



BRIEFING PAPER

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Abolition of the ESA Work-Related Activity Component

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Summary

The Work-Related Activity Component (WRAC) of ESA will be abolished for new claimants from 3 April 2017.

Employment and Support Allowance (ESA) is an “income replacement” benefit for people who have a health condition or disability which limits their ability to work. ESA was introduced for new claimants from October 2008, and for claimants of previous incapacity benefits from late 2010. There are two forms of ESA:

- contributory ESA, for those with a sufficient National Insurance record; and
- income-related ESA, which is means-tested.

Income-related ESA will eventually be replaced by Universal Credit; contributory ESA will remain as a separate benefit. The Government currently expects the introduction of Universal Credit to be fully complete by 2022.

A person must undergo a Work Capability Assessment (WCA) to be eligible for ESA. There are three possible outcomes of a WCA:

- the claimant is found “Fit for Work” and may instead apply for Jobseeker’s Allowance (JSA) or Universal Credit;
- the claimant is placed in the “Work-Related Activity Group” (WRAG) and must undertake “work-related activity”; or
- the claimant is placed in the “Support group” and is not required to take part in any work-related activity.

At May 2016 there were just under 2.4 million ESA claimants; 445,000 (19%) were in the Work-Related Activity Group.

In Summer Budget 2015, it was announced that the **Work-Related Activity Component paid to those in the WRAG would be abolished for new claims from 3 April 2017. The equivalent element in Universal Credit will also be abolished.** This will involve a reduction of £29.05 a week (2017-18 rates) and aligns the rate of payment with those claiming Jobseeker’s Allowance (£73.10 a week). **Existing claimants will not be affected**, while there will be protections for those who may move into the WRAG or Universal Credit equivalent from the Support Group.

The changes were introduced to “remove the financial incentives that could otherwise discourage claimants from taking steps back to work.” £640 million a year of savings were initially forecast by 2020-21; this was later revised to £450 million a year.

The changes were widely criticised by disability charities. The idea that the WRAC is a disincentive for claimants to look for work has been particularly disputed.

The proposals were opposed by opposition parties. Amendments to retain the component (and equivalent in Universal Credit) were agreed at the Lords Report Stage of the *Welfare Reform and Work Bill 2015-16*. These were then overturned by the Commons. A further amendment requiring the Government to provide analysis of the impact of the changes before introducing them was also proposed by the Lords, and subsequently overturned by the Commons.

Alongside the changes to the WRAC was an announcement to provide “new funding for additional support to help claimants return to work.” The Government has since announced a series of measures and funding to deliver this in the October 2016 Green Paper, [Improving Lives](#).

In its report on the [Disability employment gap](#) published on 31 January 2017, the House of Commons Work and Pensions Committee said that if DWP is to press ahead with the ESA cut, it must first set out a clear plan for identifying where new claimants have additional, unavoidable living costs relating to their conditions, and how it will ensure that these costs are covered. The Committee expects the Government to respond to its report before the lower rate of ESA is due to take effect in April and, if it intends to proceed with the reduction, to explain how this will not be detrimental to its target for halving the disability employment gap.

1. What is ESA?

Employment and Support Allowance (ESA)

ESA is an “income replacement” benefit for people who have a health condition or disability which limits their ability to work. This is different to disability benefits such as DLA or PIP which help with the “extra costs” that people face as a result of their disability.

There are two forms of Employment and Support Allowance:

- contributory ESA, for those with a sufficient National Insurance contribution record; and
- income-related ESA, which is means-tested (i.e. entitlement can be affected by other income and capital of the claimant and their partner).

Employment and Support Allowance (ESA) replaced incapacity benefits (Incapacity Benefit, Severe Disablement Allowance, and Income Support for people judged incapable of work) for new claimants from 27 October 2008. Existing claimants of incapacity benefits were not initially affected, but in late 2010 a programme began under which 1.5 million were to be reassessed for ESA.

The Work Capability Assessment

To be eligible for ESA, a person must undergo a Work Capability Assessment (WCA). This is a functional assessment which focuses not on an individual’s condition but on the functional effects on that particular individual. Claimants are assessed during the first 13 weeks of their claim (or longer if necessary) to determine whether they have a “limited capability for work” and whether they are capable of engaging in “work-related activity.”

For further background see Library briefings SN05574, [Employment and Support Allowance: an introduction](#); and SN05850, [The Work Capability Assessment for Employment and Support Allowance](#).

There are three possible outcomes of a Work Capability Assessment:

- A claimant is found **“Fit for Work”**. They are not entitled to claim ESA, but can instead apply for Jobseeker’s Allowance and will be expected to be available for and seek work (or alternatively claim Universal Credit and be subject to full work-related requirements).
- A claimant is placed in the **“Work-Related Activity Group” (WRAG)**. These claimants pass the assessment and are identified as capable of taking part in some form of work-related activity. They will be required to attend work-focused interviews and undertake “work-related activity”, such as work experience, training or participating in the Work Programme. However they are not currently expected to look for work or be available for work. Those who don’t fulfil these conditions without good reason could have their ESA cut.

- A claimant is placed in the **“Support group”**. They have both a “limited capability for work” and a “limited capability for work-related activity”. These claimants will not be expected to undertake any work-related activity, although they may choose to do so.

Any claimant is entitled to challenge the outcome of a Work Capability Assessment through a Mandatory Reconsideration, and then an Appeal.

Claimants in both the Support Group and the Work-Related Activity Group are periodically reassessed to determine whether they still remain eligible for ESA and whether their functional ability has improved or worsened since their last assessment. Some claimants may not require a face-to-face assessment, and may be assessed on the basis of the evidence they submit on their ESA 50 form.

DWP decision makers decide when claimants will be called for reassessment, the frequency of which depends largely on the recommendation given by the health professional at the previous assessment. Reassessments were paused between January 2014 and December 2015 to focus on clearing a backlog of new claims.

In October 2016 the Government announced that it intends to exempt some ESA claimants in the Support Group with the most severe health conditions and disabilities from future reassessments. It is consulting on the criteria for identifying those who should not be reassessed, and the new rules should be in place by the end of 2017.¹

Roll out of Universal Credit

From April 2013, Universal Credit (UC) began to replace a range of means-tested benefits and tax credits for working age families, including income-related ESA. Contributory ESA remains as a separate benefit.

Universal Credit awards comprise a standard allowance with additional amounts for children, housing and other needs and circumstances such as disability, childcare and caring. The actual amount a family receives will depend on its income and savings.

The Government currently expects the managed migration of existing benefit claims to start in July 2019, and the introduction of Universal Credit to be fully complete by 2022.²

Universal Credit includes “limited capability for work elements” for those who satisfy a Work Capability Assessment. A lower rate is paid for those with a “limited capability for work” (equivalent to the WRAG); a higher rate is paid for those with a “limited capability for work-related activity” (equivalent to the Support Group).

¹ See Commons Library briefing CBP-7820, [ESA and PIP reassessments](#)

² [HCWS96 \[on Welfare Reform\], 20 July 2016](#)

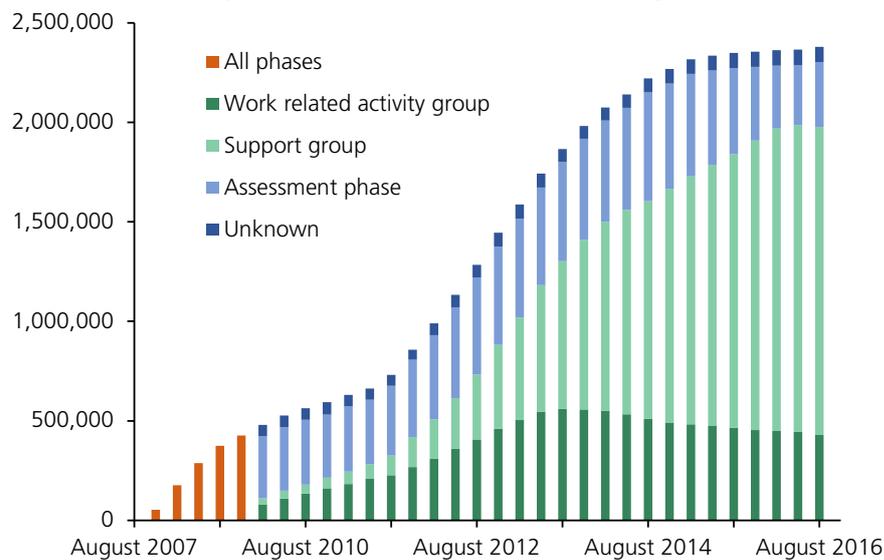
2. How many people claim ESA?

Current caseload – ESA claimants by phase

As of August 2016 there were just under 2.4 million ESA claimants in Great Britain. Of these:

- 1,548,000 (65%) were in the Support Group;
- 429,000 (18%) in the Work-Related Activity Group;
- 326,000 (14%) were in the Assessment Phase (awaiting their Work Capability Assessment);
- 76,000 (3%) were of unknown phase.³

ESA caseload, by phase, November 2008 to August 2016



Note Data was not split by phase between November 2008 and 2009, thus figures are for “all phases”

Source [ONS NOMIS: DWP Benefits, Work and Pensions Longitudinal Study \(WPLS\)](#)
[No](#)

Outcomes from Work Capability Assessments for new claims have varied since ESA was introduced. The general trend has been towards fewer claimants being found “Fit For Work” (FFW), and higher proportions being placed in the Support Group, although more recent statistics suggest a significant change in outcomes. For assessments on new claims carried out between October and December 2015, 36% resulted in a Fit For Work determination, 56% were Support Group awards, and 8% WRAG decisions. For assessments undertaken between April and June 2016, the outcomes were 48% Fit For Work, 33% Support Group, and 18% Work-Related Activity Group.

