale of the efficiencies challenge faced by DWP. **The 2007 Spending Review presents an opportunity for ensuring adequate funding of the welfare reform programme. We hope the Department works closely with the Treasury to ensure that sufficient funds for incapacity benefits reform, Pathways to Work national roll-out and the full reform package are made available. Given that the 2006 Budget announced 5% annual reductions in the Department Expenditure Limit for the Department, it is important that schemes which offer the potential for savings over the long term, such as this one may, are not squeezed out.**

Conclusions and recommendations

1. We welcome the Government's laudable aim of reducing the incapacity benefits caseload by one million. However, it will be very challenging to do this by 2016. Success depends very much upon the effort and resources that are invested by the Government, particularly over the next few years. Clarification of the baseline by which the aim to reduce the number of people claiming incapacity benefits is also required and we recommend that the Department publish this in the immediate future. (Paragraph 52)
2. The Committee is disappointed that the Department has not met its commitment to produce incapacity benefits caseload forecasts to 2016 and recommends that the Department does so as a matter of urgency. (Paragraph 53)
3. We recommend that there should be clarification of the status, importance and relevance of sickness certification in the process of applying for Statutory Sick Pay and other benefits (Paragraph 66)
4. We welcome the measures to reform Statutory Sick Pay as a necessary simplification that will improve the system for claimants and employers. The Committee is concerned, however, that further efforts need to be made to reconcile GPs with the changes that the Government proposes to make. The Committee recommends that the Department enters a close dialogue with health professionals, including those working for mental health services, GPs and their professional representatives in order to assess the most appropriate way that the Green Paper proposals on Statutory Sick Pay – and their wider role in helping ill or disabled people back to work – can be taken forward and to ensure full co-operation by all stakeholders. (Paragraph 73)
5. The Committee acknowledges that it is important to ensure that people are receiving the appropriate benefit for their situation and that it may be more suitable for some to remain on Jobseeker's Allowance rather than move to incapacity benefits. The Department should ensure that the distinction between the two is properly understood by Jobcentre Plus staff. (Paragraph 77)
6. The Committee welcomes the shift in eligibility criteria that the reformed Personal Capability Assessment will bring. However, the absence of detail in the Green Paper suggests that the Department has not made much progress in redesigning the PCA. This makes it difficult to consider how the reformed system will work in practice as we do not know what the new assessment will contain. We recommend that the Department carefully considers the evidence received during this inquiry, its own consultation, and the findings from the Pathways evaluation to ensure that the new assessment takes account of the complexity and reality of disabled people's lives, as well as the social elements of their disability, rather than simply whether they are entitled to benefit. (Paragraph 98)
7. We welcome the Government's decision to review the mental health component of the Personal Capability Assessment. However, in order to ensure that concerns with the current assessment are adequately addressed, the expert panel tasked with the

review of the PCA for those with mental health conditions must include people with mental health problems, their carers and organisations representing them. The new assessment should also be piloted with those with mental health conditions to ensure it is suitable. (Paragraph 108)

8. The Committee welcomes the Government's commitment to carry out the revised Personal Capability Assessment within 12 weeks but is concerned about how often this will be achieved in practice. Those who are not assessed within this period should not suffer financially as a result. The Committee therefore recommends that the Department establishes contingency measures for such an occurrence to ensure that ill or disabled people are not financially penalised. (Paragraph 118)
9. The Committee recommends that, rather than carrying out ad hoc case checks of existing claimants, the Department should review claims systematically. Case reviews should not be random but based upon specific guidelines. We recommend that the Department re-examines the processes that currently govern case reviews and consult on the criteria upon which future checks would occur. (Paragraph 120)
10. We are disappointed that the Green Paper did not contain any detail on how the new Personal Capability Assessment will assess those with fluctuating conditions. This is a difficult area on which DWP should consult extensively with stakeholders, including employers, to ensure that those with fluctuating conditions receive the right assessment and do not continue to be excluded from the labour market. (Paragraph 124)
11. The Committee welcomes the proposals in the Green Paper to reduce the number of appeals. However, we believe that further action is necessary to improve the quality of medical assessments. The Committee recommends that:
 - a) a review of the length of time taken to complete medical assessments is undertaken by the Department;
 - b) doctors should be encouraged to take the time to undertake assessments appropriately and should receive more training on best practice in performing assessments, particularly when dealing with mentally ill claimants; and
 - c) more effort is made to gather medical evidence that may affect a case. (Paragraph 134)
12. The Committee acknowledges the importance of involving all stakeholders in reforming all aspects of the Personal Capability Assessment (PCA) and welcomes the Government's commitment in the Green Paper to do so. We are not, however, content with the process that we understand the Department has now begun. Disability organisations as well as medical experts must play a key role in advising the Department on the content and delivery of the PCA, the 'reserved circumstances' group and the reform of the appeals process and we recommend that they are included in all discussions with the Department, and not merely consulted as a secondary process. We are also concerned by the delay in producing detail on the PCA and recommend that the Department produces a possible model for the

