

£145m mobility cut for disabled people may cost £464m

DBC, October 2013

Extra cut in mobility support for disabled people by DWP could result in extra costs incurred by Government

The Department for Work and Pensions (DWP) has announced it will be cutting mobility support for 428,000 disabled people despite significant concerns being expressed at the potential impact of this decision [1].

The Disability Benefits Consortium (DBC, [2]) believes DWP has failed to fully assess the impact of this cut in support for disabled people. We believe this cut will have a detrimental effect on disabled people. But we also believe it could have hidden costs attached for government as it may force more disabled people out of work.

Using the estimates detailed below, if around 50,000 disabled people leave work as a result of losing mobility help, the government risks new costs of £464 million from lost national insurance and income tax contributions as well as new unemployment benefit payments. While the cuts themselves will only save £145m in mobility payments.

Estimates and the need for DWP analysis

We have used the best figures available to estimate the impact of this decision on disabled people in work. Our figures are estimates only; we specifically ask that DWP provides further analysis.

Despite failing to provide Departmental analysis, DWP has been swift to criticise previous charity estimates of the impact of its cuts to disabled people – even those which turned out to be accurate [3].

The DBC will be exploring this issue further in future research.

In the absence of any DWP assessment of the impact of this decision, we estimate that this cut could mean the government ends up a net loser, through lost revenue and higher costs to DWP and elsewhere.

Disabled people in work losing help

Under a Freedom of Information request, DWP revealed that 21% of the disabled people accessing the benefit targeted by this cut are in work [4].

The original government consultation on abolishing this support referenced research suggesting that just 9% of the disabled people accessing help were in work [5]. The difference in figures suggests a significant need for robust DWP analysis of the impact of losing help on this in-work group of disabled people.

DWP plans to cut support for 428,000 disabled people of working age. If 21% of this group are currently in work that would represent 89,880 disabled people.

Losing help, losing work?

PIP is paid to partly reflect disabled people's higher costs of living; it is not an out of work benefit. But more than half (56%) of disabled people in work believe employment could become impossible without support [6]. This would represent about 50,333 disabled people.

If this group were all currently receiving high rate mobility payments, the total value annually would be worth a maximum of £145m [7].

Losing work, losing the Treasury revenue

But if 50,333 disabled people in work leave employment as a result of the cut preventing travel to and from workplaces, lost National Insurance and Income Tax contributions would cost the government more than the entire value of the payments being removed.

Whilst on average disabled people earn less than non-disabled people, there is no data on the average disabled person's income available. So we use the average UK salary of £26,100 to estimate lost income tax and national insurance contributions [8].

If 50,333 disabled people leave work it would cost about £278m [9] in lost income tax and national insurance.

Higher out of work benefit payments

Disabled people leaving work would also require out of work benefits.

Payments for 50,333 disabled people leaving work would be over £186m if Jobseeker's Allowance was claimed [10].

However, some disabled people may qualify for Employment and Support Allowance (ESA) which is paid at £100.15 per week for people in the Work-Related Activity Group. So, 50,333 disabled people leaving work could generate a higher annual bill of £262m [11]. For the remainder of this report, we use the JSA estimate only as it is unclear how many disabled people would qualify for ESA.

The total potential new cost to government

DWP plans to save money from payments that help disabled people in work. But if 50,333 disabled people losing payments worth £145m annually leave work the costs to government could be far higher for this group.

Using this estimate, lost national insurance and income tax contributions and new out of work benefit payments for this group could total about £464m.

But there are further costs to government of disabled people being out of work. Other new costs to government that could be generated include:

- Increased support required from councils;
- Benefit assessments (including for PIP);
- Greater demands made on health services, including GP appointments required to access medical records for new benefits assessments; and
- Access to Work support. Ministers have suggested Access to Work could provide help for disabled people in work hit by these cuts. Access to Work is a scheme supporting disabled people into mainstream employment. The average package is worth £2,900 a year. But the highest annual mobility payment being targeted for cuts by DWP is worth £2,873 (ie £27 lower than Access to Work support). Reducing help under PIP could result in a further £1.4m bill if 50,333 additional applicants sought Access to Work help and received average support packages.

DWP analysis essential

Organisations representing disabled people, carers and advice agencies have all asked DWP to undertake a full analysis of these cuts – including assessing potential costs to other parts of government.