The reason(s) for this change are not entirely clear,⁴ but the most recent DWP statistical bulletin comments that the fall in Support Group decisions “could partly be due to updated guidance on the application of risk introduced in January 2016, to restate the original policy intent

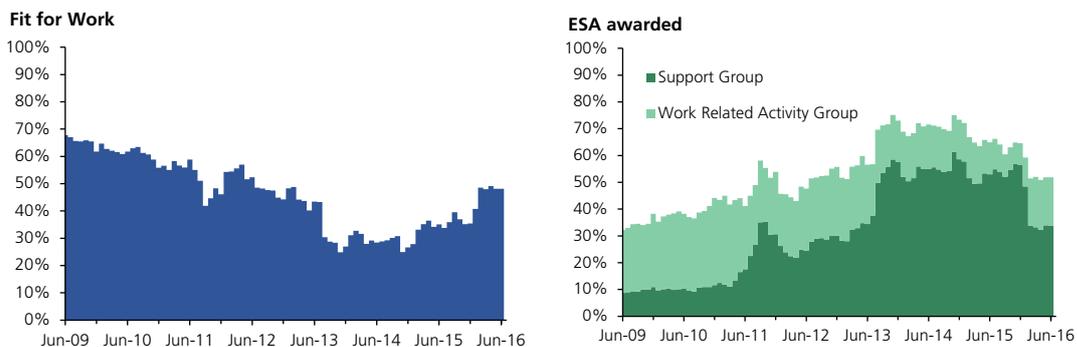
³ DWP [Tabulation Tool](#)

⁴ See “[ESA figures show ‘very disturbing’ drop in number placed in support group](#)”, *Disability News Service*, 15 September 2016

and place the question of risk in the context of work-related activity (or potentially work).”⁵

The ESA regulations include provisions under which, in certain exceptional circumstances, people can be placed in the Support Group who do not satisfy the usual criteria. These are where the individual suffers from a specific disease or disablement and “there would be a substantial risk to the mental or physical health of any person” if he or she were not placed in the Support Group.⁶ Similar “substantial risk” provisions enable claimants to be placed in the WRAG where they would otherwise be found Fit For Work.⁷ The guidance for Maximus Health Professionals on the application of these rules is in the [Revised WCA Handbook](#).⁸ In a blog of 21 September 2016, Ben Baumberg Geiger of the University of Kent looks at how the provisions on “substantial risk” have changed since the previous edition of the Handbook.⁹

Percentage of ESA Work Capability Assessments (new claimants) resulting in an ESA award or fit-for-work decision



Notes Assessment outcomes shown before decision reviews, mandatory reconsiderations and appeals. All data is for new claims to ESA only and does not include reassessed ESA claimants
Source DWP, [Employment and Support Allowance: outcomes of Work Capability Assessments](#), 8 December 2016

Historic caseload – ESA and predecessor benefits

The chart below shows the total ESA and predecessor benefit caseload 1996-97 to 2020-21.

Roll out of ESA began in November 2008, before which support was available via Severe Disablement Allowance¹⁰, Incapacity Benefit and Income Support (paid on the basis of incapacity for work). New claims for these legacy benefits ceased when ESA was introduced.¹¹

⁵ DWP, [Employment and Support Allowance: outcomes of Work Capability Assessments](#), 8 December 2016, p6
⁶ Regulation 35 of the [Employment and Support Allowance Regulations 2008\(SI 2008/794 as amended\)](#)
⁷ Ibid. regulation 29
⁸ MED-ESAAR2011/2012HB~001, UPDATED 5 July 2016
⁹ Ben Baumberg Geiger, [The return of the stricter WCA?](#), Rethinking Incapacity project blog, 21 September 2016
¹⁰ Note – no new awards of Severe Disablement Allowance were made after 2001.
¹¹ Income Support may however still be claimed by other claimant groups, e.g. carers and lone parents with children under 5

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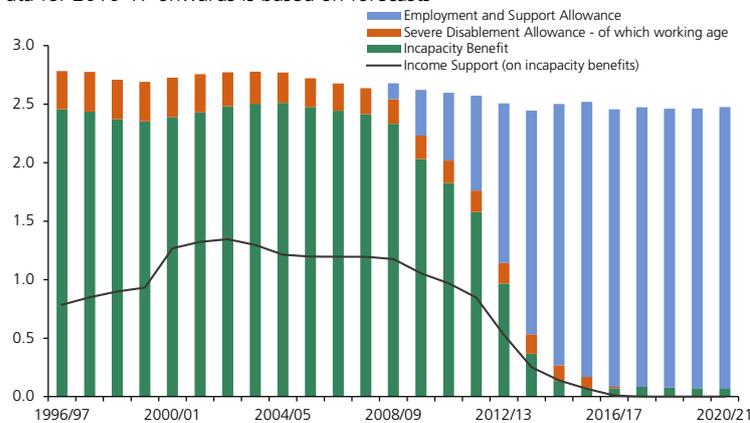
In January 2006, the Labour Government published the Green Paper, *A new deal for welfare: Empowering people to work*. This set out an aspiration to reduce the number of incapacity benefit claimants by one million over the next ten years. Responding to a PQ in February 2010, Jonathan Shaw, the then Minister for Disabled People for the Labour Government reaffirmed that;

The Government's aim is to reduce the number of people on employment and support allowance and incapacity benefits by 1 million by 2015 from a baseline of 2.74 million in 2005.¹²

Between 1996-97 and 2016-17 the number of people in receipt of ESA and its predecessors is forecast to fall by 11%, from around 2.8 million claimants in 1996-97 to 2.5 million claimants in 2016-17.

ESA and predecessor benefits caseload, 1996-97 to 2020-21

Data for 2016-17 onwards is based on forecasts



Source

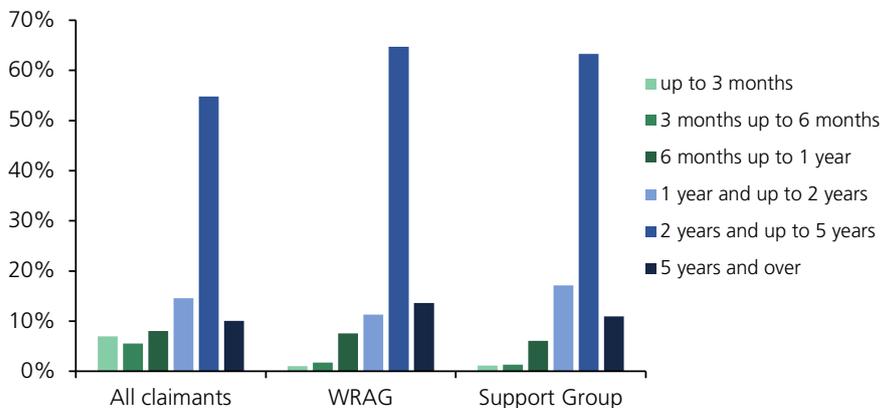
[DWP Benefit Expenditure and Caseload tables](#), "Incapacity Benefits", Autumn Statement 2016

Duration of ESA claims

As of August 2016, 55% of all ESA claimants had claimed for between 2 and 5 years, including 65% of claimants in the Work-Related Activity Group and 63% of claimants in the Support Group.

ESA claimants by duration of claim, August 2016

Excludes claimants in the Assessment Phase and of unknown phase



Source

ONS NOMIS: DWP Benefits, Work and Pensions Longitudinal Study (WPLS)

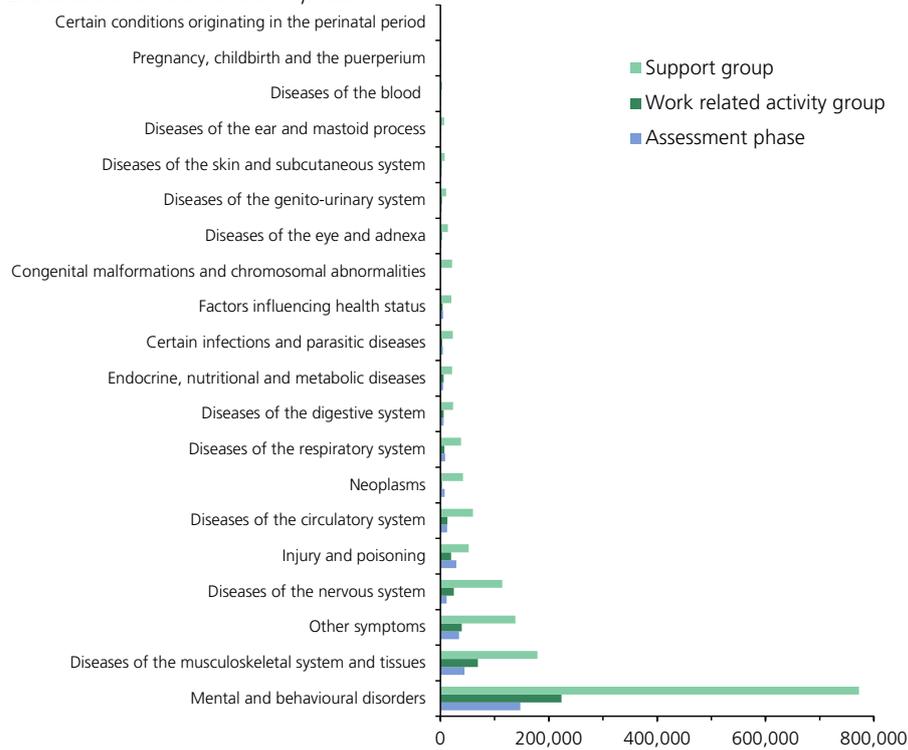
¹² [HC Deb 26 February 2010 c765w](#)

Claims by condition

49% of ESA claimants received ESA in August 2016 due to mental and behavioural disorders; a further 13% claimed so due to diseases of the musculoskeletal system and connective tissues, 9% due to "other" symptoms and 6% due to diseases of the nervous system.