reformed PCA as soon as possible. Once the Department has completed its work on redesigning the PCA we intend to examine whether it is satisfactory or not. (Paragraph 137)

13. The Committee is concerned that those moving onto the new 'holding benefit' may experience a substantial drop in income. We disagree with the Secretary of State's assessment that the Jobseeker's Allowance (JSA) level is an "obvious rate" at which to set the holding benefit. We recommend that the holding benefit be set at a level comparable with Statutory Sick Pay to ensure a more consistent income for ill or disabled claimants. If the holding benefit is set at JSA rates, it would be unfair to award younger claimants less benefit due to the age-related rates that currently apply to JSA. (Paragraph 145)
14. We are disappointed that there are a range of issues requiring further clarification on the level at which the Employment and Support Allowance will be set. We recommend that the Department provide more detailed information in the response to this report. We urge the Department to work closely with disability organisations to ensure a proper assessment is made of the structure of the new benefit, how it will affect the income of ill or disabled people in comparison with the current system and work to alleviate inconsistencies within the system. DWP should ensure that the resulting benefit levels maintain the principle of no loss to existing claimants when a new benefit is introduced. (Paragraph 150)
15. The adequacy of the level at which the Employment and Support Allowance will be set is of great importance. The new benefit must ensure that those claiming either the Employment or Support component receive an adequate amount. We also recommend that the Department publish a full analysis and explanation of its calculations of benefit adequacy in this area, including the basis of future upratings. (Paragraph 155)
16. The Committee has no objections to the list of work-related activities in the Green Paper: the range is suitably varied and covers activities that may be regarded as a useful stepping stone to work. However, the Department should develop a strategy to ensure that all disabled people, including groups such as people with learning disabilities, deaf and blind people have full access to the range of services offered. We are also concerned that the Department is intending to extend compulsion beyond attendance at work-focused interviews without adequate training or evidence-based guidance for Incapacity Benefit Personal Advisers (IBPAs) in distinguishing claimants who are 'unwilling' to participate from those who are 'unable'. As the evidence shows that many existing incapacity benefits claimants are volunteering to participate in Pathways to Work without compulsion, we are concerned that without adequate IBPA training and clear guidance, increased compulsion could damage both the relationship of trust between IBPAs and their clients and the reputation of the Pathways programme itself. We recommend that the Department further explore involving a wider group of trained professionals to assist personal advisers in the important role that they play. (Paragraph 179)
17. The Committee recommends that claimants who have been engaged in work-related activity for a specified period of time, for example, one year, should review their

action plan with their personal adviser and other specialists to ensure that the activities contained within it are appropriate for them. Once the new benefit has been in place for two years, we recommend that it is reviewed by the Department to ensure that the work-related activity system is working properly. As with all new benefits, it should also be subject to a full evaluation. (Paragraph 185)