Many potential costs of cutting help to disabled people were highlighted in consultation responses received by DWP as early as February 2011 [12].

In two years, DWP has failed to respond to enquiries about how it has costed the full impact of disabled people losing help.

This short report should act as a prompt to ensure DWP fully analyses all the costs of this cut – and for further changes in support for disabled people.

We hope unintended outcomes of making welfare cuts, like those forcing disabled people out of employment, will be identified quickly and addressed by DWP (and other departments as appropriate).

Recommendations

1. DWP ensures benefit changes for disabled people are fully impact-assessed to ensure higher costs to government are not incurred;
2. DWP undertakes and shares analysis of this specific cut on disabled people, including those in work;
3. That the rollout of this change in support for disabled people is monitored closely in partnership with disability organisations;
4. That DWP reconsider its position on restricting access to mobility support for disabled people; and
5. That Access to Work is, in addition, made more flexible and receives a significantly increased budget to ensure all disabled people in work can access funding and support to retain employment [13].

The Disability Benefits Consortium (DBC) is a national coalition of over [50 different charities](#) and other organisations committed to working towards a fair benefits system. Using our combined knowledge, experience and direct contact with disabled individuals and carers, we seek to ensure Government policy reflects and meets the needs of all disabled people.

<http://disabilitybenefitsconsortium.wordpress.com/>

References

- [1] DWP consulted on cutting mobility support from disabled people able to move 50 metres under former rules, to just 20 metres under Personal Independence Payments (PIP). The consultation closed in August and DWP published its response on 21st October, online at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251631/pip-mobility-consultation-government-response.pdf
- [2] The DBC is a national coalition of over 50 organisations committed to working towards a fair benefits system. See: <http://disabilitybenefitsconsortium.wordpress.com/>
- [3] Eg DWP initially refuted charity estimates of disabled people affected by DLA cuts and time-limiting contributions-based Employment and Support Allowance. Both estimates were revealed to be close to later DWP figures.

[4] The Freedom of Information response from DWP is online at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227185/foi-3438-2013.pdf

[5] See:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181633/dla-reform-consultation.pdf

[6] In a large survey of DLA users, 56% of respondents in work receiving DLA said they may be forced to leave employment if they lost help; see:

<http://www.disabilityrightsuk.org/department-work-and-pensions-february-2011-disability-living-allowance-reform-our-submission>

<<http://www.disabilityrightsuk.org/department-work-and-pensions-february-2011-disability-living-allowance-reform-our-submission>> . 56% of the 89,880 disabled people that DWP estimate are in work but affected by this cut in support represents 50,333 people. DBC are using these figures to estimate the proposed impact of the change in the absence of DWP figures. Access to Work (see [13] below) or Motability support help might prevent some job losses.

[7] £55.25 a week for 50,333 disabled people is £144.6m annually. The total saving for 428,000 people losing £55.25 a week would be £1.2b a year. If the 428,000 losing support access low rate payments (£21 a week) the cut would be £762m for the whole group. If 50,333 disabled people who fear losing work move to lower payments the cut for this group would be just £89.6m annually.

[8] See: <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2011-provisional-results--soc-2010--stb---ashe-results-2011--soc-2010-.html>

[9] NI contributions would be £2,201.76 and income tax £3,330.20 reaching £5,531.96 per person. Multiplied by 50,333 this is £278.4m.

[10] DWP figures suggest the percentage of people under 25 receiving PIP will rise (compared to DLA) so we assume the disabled people losing help will be over 25 and entitled to £71 per week JSA. If people access ESA support group it would cost £5.35 more per person, per week – a further £14m a year.

[11] £278m lost NI/income tax and JSA payments of £186m.

[12] For an example, see: <http://www.disabilityrightsuk.org/department-work-and-pensions-february-2011-disability-living-allowance-reform-our-submission>

[13] Not all disabled people in work can receive help from Access to Work scheme. Information on Access to Work is available at:

<https://www.gov.uk/access-to-work> but larger employers and central Government departments are no longer able to use the scheme. Access to Work can also be overly-rigid in application and applications are not dealt with as swiftly as disabled people and employers would like. The scheme currently supports 30,000 disabled people and would need considerably larger resources to meet the needs of up to 50,000 additional users.