ESA claimants by phase and condition, August 2016

Excludes claimants of unknown phase



Source

[ONS NOMIS: DWP Benefits, Work and Pensions Longitudinal Study \(WPLS\)](#)

3. How much is ESA worth?

Standard and additional rates

Claimants are paid an assessment phase rate whilst awaiting their Work Capability Assessment. This is up to £57.90 a week for under 25s and up to £73.10 a week for those aged 25 or over (2017-18 rates), the same rate, in both cases, as the Jobseeker's Allowance personal allowance.

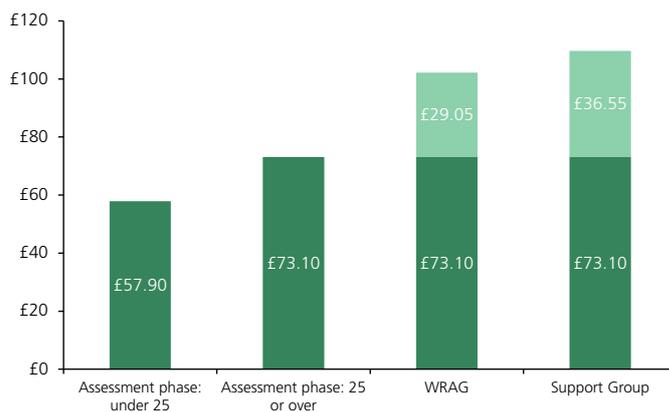
Following the assessment, successful ESA claimants receive a standard rate plus an additional amount.

The standard rate of ESA is currently £73.10 a week, plus either:

- £36.55 for claimants in the Support Group, or;
- £29.05 for claimants in the Work-Related Activity Group.¹³

These additions are known as the Support Component and the Work-Related Activity Component, respectively.

Weekly value of ESA payments, by phase, 2017-18



Notes These are basic rates only – additional amounts of income-related ESA may be payable depending on needs and resources.

Source House of Commons Library briefing paper: [2017 Benefit Uprating](#) (CBP 7818)

From April 2017, the ESA Support Component will increase from £36.20 a week to £36.55. The basic rate of ESA and the Work-Related Activity Component will however remain unchanged up to 2019-20 as a result of the current Government's four year working-age benefits freeze.¹⁴

Rationale for ESA rates

The rationale for paying some claimant groups more than others was considered by Richard Berthoud in a 1998 report, *Disability benefits: A review of the issues and options for reform*. In response to the question of why benefits are more generous for those deemed incapable of work compared to the unemployed, he observed:

The primary reason historically, was that those who have to live for a long time on social security could not be expected to survive

¹³ 2017-18 rates

¹⁴ See Commons Library briefing CBP-7252, [Welfare Reform and Work Bill \[Bill 51 of 2015-16\]](#), 16 July 2015, section 5

on the very low level of income available as a temporary measure for a short-term claimant.

There are, though, potential alternative explanations for the preference accorded to pensioners and disabled people, each of which may have played some role in the development of policy:

- There may have been some motivation based on the idea that disabled people and elderly people would face extra costs, even though those are intended to be dealt with by the specialist extra-cost benefits [i.e. Disability Living Allowance and Attendance Allowance].
- Another motive has undoubtedly been that unemployed people are thought to need incentives to persuade them to return to work; whereas retired and disabled people are not expected to look for work.
- A related consideration is that the public sympathises with the plight of unfortunate disabled or elderly people, but resents the dependence of the idle unemployed.¹⁵

Asked about the rationale for paying ESA claimants in the Support Group more than those in the WRAG during the Committee Stage of the *Welfare Reform Act 2007*, the then DWP Minister Jim Murphy explained:

The rationale is simply that the longer someone is out of the labour market, the greater the preponderance of poverty.¹⁶

As regards the rationale for the Work-Related Activity Component, from the outset the Labour Government said that those placed in the WRAG would, provided they undertook “work-related activity” as required, be paid an amount above the level of long-term Incapacity Benefit.

Until December 2012, ESA claimants in the WRAG who failed to meet requirements were subject to an open-ended sanction which was lifted when they “re-complied” with the relevant requirement. The sanction amount was 50% of the Work-Related Activity Component, rising to 100% of the component (currently £29.05) after four weeks.

Under changes to ESA Sanctions introduced by the Coalition Government from December 2012, those who failed to undertake work-related activity are sanctioned 100% of the of the basic amount for a single claimant (currently £73.10). The sanction is in place until the claimant re-engages, at which point there is a short additional fixed period of sanction before the basic amount is restored. During the sanction period, claimants may be able to claim hardship payments.

¹⁵ Richard Berthoud, *Disability benefits: A review of the issues and options for reform*, 1998, p27

¹⁶ SC Deb 17 October 2006 c65

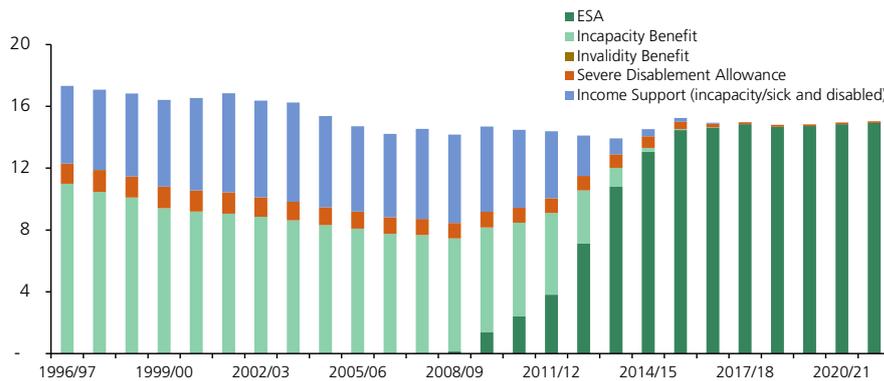
Expenditure on ESA and predecessor benefits

Expenditure on ESA and predecessor benefits in 2016-17 is forecast to be £14.9 billion (real terms 2016-17 prices), 14% below expenditure in 1996-97 (£17.3 billion in real terms 2016-17 prices).

Expenditure on ESA specifically is forecast to be £14.6 billion in 2016-17, including £11.0 billion (75%) on the ESA Support Group, £2.4 billion (17%) on the ESA WRAG and £1.1 billion (8%) on claimants in the Assessment Phase.

Expenditure on ESA and predecessor benefits

£ billions, real terms 2016-17 prices



Source

[DWP Benefit Expenditure and Caseload tables](#), "Incapacity Benefits", Autumn Statement 2016

4. What is happening to the Work-Related Activity Component?

From 3 April 2017, new ESA claimants who are placed in the “Work-Related Activity Group” (WRAG) will no longer be eligible for the additional Work-Related Activity Component, which is currently worth £29.05 a week. In effect this aligns the rate of ESA for those in the WRAG with the rate of JSA.

This will only apply for new claims from that date – people already getting the Work-Related Activity Component will continue to receive it. Section 15 of the [Welfare Reform and Work Act 2016](#) amends the *Welfare Reform Act 2007* to remove provision for the payment of the ESA Work-Related Activity Component, in both contributory and income-related ESA.

Those in the “Support group” will be unaffected.

The corresponding limited capability for work element in Universal Credit will also be abolished for new claims.¹⁷ This means that, for adults, only those in the Support Group will receive additional support for disability with their UC award.¹⁸

Under the current sanctions regulations, this change would mean that if someone in the WRAG was sanctioned then they would lose the entirety of their standard ESA benefit. This has not been confirmed or clarified by the Government at the time of writing.

Provided they remain on ESA, none of the current ESA caseload will be affected by this change as it will only apply to new claims made after 3 April 2017 and existing claimants will have “transitional protection” – see Section 5.

Those who will be affected are those making new claims for ESA or Universal Credit who are placed into the WRAG or UC equivalent. The DWP’s [Impact Assessment](#) expects this number to build up to around 500,000 families, using the current stock of WRAG claimants as a proxy for the affected population.

From a financial perspective, the DWP’s [Impact Assessment](#) states:

The notional loss to each family is expected to be around £28 a week, which represents around a -10 per cent notional change in net income, presented in 2019/20 prices. Someone moving into work could, by working around 4-5 hours a week at National Living Wage, recoup the notional loss of the Work-Related Activity component or Limited Capability for Work element.

¹⁷ Section 16 of the *Welfare Reform and Work Act 2016*

¹⁸ UC claimants in the WRAG may still however benefit from the higher work allowance for those with a “limited capability for work.” See Commons Briefing papers SN06548, [Draft Universal Credit Regulations 2013](#), section 6, for information on support for disabled people in UC

5. Who is affected?

The change to the Work-Related Activity Component impacts new claimants of ESA or Universal Credit who are placed in the WRAG (or UC equivalent) from 3 April 2017.

Existing recipients of the Work-Related Activity Component will be unaffected. Existing recipients of the Support Component, who are later moved into the WRAG, will continue to be able to receive the Work-Related Activity Component.¹⁹

There are also transitional provisions in place to protect against the removal of the Work-Related Activity Component for certain claimants. These provisions cover the following circumstances:

- An ESA claim was made before 3 April 2017, which results in an ESA award on or after 3 April;
- An ESA claim is made after 3 April 2017, where the claimant had previously been eligible for ESA before 3 April. The time difference between the previous eligibility and the new claim must be less than 12 weeks;
This may cover, for example, a period where a claimant moves into work for less than 12 weeks.
- An existing incapacity benefit²⁰ claimant who, as part of the conversion process to ESA, is awarded the WRAC after 3 April 2017;
- An ESA claim was made on or after 3 April 2017, but is deemed payable from before 3 April;
Claimants can request that the start date of their claim is up to three months prior to the date the claim is actually submitted, so long as they can show they would have been eligible for ESA from this earlier date.
- An ESA claim was made on or after 3 April 2017, but their assessment phase is deemed to have started before 3 April;
- An ESA claim is made less than 12 weeks after Maternity Allowance stops, but only if the Maternity Allowance claim terminated a previous claim to contribution-based ESA from before 3 April 2017.²¹

The regulations also set out transitional protections from the removal of the UC Limited Capability for Work element for certain claimants.