18. We are very concerned that, by introducing a two-tier system, the proposed reforms will establish a further level of complexity. The unconditional higher rate could build incentives into the system which might 'encourage' claimants to claim the Support component rather than the Employment Support component of the Employment and Support Allowance (ESA). (Paragraph 197)
19. It also appears that little consideration has been given to policing the boundaries and creating a mechanism by which people can move between the two components. We recommend that the Department should clarify the mechanism and resources needed for people with fluctuating conditions to move between the Employment Support and Support components of the ESA. (Paragraph 198)
20. We recommend that the Department publish quarterly statistics on the performance of Pathways to Work. (Paragraph 201)
21. The Committee recognises that Incapacity Benefit Personal Advisers (IBPAs) have an important role in supporting their clients and the majority do it well. We are, however, concerned that they may not be as well trained as they need to be. In particular, we recommend that IBPAs receive a fuller training package on disability awareness and mental health. In addition, all IBPAs should be sufficiently skilled to be able to offer advice on benefits and tax credits and the impact upon them of moving into work. They should be able to calculate whether or not a claimant would benefit financially from moving into work compared with staying on benefits, or be able to refer the client onto someone else who can. The Department should also consider how IBPAs can benefit from the sharing of best practice experience. IBPAs should also be able to benefit from a clearly defined career path. (Paragraph 216)
22. The Committee recommends that the Department closely monitor the caseload of Incapacity Benefit Personal Advisers (IBPAs) to ensure that they are able to offer a full service to all of their clients. IBPAs should not be relied upon to carry out tasks that other Jobcentre Plus staff are employed to do. In our report into the Efficiency Savings Programme in Jobcentre Plus, we recommended that Jobcentre Plus should set out its timetable for providing administrative support to Personal Advisers. We reiterate this recommendation. (Paragraph 219)
23. The Committee is also concerned that there will be insufficient trained staff to deal with the increased number of WFIs that will take place under the reformed system. We recommend that the Department develop, and publish, a strategy to develop the IBPA workforce to show that the future national roll-out will be sufficiently staffed. (Paragraph 220)
24. We recommend that the Department urgently review the pay levels for Incapacity Benefit Personal Advisers to ensure that it is sufficient to attract the right calibre of people. (Paragraph 222)

25. The Committee recognises that a delicate balance is required to ensure that compulsory Work-Focused Interviews (WFIs) provide claimants with the opportunity of accessing the range of support services available through Pathways and Jobcentre Plus in a sensitive manner. We recommend that the Department revise the standard letter sent to claimants requesting attendance at their initial WFI to ensure its tone is one that will encourage attendance. (Paragraph 230)
26. The Committee acknowledges the importance of the services provided through the Condition Management Programme (CMP) and supports its inclusion in the extensions to, and national roll-out of, Pathways to Work. We are concerned that the Pathways evaluation suggests a varying level of awareness of the content of the CMP among Personal Advisers and recommend that the Department makes further efforts to ensure that current, and future, Advisers are properly informed of the content of the Programme and how to refer their clients to it. In addition we are also concerned that there may be a capacity problem with the numbers of trained Cognitive Behavioural Therapies or other appropriate therapists when Pathways is further rolled out. (Paragraph 247)
27. The Committee recommends that the Department reviews the access of its services to all disabled people and monitors service use by different groups of disability and support needs. The Department should also ensure that, where specialist support is needed from external organisations, that this can be easily accessed by Personal Advisers. (Paragraph 252)
28. The Committee welcomes the financial support provided to disabled people by the Return to Work credit. However, problems may occur when this support ends after 52 weeks. We recommend that recipients of the credit are fully informed of the time limit at the outset of their claim. They should also be reminded of the date when the credit is ending by their Personal Adviser at least eight weeks prior to its withdrawal, with opportunities for them to discuss their options. (Paragraph 256)
29. The importance of providing stepping stones from incapacity benefits into employment will be crucial in the success of the Pathways to Work roll-out. The Committee recommends that Incapacity Benefit Personal Advisers (IBPAs) and all private and voluntary sector service providers are given accurate information and training on the range of options that are available to disabled people to enable them to move towards paid work. Jobcentre Plus and other service providers should develop close partnerships with employers and voluntary sector organisations to build links that will promote opportunities for part-time and voluntary work for disabled people. The Committee also recommends that the earnings disregard for those currently claiming Income Support, and those who will claim the means-tested element of the Employment and Support Allowance, be increased to enable people to work at least four hours at the National Minimum Wage. This disregard should be up-rated annually. (Paragraph 276)
30. The Committee is concerned that existing claimants of incapacity benefits are in danger of being left behind as Pathways rolls out to new claimants. They may receive less benefit and less support to enable them to move into work. We recommend that the Department publishes a date by which existing claimants will be included in

Pathways. The Department should also work closely with disability organisations to plan how best to reach existing claimants – who may have been on benefit for some years – and ensure that they are able to access the full range of support available to help them move into work, if they so wish. (Paragraph 280)