These transitional protections also cover those entitled to ESA prior to 3 April 2017 who then make a claim for Universal Credit.

¹⁹ [HL PQ6214](#), 25 February 2016

²⁰ Incapacity benefits are Income Support, Incapacity Benefit and Severe Disablement Allowance

²¹ Schedule 2, Part 1, [The Employment and Support Allowance and Universal Credit \(Miscellaneous Amendments and Transitional and Savings Provisions\) Regulations 2017](#), SI 2017/204

6. Why are these changes being introduced?

A “perverse incentive”?

In his Summer Budget 2015 speech the Chancellor referred to the “perverse incentive” whereby ESA claimants in the WRAG received more money than claimants of Jobseeker’s Allowance “but get nothing like the help to find suitable employment.” The Chancellor noted that while the JSA caseload had fallen by 700,000 since 2010, over the same period the numbers on incapacity benefits including ESA had fallen by just 90,000, despite 61% of claimants in the WRAG saying they wanted to work.

The Budget documents expand that:

Increasing employment levels amongst people with disabilities and health conditions are a key part of the government’s aim to achieve full employment. The current system creates a financial incentive to claim sickness benefits over Jobseeker’s Allowance. From April 2017, new claimants of Employment and Support Allowance (ESA) who are placed in the Work-Related Activity Group will therefore receive the same rate as those claiming Jobseeker’s Allowance, alongside additional support to help them take steps back to work. This will ensure the right incentives and support are in place for those closer to the labour market to help them make this transition when they are ready, while maintaining the extra financial support ESA provides for those in the ESA Support Group who are furthest from work. Existing ESA claimants will be unaffected.²²

The DWP Impact Assessment adds that:

Aligning the rate of benefit paid to new claims for Employment and Support Allowance and Universal Credit with limited capability for work with the standard rate paid to claimants who are fully capable of work from April 2017 will remove the financial incentives that could otherwise discourage claimants from taking steps back to work.²³

Expected savings

When changes to ESA WRAG were first announced in Summer Budget 2015 savings of £640 million a year were forecast for 2020-21. At Budget 2016 this forecast was reduced, however, to £450 million a year for 2020-21.

Forecast savings from changes to ESA WRAG

£ millions, nominal terms

	2017-18	2018-19	2019-20	2020-21
Summer Budget 2015	55	225	445	640
Budget 2016	30	180	345	450

Note: Updated forecasts for savings from the abolition of the ESA WRAC were published in Budget 2016, superseding those initially published in Summer Budget 2015

²² [Summer Budget 2015](#), para 1.160

²³ [Welfare Reform and Work Bill: Impact Assessment to remove the ESA Work-Related Activity Component and the UC Limited Capability for Work Element for new claims](#), July 2015, p1

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The chart below shows forecast savings from changes to ESA announced since 2010; note that this chart excludes savings from measures not specific to ESA, such as from freezing most working age benefits (including the standard and WRAC rates of ESA) at 2015-16 rates for four years.

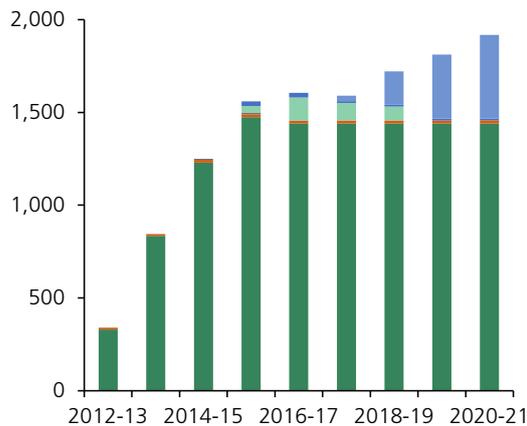
The chart suggests that, in 2020-21, approximately £1.92 billion (nominal terms) would be saved from ESA should all savings be made as forecasted. This equates to approximately 11% of what total expenditure may otherwise have been should these savings not have taken effect.

In 2020-21, savings from changes to ESA WRAG comprise around 23% of total savings from ESA announced since 2010.

Forecast savings from changes to ESA announced since 2010

£ millions, nominal terms

- (Budget 2015 #2) Align Work-Related Activity Group rate with JSA
- (Autumn 2014) Restricting repeat claims
- (Autumn 2014) Additional healthcare professionals to reduce Work Capability Assessment waiting times
- (Budget 2014) Apply a 7-day waiting period for new claims from October 2014
- (Budget 2011) Abolish National Insurance youth concession
- (Autumn 2010) Time limit for those in the WRAG for contributory ESA to one year



Notes

Savings estimates for measures announced by the Chancellor at fiscal events (Budgets and Autumn Statements) can be updated at subsequent fiscal events. The above chart uses, wherever possible, latest savings estimates produced for each listed measure.

The chart includes expenditure/savings measures that relate to ESA specifically only; it excludes, for examples, savings derived from freezing most working age benefits (including the standard and WRAC rates of ESA) for four years from 2015-16.

Savings are not available for all measures for the whole period 2012-13 to 2020-21. Where this is the case, the chart assumes annual savings are fixed and "carried forward" from the last year for which forecast savings are available.

Source

Forecast savings derived from:

- (Time limit for those in the WRAG) Announced Autumn Statement 2010, updated Budget 2012
- (Abolish NI youth concession) Announced Budget 2011
- (Apply a 7-day waiting period) Announced Budget 2014
- (Additional healthcare professionals) Announced Autumn Statement 2014, updated Budget 2015
- (Restricting repeat claims) Announced Autumn Statement 2014, updated Budget 2015
- (Align WRAG rate with JSA) Announced Summer Budget 2015, updated Budget 2016

7. What happened in the proceedings of the Welfare Reform and Work Act 2016?

The [House of Commons Library's Committee Stage Report](#) summarised opposition to these proposals by both the Labour Party and the Scottish National Party. The changes to ESA were considered at the [Committee's eighth sitting](#) on 13 October 2015.

The Shadow Minister for Disabled People, Debbie Abrahams, said that Labour wanted to prevent the cuts to the Work-Related Activity Component which they believed “unjust and unfair to disabled people”. She suggested that the Government was “putting the cart before the horse” by cutting support before giving details of additional support to help people into work. Ms Abrahams urged Members of the Committee to vote against clause 13 (which provided for the abolition of the ESA Work-Related Activity Component and became Section 15 of the *Welfare Reform and Work Act 2016*).

Hannah Bardell said that the SNP fully opposed the proposals within clauses 13 and 14, adding that to reduce the rate of ESA to that of JSA was “completely immoral and makes absolutely no sense to us.” She said that ESA claimants received a higher rate than those on JSA “because they typically take longer to move back into work, as they face additional barriers.” Ms Bardell added:

Returning to employment is not an option for many people with disabilities. Those unable to work should receive an income replacement benefit to ensure a fair income.²⁴

Neil Coyle (Labour) moved an amendment requiring the Secretary of State to provide additional specialist employment support for disabled people.

Replying for the Government, the Minister for Employment, Priti Patel, detailed the support already available to help disabled people into work, and said that the Government would set out further details in the Autumn, following discussions with, and evidence from, stakeholders, including the Disability Benefits Consortium.²⁵ In response, Mr Coyle welcomed the commitment to engage with stakeholders, and hoped the relations would be more constructive than in the recent past.²⁶

The amendment was withdrawn, and clause 13 was agreed by 9 votes to 8.

At the Lords Report Stage, amendments were tabled by Crossbench, Labour and Liberal Democrat Members to retain the ESA Work-Related Activity Component and the corresponding element in UC; these were

²⁴ [PBC Deb 13 October 2015 c314](#)

²⁵ *Ibid* cc319-320; 323

²⁶ *Ibid* c324

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agreed on 27 January 2016. The amendments were overturned by the Commons on 23 February 2016.

The Lords vote followed the publication in early December of the findings from a review initiated by Members of the House of Lords and supported by disability charities; the [“Halving the Gap?” review](#). The review recommended that the Government should not proceed with the removal of the Work-Related Activity Component.

Lord Low of Dalston moved the amendment to leave out clause 13. The amendment was also signed by Baroness Meacher, by the Labour Spokesman Lord McKenzie of Luton, and by Baroness Manzoor for the Liberal Democrats.

Speaking to the amendment, Lord Low referred to the review published in December and emphasised five points:

- A drop of £1,500 a year in their benefit income would be “catastrophic” for many people and exacerbate poverty amongst the disabled
- The review had found no evidence to support the Government’s assertion that the Work-Related Activity Component acts as a disincentive for people to look for work
- The claim that disabled people would be more likely to get a job if their benefit was cut did not stand up. The review had in fact found that the barrier to employment for disabled people was not any financial disincentive created by ESA, but factors including “employer attitudes, their health condition, illness or impairment, difficulty with transport, and lack of qualifications, experience, confidence and job opportunities”
- While the Government’s aim of halving the disability employment gap was welcome, the proposed cut would hinder people’s ability to look for work
- It was clear from those who gave evidence to the review that they encountered a wide variety of barriers to work that could not simply be removed by providing generic back to work support – “the overwhelming message was that personalised support tailored to the individual’s particular needs is the key”²⁷

Lord Low concluded:

Our review contained 11 recommendations, chief of which were to reverse the cut of the ESA WRAG component and the equivalent payment under universal credit, and to conduct a thorough impact assessment of the proposed changes to ESA WRAG, plus a raft of other measures to promote the employment of disabled people. This cut is estimated to save £640 million a year by 2020-21 but, as we have seen, this is at the cost of considerable further hardship for disabled people who are already poor and, by definition, unable to work. Furthermore, no assessment has been made of the additional costs to the NHS and social care services as a result of these changes, as well as other

²⁷ [HL Deb 27 January 2016 c1300-1302](#)

DWP benefits. Clauses 13 and 14 are all about making savings for the Treasury and have nothing to do with the interests of disabled people. They should be resisted.²⁸

Responding for the Government, the Minister for Welfare Reform, Lord Freud, mentioned additional funding being made available to help claimants return to work:

Currently, those in the WRAG are given additional cash payments but very little employment support. As the Prime Minister recently stated, this fixation on welfare treats the symptoms and not the causes of poverty. Over time, it traps people in dependency. That is why we are proposing to recycle some of the money currently spent on cash payments, which are not achieving the desired effect of helping people to move closer to the labour market, into practical support that will make a genuine difference to people in these groups.

The additional practical support is part of a real-terms increase that was announced at the Autumn Statement. How the £60 million to £100 million of support originally set out in the Budget will be spent is going to be influenced not only by Whitehall but by a task force of representatives from disability charities, disabled people's user-led organisations, employers, think tanks, provider representatives and local authorities. I thank the noble Lord, Lord Low, and the noble Baronesses, Lady Grey-Thompson and Lady Meacher, for their work in Committee in this area.

The new work and health programme will provide specialist support for the very long-term unemployed. We are committed to supporting everyone who is able to work to do so. The forthcoming White Paper is aimed at ensuring that we offer the best possible support to those with health conditions or disabilities, a point raised by the noble Baroness, Lady Campbell, and the right reverend Prelate the Bishop of St Albans.²⁹

Lord Freud noted that, unlike ESA, UC claimants with a health condition or disability would be offered labour market support, where appropriate, from the very start of their claim. He also said that the absence of hours rules in UC would encourage people to enter the labour market and make smaller, regular hours pay, thereby helping more people than the disability element of Working Tax Credit.

In light of contributions to the debate and the Minister's response, Lord Low said that he was "...left feeling that the case for the amendment is even stronger than when I moved it, and that it has not really been answered by the Minister, or anyone who has spoken against it."³⁰

The amendment (Lords amendment 8) was put to the vote, and was agreed by 283 votes to 198.

The linked amendment (Lords amendment 9) relating to the limited capability for work element of Universal Credit) was agreed without a vote.

²⁸ [HL Deb 27 January 2016 c1302](#)

²⁹ Ibid cc1315-6; see also paras 1.1106 and 1.130-1.131 of Spending Review and Autumn Statement 2015, Cm 9162, 25 November 2015

³⁰ [HL Deb 27 January 2016 c1319](#)

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The House of Commons overturned these amendments on 23 February 2016. Amendment 8 was disagreed by 306 votes to 279; amendment 9 was disagreed to by 304 votes to 280. The Speaker agreed that these changes attracted financial privilege.

On 29 February 2016, the Lords **agreed an amendment in lieu, requiring the Government to lay before Parliament an analysis of the impact of the changes before introducing them.** This amendment was again moved by Lord Low of Dalston who stated:

The Government have brought forward no more evidence for their central contention that reducing benefit support incentivises people back to work. In the debate in the other place last week, Dr Eilidh Whiteford MP said:

“If someone is seriously sick or disabled, reducing their income will not make them better quicker. There is not a shred of evidence to support that ill-founded fantasy, but there is plenty of evidence that financial worries and the stress associated with work capability and PIP assessments have a negative impact on people’s health. A large and growing body of evidence suggests that hardship and stress slow down recovery and push people further away from the labour market”.³¹

The cross-bench peer, Baroness Campbell of Surbiton added:

It is nonsense to make such drastic changes to the financial support received by disabled people in the WRAG before the House knows what a reformed employment and support system will look like in the future. The Government are asking us today to take a massive leap of faith in their future policy intentions. This is a huge gamble with people’s lives and survival, and I am not prepared to take it. I urge the Minister to accept the amendments proposed by the noble Lord, Lord Low. They make total sense and are very realistic. They would ensure that the up-and-coming reforms are coherently structured to support the Government’s commitment to halving the disability employment gap. What we do not want is a policy that drives the most severely disabled in our society further into a life of poverty and further away from any hope of employment.³²

Responding for the Government, Lord Freud set out additional measures of support for claimants of ESA to mitigate the impact of the changes (detailed in Section 11 of this briefing), and argued that the proposed amendment would carry financial costs if implemented.

The motion was agreed by 289 votes to 219 votes.

The House of Commons rejected this motion on 3 March 2016 and the Lords backed down on 7 March 2016. The Bill received Royal Assent on 16 March 2016.

³¹ [HL Deb 29 February 2016 c597](#)

³² Ibid. c599

8. Will mitigating support be available?

Alongside the changes to the WRAC, the 2015 Summer Budget included an announcement to provide “new funding for additional support to help claimants return to work”³³. The Government has since clarified the amount of funding as £60 million in 2017-18, rising to £100 million in 2020-21.³⁴

In addition to the £60-100 million, the Government has also announced an extra £15 million per year in 2017-18 and 2018-19 for the Jobcentre Plus Flexible Support Fund,³⁵ to be set aside specifically for those with limited capability for work.³⁶

£43 million has also been allocated to trial ways of providing specialist support for people with common mental health conditions between 2017-18 and 2019-20.³⁷

As well as the additional funding, from April 2017, the 52 week limit for permitted work for those in the WRAG will be removed, with the justification that this will increase work incentives. During the final stages of the Welfare Reform and Work Bill, the Minister for Welfare Reform Lord Freud expanded on what the change would mean:

ESA WRAG claimants can currently work up to 16 hours and earn up to £107.50 per week under the permitted work rules, and keep their benefit. But the existing position is that, after undertaking permitted work for 52 weeks, ESA claimants in the WRAG have to stop work altogether, reduce their earnings to £20 per week, or lose their benefit. We will amend the regulations to remove the 52-week limit and allow claimants to continue to undertake 16 hours of part-time paid work and earn up to £107.50 per week, gaining skills and experience and building their confidence while still receiving benefit over a longer period.³⁸

Lord Freud also said that the Government would do more to make ESA claimants with deteriorating conditions aware of the possibility of having their claim reassessed. He added:

To this end, I am committing to improving the awareness of this option to claimants with progressive diseases, as well as the guidance for claimants and disability charities on reassessments. We will also provide training for jobcentre staff to ensure that they are aware that they may need to talk to claimants with deteriorating conditions about requesting a reassessment.³⁹

³³ [HC Deb 8 July 2015 c333](#)

³⁴ [PQ 28281 \[on Employment and Support Allowance: Disability\], 3 March 2016](#)

³⁵ For further information on the FSF see CBP-7069, [Jobcentre Plus Flexible Support Fund](#)

³⁶ [HL Deb 29 February 2016, c593](#); funding for 2018/19 confirmed in the DWP & Department of Health Green Paper, [Improving Lives](#), October 2016

³⁷ [HL Deb 29 February 2016, c594](#)

³⁸ [HL Deb 29 February 2016, c594](#)

³⁹ [HL Deb 29 February 2016, c594](#)

He stated that DWP would work with stakeholders “to make sure that we get the guidance and processes absolutely right.”⁴⁰

With regards to the additional funding for employment support, a task force, including representatives of disability charities and organisations, has been set up to advise on how best to use the £60-100 million. The DWP and the Department of Health (DoH) set out their own vision for this funding in their October 2016 Green Paper, [Improving Lives](#).

Improving Lives: The Work, Health and Disability Green Paper, October 2016

On 31 October 2016, the DWP and Department of Health published a Green Paper setting out the “Personal Support Package” (PSP) it envisages making available to ESA claimants in the WRAG, which would be funded by the £60-100 million set out in the 2015 Budget (see above).

The Green Paper was initially announced as a White Paper by previous Secretary of State for Work and Pensions, Iain Duncan Smith. His successor, Stephen Crabb, told the Work and Pensions Select Committee on 11 May 2016;

For me, coming in fresh to this Department, rather than rushing towards a White Paper, I think there is a need to take a step back and I think that’s consistent with what I told the House on that first Monday after I was appointed, about wanting to restart the conversation with disability organisations and disabled people themselves about how best we—as a Government—can work with them to close the disability employment gap, and support people who have sicknesses and other conditions into employment. So I won’t be rushing towards a White Paper with firm legislative proposals; I want to take a step back and have a much more discursive Green Paper that starts to reframe the issue and points the way towards more meaningful, long-term reform.⁴¹

The proposals have been put out to consultation until February 2017, and therefore may be subject to change. In its current form however, the PSP would include:⁴²

- Personal support from disability trained and accredited work coaches, with a particular training focus on mental health.
- 300 additional Disability Employment Advisors (DEA), on top of the 200 currently employed nationally.
- 200 new “Community Partners” – advisors with personal and professional experience of disability who may be seconded from disability charities and organisations
- A place on the new Work and Health Programme (WHP) for all eligible and suitable claimants who wish to volunteer. Eligible

⁴⁰ Ibid.

⁴¹ [Work and Pensions Committee, Oral evidence: The Department for Work and Pensions, 11 May 2016, HC 997-1, Q25](#)

⁴² DWP and DoH, [Improving Lives: The Work, Health and Disability Green Paper](#), October 2016, para 73-116

claimants are those assessed as being within 12 months of being able to start work.⁴³

- WHP will also be open to those on JSA who have been unemployed for over two years. Total spending on WHP is likely to make up a large part of the £60-100 million total for the PSP, as WHP spending for 2019-20 is forecast to be £130 million.⁴⁴
- Additional places on the [Specialist Employability Programme](#), for those whose complex needs make the WHP unsuitable.
- Extension of the Journey to Employment (J2E) job clubs to 71 Jobcentre Plus areas. J2E clubs have so far been trialled on a small scale, offering peer support in a group environment, often delivered by people with a personal experience of disability.⁴⁵
 - It was confirmed by the Secretary of State for Work and Pensions Damian Green that these 71 areas would be those with the highest number of ESA recipients.⁴⁶
- A work experience programme for young people with limited capability for work.
- Opening up apprenticeships to young people with learning disabilities (to be funded from the apprenticeships budget).
- Increased funding for Access to Work mental health support.⁴⁷
 - The overall Access to Work scheme will also see real-terms funding increases through to 2020-21.⁴⁸
- The rollout of a new Small Employer Offer, allowing employers to apply for a £500 payment after three months' employment of someone with a disability or health condition.
- Trial usage of specialist medical advice by work coaches through three-way conversations between coaches, healthcare professionals and claimants.
- Piloting of local authority programmes to help those with autism and learning disabilities into work, on an outcome-payment basis.
- Use of money from the £70 million Work and Health Innovation Fund to support local initiatives integrating the health, care and employment systems.
 - The fund was announced in the 2015 Autumn Statement and is intended to build an evidence base for what works in improving employment and health outcomes.⁴⁹

⁴³ The Green Paper also offers a place on Work Choice for all who wish to volunteer, but this is scheduled to close to new referrals in April 2017.