31. The Committee welcomes the involvement of the private and voluntary sectors in delivering aspects of the reform programme, including work-related activity programmes and work-focused interviews, recognising both the potential benefits and some of the risks. We are aware that there may be difficulties for some voluntary organisations, due to coverage, capacity issues or potentially conflicting roles. However, the requirement to deliver sanctions for non-compliance is more complicated. The Committee recommends that the decision of whether to administer a benefit sanction should rest with a DWP decision-maker rather than a contracted service provider. The Department should carefully consider the views of private and voluntary sector service providers received during its consultation on this issue. (Paragraph 302)
32. We welcome the Department's commitment to extend outcome-based funding, but believe it needs to consider carefully how best to progress with such funding to ensure that all providers – private and voluntary sector – do not skew their focus towards helping into work those who are already closer to the labour market. Providers must receive payments that recognise the ongoing support needed, not only to move a disabled person into work, but also to ensure their jobs are sustained. We recommend that the contracts reward providers for a range of outcomes leading up to and including job entry and that job retention for at least 12 months is rewarded. (Paragraph 309)
33. The Department should clarify its intentions for the future with regard to the wide range of employment programmes it delivers, including the New Deal 50 Plus. (Paragraph 311)
34. The Committee acknowledges the local and regional differences in the rates of incapacity benefits claimants and recommends that the Government takes further action to help incapacity benefits claimants in areas with a high claimant rate move into work. While we welcome initiatives such as the planned 'city strategy', further effort and clarification of the content of the strategy are needed. We recommend that the Department develop further local strategies to tackle 'pockets' of high incapacity benefits caseloads and to address issues that are specific to an area. The Department should work closely on these issues with, for example, local and central government and the devolved administrations. (Paragraph 321)
35. We believe that the Government should be more positive about Rehabilitation Leave, and recommend that the Department work with the Department for Trade and Industry, disability organisations and employers' representatives to consider whether Rehabilitation Leave is a useful and appropriate element in reforming Statutory Sick Pay. (Paragraph 331)
36. The provision of in-work support is crucial to encourage job sustainability among incapacity benefits claimants who move into work. The Committee is concerned at

the low level of take-up of In-Work Support in current Pathways areas and also the apparent lack of support provided by Incapacity Benefit Personal Advisers (IBPAs) once an incapacity benefits claimant moves into work. The Committee recommends that the Department further develop the in-work support that IBPAs can provide to their clients, extend the provision of in-work support beyond six months, where appropriate, and work to raise awareness of the In-Work service among both advisers and clients. (Paragraph 337)

37. The Access to Work scheme provides valuable support to those disabled people who know about it. Awareness among disabled people and employers is far too low and the Committee recommends that the Department takes steps to remedy this immediately. The budget for the Access to Work scheme itself should also be increased as a matter of urgency as success of the national rollout of Pathways to Work will suffer if the budget is insufficient. (Paragraph 341)
38. For the Government to meet its aim of reducing the incapacity benefits caseload by one million there remains much work to do in engaging employers and addressing the poor understanding that many have on disability issues. The Committee acknowledges the valuable recommendations made in the Strategy Unit Report on the Life Chances of Disabled People but is extremely concerned that the Green Paper does not address the issue properly. The evidence we received suggested that progress towards reforming employers' attitudes is wholly inadequate so far. We recommend that the Department urgently address this difficult but vitally important area. We also recommend that the Department utilises Jobcentre Plus, and its service providers, to work more effectively with employers in promoting incapacity benefits claimants as potentially valuable employees. Particular attention needs to be given to changing employers' attitudes towards employing those with mental health conditions. Finally, we recommend that the Department undertakes a review of the Job Introduction Scheme and considers whether further subsidies for employers would be effective. (Paragraph 366)
39. The Disability Discrimination Act represents a significant step forward in promoting equal rights for disabled people. However, awareness among employers appears to be limited, and frequently inaccurate, and DWP should work closely with the Disability Rights Commission to improve it. We recommend that the DWP issue guidelines to the whole of the public sector with the purpose of encouraging employers in this sector to employ people with a history of mental illness. We would like also to remind the Department that the new disability equality duty that comes into force in December 2006 places considerable focus on Jobcentre Plus, and the Department as a whole, to lead the way in tackling disability discrimination. (Paragraph 374)
40. We recommend that the Department provide us with detailed figures for any areas of expenditure related to the national rollout of Pathways that will come from budgets outside the announced £360 million allocated. It should also detail any savings it expects to make as a result of contracting out services. Without this transparency stakeholders will be unable to assess whether the rollout to the remaining two thirds of the country will be funded to the same level as the pilots. The Committee also believes that the success of the Pathways pilots will only be

replicated across the country if sufficient resources are made available for the roll-out. (Paragraph 387)