⁴⁴ [PQ 49760, 26 October 2016](#)

⁴⁵ DWP and DoH, *Improving Lives: The Work, Health and Disability Green Paper*, October 2016, para 90

⁴⁶ [HC Deb 31 October 2016, c674](#)

⁴⁷ For further information on the scheme, see CBP-6666, [‘Access to Work’ scheme for people with disabilities](#)

⁴⁸ [HC Deb 31 October 2016, c672](#)

⁴⁹ [PQ 22584, 22 January 2016](#)

9. How have disability organisations responded?

Following the Lords' decision on 7 March not to press its amendments on ESA, **Disability Rights UK** expressed concern that the cut to ESA would not be offset by other measures. It issued [the following statement](#):

This is terrible news for disabled people. A 28% cut in income (for new claimants from 2017) is intolerable - especially when disabled people so often live in deep poverty; and, as the eloquent speeches from peers and the powerful evidence from hundreds of thousands of disabled people showed, it will do nothing to incentivise employment – quite the opposite.

We are given “reassurance” that more disabled people will get work, and raise their income that way. But will they? We hope of course that the forthcoming White Paper will bring:

- real incentives to employers - for instance to take on far more disabled people as apprentices, with decent career prospects
- greater requirements on employers, like using their supply chains to drive good employment practice, and large employers reporting transparently on their disability employment rates
- a serious expansion of peer support, offered by disabled people's organisations
- far more personalised support for people living with disability and health conditions, and tailored advice for employers when they need it
- a total overhaul of the discredited WCA and removal of the culture of fear.

Even if all this happened – and it's a big if – there would still be people who had no job – just less income. On average people stay in the WRAG group for 2 years. 2 years with 28% less income is devastating.

And for those who may be able to work with the right support and employer actions – we need to consider the backdrop of reduced resources.

A recent report by Reform finds that employment support spending is set to be cut by about 80%. They write:

'The Government's main welfare-to-work support programme, the Work Programme, has been funded by around £500-£600 million each yearFrom April 2017, the Work Programme, along with Work Choice, a voluntary employment programme for disabled people costing around £80 million a year, will be merged into a new Health and Work Programme. This will cater for claimants with health conditions or disabilities and those who have been unemployed for over two years, with estimated funding of just £130 million a year. This represents a cut in the main components of employment support spend of around 80 per cent' (Reform 2016 Working Welfare: a radically new approach to disability and sickness benefit).'

The risk that we are clearly facing is that from 2017, many disabled people will just be worse off – when already disabled people are so disproportionately affected by poverty.

At DR UK we will work strenuously to support disabled people to get decent careers (not just jobs) and to know the benefits they remain entitled to; and will speak out constantly on the impact of benefit cuts.

But this cut is drastic and without justification. It doesn't even make sense from the point of view of government policy. A decade ago there was cross-party concern that people were being put into 2 totally separate groups – 'can' work or 'can't' work. But real life isn't like that. 2.6 million people were in the 'can't' work group (on incapacity benefit) and policy makers wanted to change that – by creating a middle category, of people who might be able to work, but not immediately and only with good support. If the rate of ESA is reduced to the rate of JSA, in effect that middle category is gone – we are back to 'can work' and 'can't work'. In 10 years' time I predict people will be asking how on earth policy makers allowed so many people to be seen as 'can't work' again - ie policy will have gone round in a complete circle.

The government is profoundly wrong to make this harsh and counter-productive cut.⁵⁰

The **Disability Benefits Consortium**, a coalition of 60 national disability charities, issued a briefing on 7 March 2016 ahead of the final Ping Pong debate in the House of Lords:

As a sector we are disappointed that the cuts have gone through despite opposition from MPs across all houses and two substantial Government defeats in the Lords.

We felt Lord Low's amendment (to delay implementation until there had been a wide ranging assessment) reflected the concerns of disabled people and their families that the Government has not fully understood how the cut would affect people's ability to move towards work and undertake work related activity such as work experience, volunteering and training.

The amendment further reflected the fact the equality assessment published alongside the Bill failed to look at the impact of the cut on disabled people, simply detailing the savings to Government.

The Equality and Human Rights Commission described the Government's impact assessment as 'limited' and that it 'makes it difficult to understand whether the changes will affect, for example, people with some types of physical disability more or less than people with particular types of poor mental health or who experience bouts of ill-health and may therefore be in and out of work'. It concluded: "These are the kinds of matters that we might have expected a more thorough analysis to have considered."

...

We urge Ministers to focus on improving support for disabled people to help them get into and stay in work, increasing guidance and information for employers so they know how to

⁵⁰ Disability Rights UK, [DR UK says ESA cut will not be offset by other measures](#), 8 March 2016

support people in the work place and reforming the Work Capability Assessment so that it works for disabled people.⁵¹

The Work and Pensions Select Committee enquiry into Halving the Disability Employment Gap asked for written evidence on the impact of the changes. [The evidence received](#) widely criticised the cuts, in particular the idea that it would incentivise those in the WRAG into seeking work.

Responses to the Improving Lives Green Paper

The [consultation](#) on [Improving Lives: The Work, Health and Disability Green Paper](#) ran until 17 February 2017. Some initial reactions to the proposals from disability organisations are summarised in a Government press release,⁵² but not all disability organisations have so far issued their detailed responses to the Green Paper.

In a [statement](#) on the Green Paper issued on 10 November, **Disability Rights UK** set out three tests for policies that flow from the Green Paper.⁵³ With regard to the first – “Will the Government’s proposals produce a fairer system and one that disabled people can trust?” – DRUK states that the Green Paper will pave the way for success-

...only if it leads to a complete overhaul of the Work Capability Assessment. We want a system that encourages and supports people to try work where they feel they can, rather than threatening people with sanctions if they do not comply with (sometimes meaningless) activities.

DRUK believes that reform of the WCA should be “absolutely fundamental.”

DRUK’s second test is “Does the Green Paper offer policy interventions in both the supply and demand side of the economy?” It comments:

To date, virtually all the sanctions, behavioural ‘nudges’ and pressures have been placed on the individual – not on the employer, who has the power to open up job opportunities. We believe the Government’s aspiration to halve the disability employment gap will only be realised if employers change their behaviour.

DRUK adds:

The Green Paper does ask whether more should be done to incentivise employers – to which the answer is a resounding yes. The strategy will only work if employers are nudged and required to employ disabled people in greater numbers – and indeed if government helps equip disabled people to start their own businesses or create new markets in which new businesses can flourish employing them or other disabled people.

The final test is “Will the Green Paper’s plans for support lead to halving the disability employment gap?” DRUK comments:

⁵¹ Disability Benefits Consortium, [DBC Briefing for final Ping Pong debate in the Lords on ESA WRAG cut](#), 7 March 2016

⁵² DWP and DoH, [Work and health plan to help disabled people into employment](#), 31 October 2016

⁵³ Disability Rights UK, [Statement on the DWP green paper: “Improving Lives”](#), 10 November 2016

There are some positive proposals for employment support – notably the expansion of peer support for employment, more tailored employment support, work experience for young disabled people and an innovation fund to test and scale up promising processes.

However, [\[the Employment Related Services Association\]](#) estimates that the planned reduction in funding from the current Work Programme and Work Choice to the new Work and Health Programme will lead to a reduction in numbers of disabled people supported from 300,000 to 160,000 over a 2.5-year period, with potential reduction of employment outcomes as a consequence. The numbers of people getting into work through this new programme should be supplemented by:

- a) additional funding for peer support and the innovation fund and
- b) more people being supported to retain their jobs if they acquire an impairment (with proposals for improved support from health, social care and employers). But even so, it is not clear that these policies combined will make a sufficient dent in the numbers out of work to make halving the disability employment gap a reality.

There is one way that Government could contribute more funding to employment support: to invest all the savings from the cut to Employment and Support Allowance from 2017 (for people in the Work Related Activity Group) into employment support...

DR UK is absolutely opposed to the cut to ESA and believes the House of Lords was right to vote against it twice. However, if it goes ahead, an investment of the whole savings into employment support could help strengthen the support offer to disabled people.

Overall, there are some seeds of positive ideas that go beyond current policy and practice, with potential long term benefits: Peer to peer support, inclusive technology award schemes, the innovation fund, work experience for young disabled people, more localised commissioning of employment support.

However, it is unclear whether this will lead to the Manifesto commitment to halving the disability employment gap or to the greater prize on offer – a more productive and inclusive economy. The [Social Market Foundation as long ago as 2007](#) estimated that if the skills of disabled and non-disabled people were equalised this would be worth some £13 billion to the economy.

The Disability Rights UK statement ends with a quote from Philip Connolly, its Policy and Development Manager:

“The Green Paper doesn’t restate the Government’s manifesto commitment to halve the disability employment gap. Its plans overall focus on a ten-year timeframe and there are no interim targets.

We would like to see radical changes to generate trust amongst disabled people in the system; together with projected steps towards halving the disability employment gap, which strengthen the requirements on employers and the support to individuals in order to lead to progressive improvement in employment and pay for disabled people. We have waited almost three years for this green paper and disabled people deserve a plan as ambitious as the Governments’ manifesto commitment, the green paper isn’t

that plan. The Government's response to its consultation on the green paper is the chance to really deliver on a plan."

Open letter from disability organisations

Ahead of the Opposition Day debate on 16 November on "Autumn Statement Distributional Analysis, Universal Credit and ESA"⁵⁴, an open letter was published signed by **70 disability organisations** calling on the Government not to go ahead with the ESA changes in April 2017:

"Dear Secretary of State for Work and Pensions,

"With today's debate MPs have been given a rare second chance to speak out against £30 a week being taken away from sick and disabled people. The £30-a-week cut to Employment and Support Allowance (ESA) and Universal Credit has caused deep unease amongst MPs from all parties. We believe this cut will undermine the Government's welcome commitment to halve the disability employment gap set out in the Green Paper published just last month.

"The Government recently committed to protecting disabled people's benefits from further cuts, but have decided to continue with this damaging cut to new claimants in the Work-Related Activity Group (WRAG) of ESA and within Universal Credit (UC). From April 2017 this cut will affect many people found currently 'unfit for work' but will also affect many disabled people in work and on low wages under UC.

"The Government promised further support would be given to disabled people in the WRAG to find work, however the recent Green Paper offers little detail as to where this would come from or how it will mitigate the effects of the cut.

"Almost 70% of sick and disabled people we surveyed say this cut would cause their health to suffer and just under half said they would probably not be able to return to work as quickly. We urge MPs from all parties to act – at a time when 1 in 3 households with a disabled member are living in poverty – and halt this cut immediately."⁵⁵

In a separate [ESA WRAG cut briefing](#) published the same day, **Disability Rights UK** argued that the £30 a week ESA cut would have a "devastating effect on disabled people be a barrier rather than an incentive to find work." It stated (original emphasis):

The proposed ESA-WRAG cut will hit households with a disabled person hard – a third of whom are living below the poverty line.

The latest annual [Family Resources Survey](#) found that the percentage of people living in households where at least one member was disabled who were in "absolute poverty" rose from 27% in 2012-13 to 30% in 2013-14.

The proposed £30 per week cut must also be seen in the context of other cuts and freezes to support for disabled people, their families and carers – such as the bedroom tax, personal independence payment, council tax support and social care.

Disabled people being supported by ESA receive a higher rate than those on JSA because they face additional barriers as a result

⁵⁴ See [HC Deb 16 November 2016 cc261-303](#)

⁵⁵ [Open letter to Government on second chance to stop ESA cuts](#), Disability Benefits Consortium website, 17 November 2016

of their illness or disability, and typically take longer to move into work.

[Almost 60% of people on JSA move off the benefit within 6 months](#), while [almost 60% of people in the WRAG remained on ESA for at least two years](#).

Research by Scope has estimated that [disabled people spend on average, £550 a month on disability-related expenditure](#).

Welfare payments aimed at alleviating these costs – Disability Living Allowance (DLA), Personal Independence Payment (PIP) – fall far short of meeting them. In 2015/16, the average award of DLA or PIP will be around £360 a month.

Even with the current Work Related Activity Component added to this £360 total, a shortfall of around £60 a month exists.

It is unreasonable and unrealistic to expect disabled people to survive on £73.00 a week for two or more years.

The WRAG cut's impact on disabled people's ability to look for work

80% of working age people with no health issues have a job but less than 50% of those with a disability have a job.

In his Summer Budget 2015 speech the Chancellor referred to the WRAG component as a "perverse incentive" to disabled people gaining employment.

As of February 2016, 68% of claimants in the Work-Related Activity Group of all ESA claimants had claimed for between 2 and 2 ½ years,

But there is no evidential basis for the belief that the ESA-WRAG payment has acted as a barrier to disabled people gaining employment or that its removal will incentivise disabled people to find work.

Ian Duncan Smith resigned as Secretary of State for Work and Pensions as he felt proposed cuts to PIP were a step too far.

However, in [August 2015](#) he also said that the gap between the employment rate of disabled and non-disabled people – **"isn't because of a lack of aspiration on the part of those receiving benefits....in fact, the majority want to work or stay in work."**

Instead, he said the gap exists because of two factors:

"First, some employers are reluctant to employ people with disabilities....

Second, the poor quality of support they receive leads to many sick and disabled people languishing in a life without work, when work is actually possible for them."

Surely if the level of ESA paid to the WRAG group of claimants itself was a currently "perverse incentive" to them becoming employed – such that it requires a 40% reduction – then the former Secretary of State would have also highlighted this?

[Halving the Gap?](#) a December 2015 Parliamentary Review led by Lord Low of Dalston found that:

- a drop of £1,500 a year in their benefit income would be "catastrophic" for many people and exacerbate poverty amongst disabled people;

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- there is no evidence to support the Government's assertion that the Work-Related Activity Component acts as a disincentive for people to look for work;
- the claim that disabled people would be more likely to get a job if their benefit was cut did not stand up;
- the barrier to employment for disabled people was not any financial disincentive created by ESA, but factors including "employer attitudes, their health condition, illness or impairment, difficulty with transport, and lack of qualifications, experience, confidence and job opportunities;
- while the Government's aim of halving the disability employment gap was welcome, the proposed cut would hinder people's ability to look for work;
- rather than providing generic back to work support to disabled people "personalised support tailored to the individual's particular needs" is key".

What will the WRAG cut save?

The Government forecasts that the WRAG cut will save to £450 million a year for 2020-2021.

But the [Learning and Work](#) Institute say that:

- the government is reinvesting just £1 in every £5 saved by the WRAG cut;
- funding for the Work and Health programme will be less than half that spent on supporting disabled people in previous programmes.

A [report by the Reform think tank](#) highlights that employment support spending for disabled people is still set to be cut by about 80%.

10. What has been said in Parliament?

There have been three Commons debates on the ESA changes since the *Welfare Reform and Work Bill* received Royal Assent on 16 March 2016.

Opposition Day debate, 8 June 2016

On 8 June 2016 an [Opposition Day debate](#) took place on a Labour motion on the Disability Employment Gap.⁵⁶ Within this was a call to reverse the cuts to the work-related activity component. The motion – moved by the then Shadow Secretary of State for Work and Pensions, Owen Smith, read:

That this House regrets the Government's lack of progress towards halving the disability employment gap; further regrets that the Government has not yet published its White Paper on improving support for disabled people; notes with concern that commitments made in the Autumn Statement 2015 to help more disabled people through Access to Work and expanding Fit for Work have not materialised; further notes that the Government is reducing funding for specialist support for claimants with health conditions and disabilities through the Work and Health Programme; and calls on the Government to reverse cuts to the work-related activity component of Employment and Support Allowance and Universal Credit work allowances that risk widening the disability employment gap.

The motion was supported by the SNP, Liberal Democrats and others; but was rejected by 262 votes to 215.

Opposition Day debate, 16 November 2016

On 16 November 2016 the Commons [debated a Labour motion](#) on “Autumn Statement Distributional Analysis, Universal Credit and ESA.”⁵⁷ The motion, tabled by Shadow Chancellor John McDonnell, called on the Government to, among other things, reverse the planned reductions to ESA.

Replying for the Government, the Minister for Employment, Damian Hinds, said that £50 billion was being spent on disability benefits and that to total would, in real terms, be higher at the end of the decade than it was at the beginning. He continued:

We believe that the change in the work-related activity group, working in tandem with the new employment support package announced in the Green Paper, will help to provide the right incentives and support to assist new claimants who have limited capability for work. We believe that this package—representing £60 million of funding in 2017-18, rising to £100 million a year in 2020-21 and developed with external stakeholders, including groups and charities expert in addressing the barriers that can come with disability—can have a much bigger and lasting effect on people’s prospects and their livelihoods than the work-related activity component itself. In addition to the funding package, we are introducing £15 million for the Jobcentre Plus flexible support

⁵⁶ [HC Deb 8 June 2016 cc1258-1305](#)

⁵⁷ [HC Deb 16 November 2016 cc261-303](#)

fund in 2017-18 and 2018-19 to help claimants with limited capability for work. From next April, we are also removing the 52-week permitted work limit that exists in ESA, to allow claimants to continue to undertake up to 16 hours part-time paid work and, currently, earn up to £115.50 per week.⁵⁸

For Labour, the Shadow Secretary of State for Work and Pensions, Debbie Abrahams, said that of the several measures in the Welfare Reform and Work Act impacting on sick and disabled people, the changes to ESA and the equivalent changes to Universal Credits were “among the most troubling.” The Minister’s argument that the cuts would incentivise sick and disabled people into work was, she said, “baseless and deeply offensive.” The changes, Ms Abrahams said, would in fact make the situation worse. She added:

Consultation on the Government’s work, health and disability Green Paper will barely have finished before the cuts are imposed. I am sceptical that the measure will address the issues that sick and disabled people face, and I fear that it will be just another means to get people off flow.⁵⁹

The Labour motion was defeated by 284 votes to 265.

An amended motion tabled by the Minister for Employment was agreed without a vote:

That this House notes the role of universal credit in ensuring that work pays; welcomes the £60 million package of additional employment support announced in the Summer Budget 2016 available to new claimants with limited capability for work from April 2017 and set out in the recent Work and Health Green Paper; further welcomes the proposals for employment support for disabled people and those with health conditions set out in that green paper; and notes the comments by the Chancellor of the Exchequer to the Treasury Committee on 19 October 2016 on his intention to publish distributional analysis at the forthcoming Autumn Statement.

Backbench Business debate, 17 November 2016

On 17 November, a [Backbench Business debate](#) took place on “Employment and Support Allowance and Universal Credit.” [The motion](#) – tabled the SNP’s Spokesperson on Fair Work and Employment, Neil Gray – received support from Members from various parties including five Conservative Members. It read:

That this House notes the Government’s plans to reduce the Employment and Support Allowance work-related activity component and the corresponding limited capability for work component in universal credit in April 2017; further notes that this measure will cut the weekly amount received by recipients with long-term health conditions or disabilities by £30 and that these cuts are due to take place before the promised Work and Health programme Green Paper can be considered or implemented; and therefore calls on the Government to use the upcoming Autumn Statement to postpone the cuts to Employment and Support Allowance work-related activity component and the corresponding limited capability for work component in universal credit until appropriate alternative measures to progress the

⁵⁸ HC Deb 16 November 2016 c271

⁵⁹ HC Deb 16 November 2016 c296

commitment to halve the disability employment gap have been considered, in order to secure support for current and future claimants so that sick and disabled people are supported adequately when they are unable to work.