41. We also recommend that the Department should publish statistics – at least bi-annually – on the incapacity benefits claimant caseload, progress towards the target reductions and estimates of the resources that would be required to achieve the target. (Paragraph 388)
42. We are concerned that DWP does not appear to have put aside resources for existing claimants who wish to access the services offered by Pathways to Work. Every effort should be made to offer existing recipients of incapacity benefits the same opportunities as those which are being made available to new claimants. (Paragraph 391)
43. We are concerned that the Department appears only to be in the very early stages of planning the IT needed to deliver the new benefit. The new Allowance is due to be introduced in 2008. Given the poor performance of IT in the Child Support Agency and the recent problems with the Customer Management System in Jobcentre Plus, DWP should not be complacent on this issue. (Paragraph 395)
44. We recommend that DWP accelerates its IT planning for the reforms. While we understand that IT cannot be approved until the final designs of the benefit proposals are determined, the Department should be able to indicate its likely technology requirements, given the proposals in the Green Paper, and should consult key stakeholders upon these. The Department should provide an implementation assessment, setting out the purpose, timing, costs, IT requirements and major risks of the project - this should include risks posed by making changes to the IT system following implementation. (Paragraph 397)
45. We welcome the Secretary of State's assurance that Incapacity Benefit Personal Advisers (IBPAs) will not be included in any headcount reductions. As a major new programme, reform of incapacity benefits and the national rollout of Pathways should not be expected to contribute to the efficiencies agenda. We recommend that resources for training IBPAs are also ring-fenced. (Paragraph 403)
46. The 2007 Spending Review presents an opportunity for ensuring adequate funding of the welfare reform programme. We hope the Department works closely with the Treasury to ensure that sufficient funds for incapacity benefits reform, Pathways to Work national roll-out and the full reform package are made available. Given that the 2006 Budget announced 5% annual reductions in the Department Expenditure Limit for the Department, it is important that schemes which offer the potential for savings over the long term, such as this one may, are not squeezed out. (Paragraph 406)

Formal minutes

Wednesday 26 April 2006

Members present:

Mr Terry Rooney, in the Chair

Ms Anne Begg	Mrs Joan Humble
Mr Harry Cohen	Greg Mulholland
Mr Philip Dunne	John Penrose
Mrs Natascha Engel	Jenny Willott
Michael Jabez Foster	

1. *Incapacity Benefits and Pathways to Work: report text*

The Committee considered this matter.

2. *Incapacity Benefits and Pathways to Work: formal consideration*

Draft Report [Incapacity Benefits and Pathways to Work], proposed by the Chairman, brought up and read.

Ordered, That the draft report be read a second time, paragraph by paragraph.

Paragraphs 1 to 406 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Wednesday 3 May at 9.15 am.]

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Mr Chris Melvin, **Deputy Chair**, and Mr Matthew Lester, Director, Employment Related Services Association; Mr Keith Faulkner CBE, **Managing Director, Working Links**; Ms Abigail Howard, **Head of Policy and Research, Wise Group**; and Mr Ian Charlesworth, **Managing Director, Shaw Trust** Ev 30

Mr David Congdon, **Head of Campaigns Policy**, and Mr Mark Crouch, **Regional Employment Manager, Mencap** Ev 48

Monday 13 February 2006

Dr Peter Kenway, **Director, New Policy Institute**; Mr Dave Simmonds, **Director, Centre for Economic and Social Inclusion**; and Mr Richard Excell, **Senior Policy Officer, Trades Union Congress** Ev 83

Ms Marilyn Howard, **Policy Manager and Independent Policy Analyst**, and Mr Bert Massie, **Chairman, Disability Rights Commission** Ev 25

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Ms Lorna Reith, **Chief Executive, Disability Alliance**; Mr Andrew Harrop, **Policy Manager, Age Concern**; Ms Philippa Simkiss, **Head of Employment and Lifelong Learning, RNIB**; and Dr Mark Baker, **Head of Social Research and Policy, RNID** Ev 147

Ms Natasha Peter, **IB Claimant**, and Ms Sue Christoforou, **Policy Officer, Mind**; Mr Cliff Prior, **Chief Executive**, and Mr Shaun Hallam, **Area Service Manager, Rethink**; and Dr Jed Boardman, **Royal College of Psychiatrists** Ev 207

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Rt Hon John Hutton MP, **Secretary of State for Work and Pensions** Ev 230

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Session 2005-06

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