Mr Gray said:

During the debates on the Welfare Reform and Work Bill, the Government at the time said that they would find new funding for additional support to help claimants return to work—new money and a new system, which was included in then the work and health programme White Paper, now the Green Paper. I argued then and I repeat now, that the Government cannot cut away this lifeline support before the new system of support is in place, otherwise there will be a vacuum of support from April. ESA WRAG will no longer be available for new or returning clients, but the new system, which the Government hope will do a better job, will also be unavailable.

The Government need to get the horse back in front of the cart. They need to put these cuts on pause, at least until we can see what is coming forward. Their new system is still in Green Paper consultation form. The ESA cuts happen in four months. Even if the new system will be better, we have seen nothing more than consultation proposals, and we do not know when the new system will be implemented.⁶⁰

Heidi Allen (Conservative) said that few Conservative Members had supported the Lords amendment relating to ESA at ping-pong stage of the *Welfare Reform and Work Bill* because they believed a White Paper was imminent that would set out details of what alternative support would be made available to sick and disabled people. She added:

However, the White Paper never came and the money never came, and I know that some of my colleagues have regretted their vote ever since.⁶¹

Ms Allen said:

The Lords back in February and March, many of us in this House then and many of us today are just asking for a pause. What harm could it possibly do to the Government's plans or reputation if we were to pause these cuts until an alternative support plan was agreed? Moreover, I passionately believe that it is the sensible and moral thing to do. Would we still be having this debate, would it still be the first thing on the lips of every health and disability charity and would MPs still talk of their regret if we had made the right decision last time around?⁶²

For Labour, the Shadow Secretary of State for Work and Pensions, Debbie Abrahams, said:

Although my party wants the ESA WRAG cuts to be scrapped completely, we will support this motion calling for a postponement until the Government have been able to analyse the consultation from their Green Paper. The same points have been made a number of times: I think that only one speaker generally supported what the Government are doing, while everyone else set out the reasons why their proposals should not

⁶⁰ HC Deb 17 November 2016 cc415-6

⁶¹ HC Deb 17 November 2016 c431

⁶² HC Deb 17 November 2016 c432

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go ahead. The key element is that we have only just had the closing date of the Green Paper consultation.⁶³

Replying the debate for the Government Minister for Disabled People, Health and Work, Penny Mordaunt, referred to elements of the support package that would be in place from April 2017, including additional money for the Jobcentre Plus Flexible Support Fund, and that there would be no “pause” to the introduction of these measures. The Minister added:

We must also progress the work of the Green Paper and pick up the pace, because we need to deliver on those issues. Having said that we do not wish to pause the support, I fully understand that we also need to ensure that the support for a person’s costs and liquidity—their ability to meet their cost of living—is in place. That is not just the right thing to do, but the smart thing to do if we want those people to be able to concentrate on either getting well or preparing for employment. As well as meeting those needs, we must ensure at the same time that we are taking care of their needs for the future. I have no intention of pausing our proposed support, which will come into effect in April, and I assure the House that the work we are doing—we have made announcements, and we have reiterated them again today—will meet that need. I hope that every Member will help us not only to do both those things, but to deliver on our ambitions in the Green Paper.⁶⁴

Winding up the debate, Neil Gray said that contributions had sent “a very clear message to the Government about what the House thinks on these matters.” He added:

I hope that the debate has given the Government cause to think again, including about how to pause the cuts at least until a new and appropriate form of disability employment support can be considered and put in place. The debate has been about building a constructive case for the Government to consider: it has been cross-party, well-tempered and, above all, an appeal.⁶⁵

The motion was agreed by 127 votes to 0.

⁶³ HC Deb 17 November 2016 c459

⁶⁴ HC Deb 17 November 2016 c465

⁶⁵ HC Deb 17 November 2016 c465

11. What has the Work and Pensions Committee said about the changes?

In March 2016 the House of Commons Work and Pensions Committee launched an inquiry into the Government's commitment to halve the "disability employment gap" – the difference in employment rates between disabled and non-disabled people. The inquiry aimed to assess the scale of the challenge and the likely effectiveness of the Government's employment support and benefit policies in achieving this goal.

On 31 January 2017 the Committee's report on the [Disability employment gap](#) was published.⁶⁶ The Committee notes that while the ESA reduction has already been legislated for and will deliver fiscal savings, there is a risk that it will affect disabled people's quality of life and likelihood of moving into work.⁶⁷ It states that if the Department decides to press ahead with this change, it must set out a clear plan for how it will financially support disabled people, before cuts to ESA are implemented in April.

The Committee's report states (original emphasis):

40. We welcome the announcement of additional employment support for people in the ESA-WRAG group, including the consultation on introducing a more comprehensive package of support in Jobcentre Plus. We have heard concerns, however, about the decision to align the rate of ESA for new WRAG claimants with the current rate of JSA. Where new ESA claimants have unavoidably higher living costs related to their conditions, this may leave them with lower disposable incomes than JSA claimants. ESA claimants are not expected to find work as quickly as JSA claimants, having been assessed as having limited capacity for work, and are likely to need support for longer. Even meeting the conditions of their benefits by participating in work-related activity can incur expenses that are higher than those of non-disabled claimants. It is imperative, therefore, that alongside the JCP support package the Department provides additional financial support to people in the WRAG where it has identified that the new, lower rate will leave them unable to meet essential living costs related to their conditions and benefit obligations.

41. The Government expects the new, lower rate for the ESA-WRAG to enhance incentives to work. The evidence is, at best, ambiguous. We heard substantial concerns about the possible impact of the new rate on disabled people's capacity to look for and move into work. Ensuring that a financial support package is in place may go some way to mitigating this risk. We remain concerned that the Department's rationale for its decision rests on limited

⁶⁶ HC 56 2016-17

⁶⁷ Ibid p4

evidence. Furthermore, the employment support-related mitigating strategies proposed are untested and dependent on the discretion and skills of JCP staff. In the case of the proposed “Personal Support Package”, they are unlikely to be fully implemented by the time the reduced rate is introduced.

42. We welcome the Department’s acknowledgement that disabled people may have unavoidably higher living costs related to their health conditions, and its commitment to helping ESA-WRAG claimants who receive the new, lower rate of payment to meet these costs. Having made this commitment, the Department must ensure that it spends its money wisely, effectively targeting support towards those in need. This requires greater clarity than has been forthcoming on how the Department intends to do this. If the Department is to press ahead with this change, it must ensure that prior to its introduction it has set out a clear plan for identifying where new claimants have additional, unavoidable living costs relating to their conditions that they will struggle to meet with the new payment level, and how it will ensure that they are able to meet these costs. This will require dedicated financing, beyond the remit of current discretionary support available through Jobcentre Plus (for example, via the Flexible Support Fund). We recommend the Government set out its approach in response to this report, prior to implementing the new, lower rate. Failure to do this could undermine both the Government’s case that there will be positive behavioural change amongst claimants and the savings that it expects to make.

An accompanying press release includes quotes from Committee members.⁶⁸ The Conservative Member Heidi Allen said that realising the Government’s ambition of halving the disability employment gap would require tapping the expertise of third sector organisations. This would only be achieved by devolving commissioning powers to DWP Work Coaches, but this would require “significant upskilling” of Work Coaches and a change to the payment by results model used in legacy employment programmes. Ms Allen continued:

Until this support mechanism is up and running and working well, I believe the DWP should delay the removal of the ESA WRAG benefit. People with disabilities and long term health conditions require extra financial support above Jobseeker’s Allowance while they make their slow but steady return to work.⁶⁹

The Labour Member Neil Coyle noted that while the Government had originally set a five year timeframe for halving the employment gap, it now recognised it would not be met within the next ten years. While it agreed the aim was laudable, the Committee thought that the Government’s lack of a new timetable or measurements for success was “alarming.” Mr Coyle added:

⁶⁸ Work and Pensions Committee, [Additional financial support needed before lower benefit rate introduction](#), 3 February 2017

⁶⁹ Ibid

The Committee is agreed that disabled people the Government has assessed as not being fully fit for work should not lose out under benefit cuts, until new employment support promised by DWP is delivered. Ministers must also make good on commitments to reduce other non-avoidable costs disabled people experience before new ESA benefit cuts are imposed.⁷⁰

The Committee's Chair, Frank Field, commented:

We expect the Government to respond to this report before the proposed new lower rate of ESA is due in April. If they intend to proceed with these cuts, we expect an explanation of how this will not be detrimental to its target of halving the disability employment gap, by making finding and keeping a job even more difficult for disabled people than it already is.⁷¹

⁷⁰ Ibid

⁷¹ Ibid

12. Is further detail available?

For general background on the *Welfare Reform and Work Act*, see [section 7 of Library briefing paper CBP-7252 produced for the Commons Second Reading of the Welfare Reform and Work Bill 2015-16](#) and [section 6 of the briefing paper considering the Committee Stage Report](#).

Developments during the Lords stages are covered in our briefing [Welfare Reform and Work Bill 2015-16: Lords amendments](#). This also details the various concerns voiced about the impact of the changes, and the main findings from the report [Halving The Gap? A Review into the Government's proposed reduction to Employment and Support Allowance and its impact on halving the disability employment gap](#), published by disability charities on 8 December.

Further comment on the impact of the ESA changes and related measures can be found in the [oral and written evidence to the Work and Pensions Committee's inquiry into the disability employment gap](#).

The [Employment and Support Allowance and Universal Credit \(Miscellaneous Amendments and Transitional and Savings Provisions\) Regulations 2017](#), made under the *Welfare Reform and Work Act 2016*, set out transitional arrangements and further detail on the changes.

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