

## A start on dismantling benefit barriers

Social Firms UK and SEP GB's research and reporting into benefit barriers to work has been followed by some welcome changes in government awareness and potentially to some aspects of the benefit system:

- **The Social Exclusion Unit's report on 'Mental Health and Social Exclusion' contained a few key recommendations on benefits, as were agreed by the Department of Work and Pensions;**
- **The Budget March 2005 referred to the recommendations and introduced an important change to the Linking rule into forthcoming legislation;**
- **The 52-week benefit Linking rule will be reformed from October 2006: bureaucratic registration procedures will be removed and access will be automatic. The Linking rule will be extended to two years, lessening the risks to people who have recurrent conditions. The qualifying period of a further six months on incapacity based benefits is to be removed. The Linking rule will become immediately available if it is required.**

**The Prime Ministers Strategy Unit report:** 'Improving the Life Chances of Disabled People', Chapter 7 on Employment, acknowledges key benefit barriers for disabled people for the first time and makes recommendations to alleviate disincentives to employment caused by:

- the limitations of Permitted Work rules, whereby people cannot develop their skills through gradually increasing work between 5 and 16 hours;
- the fear of losing incapacity benefits through a review triggered by study, training, voluntary and part-time work;
- the limited financial incentives for those leaving benefits for employment;
- the limited awareness of the Linking rules, and following a period in work a further 28 week delay on benefits before the Linking rule is available again;
- lack of awareness of and delays in the provision of Access to Work support.

**The Welfare Reform Green Paper** is to be published mid-October 2005. A three month consultation period will give Social Enterprises, disabled people and others the opportunity to make their views known. It's important that the sector feeds its views into this green paper – contact Social Firms UK to find out how you can do this.

**For more information about the work of SEP GB, Social Firms UK, or to obtain copies of the reports outlined above, please contact:**

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**Social Enterprise Coalition**  
 Website: [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

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## Social Firms UK and the Social Enterprise Partnership

### addressing benefit barriers to work

The Social Enterprise Partnership (SEP GB Ltd.) is a project funded by the EQUAL Community Initiative programme and other funders to deliver a three-year project of infrastructure and systems development, capacity building, research and development for the social enterprise sector.

The members of the Social Enterprise Partnership are the leading organisations working in the social enterprise field in the UK: Co-operatives UK, Development Trusts Association, New Economics Foundation, Social Enterprise London, Social Firms UK and the Social Enterprise Coalition.

Social Firms UK has led on the work undertaken under the SEP EQUAL programme regarding disincentives to employment for people in receipt of benefits as a result of ill-health or disability.

Incapacity based benefit systems and conditions present significant barriers to people whose aim is to get a job and those who seek to employ them.

A central project for SEP GB has been the commissioning and dissemination of guidance and research into overcoming disincentives to employment.

With King's College London, at Sainsbury Centre for Mental Health (SCMH), Social Firms UK and SEP GB Ltd have examined disincentives within the UK benefit's system and published:

- **'Briefing for Social Enterprises - Minimising Disincentives within the Benefits System'**

The guide explains how Social Enterprises can develop strategies to minimise benefit barriers to work for people with health problems or disabilities. This enables them to increase diversity within their workforce

- **'Addressing disincentives to work associated with the welfare benefits system in the UK and abroad'**

This research paper looks at the UK benefit system in the context of international systems, and recent government initiatives to ease the path to work. It considers inherent problems and makes recommendations for structural and radical change.

**'Benefits and work for people with mental health problems'** is a briefing primarily for mental health workers published by the Sainsbury Centre for Mental Health based on 'Addressing Disincentives'.

## ‘Briefing for Social Enterprises - Minimising Disincentives within the Benefits System’

The briefing provides practical clear advice for Social Enterprise managers and staff on understanding benefit barriers and means to ease the path to work for people who are aiming for employment.

### The key disincentives to work for people on incapacity benefits are identified as:

- Risks of losing financial security through engaging in voluntary work, education or training or part-time work;
- Lack of opportunity for part-time employment due to withdrawal of benefits at four hours work a week;
- A gap in income continuity during the transition from benefits to wages;
- Fear of a drop in income or little gain – when replacing benefits with earnings;
- Delays and difficulties for workers who need to return to incapacity benefits;
- Barriers in the way of getting support and equipment in the workplace;
- Lack of trustworthy, expert welfare benefits advice.

The Briefing sets out the steps that Social Enterprises can take to minimise disincentives and assist workers to plan a safe path towards and into employment, whilst protecting income security should the job not work out.

### Steps to minimise disincentives to work:

**Step 1:** Find out what your enterprise needs to know and who can advise you;

**Step 2:** Find out what opportunities can be offered within the benefit system: part-time paid work, voluntary work and training;

**Step 3:** Find out in which situations the Minimum Wage legislation will apply;

**Step 4:** Find out about employment law and which parts are relevant to your workers;

**Step 5:** Develop work and training roles that comply with benefit regulations and legislation;

**Step 6:** Ensure that workers, volunteers and trainees have access to expert benefits advice;

**Step 7:** Minimise the risk of reassessment and inappropriate disallowance of incapacity benefits;

**Step 8:** Plan ahead - get expert advice for workers making the transition from benefits into employment.

## ‘Addressing disincentives to work associated with the welfare benefit system in the UK and abroad’

This research paper makes a significant and substantive contribution to current debate on welfare reforms. It has been widely disseminated amongst policy makers, social enterprises and groups representing people who are disadvantaged in the labour market through ill-health or disability. Early drafts were provided to the ODPM Social Exclusion Unit, contributing to findings in their report on ‘Mental Health and Social Exclusion’.

Taking an international perspective the authors looked at incapacity and sickness based benefit systems across comparable OECD member countries and the success or otherwise of varying approaches and measures to support people into work.

The research looks into the experiences and perspectives of people in the UK who claim incapacity benefits. It highlights the difficulties faced by Jobcentre Plus staff and claimants alike in determining complex benefit rules, questioning the lack of dedicated reliable information for people moving towards employment. Government initiatives, such as the ‘Pathways to Work’ Programme are welcomed.

### Recommendations to diminish or dismantle benefit barriers include:

- **Raise the earning disregard:** very low earning disregards of £10 or £20 a week that limit work to an impractical 2 or 4 hours a week, prevent access to open employment;
- **Address the Marginal Deduction rate:** 93pence in the £ is taken from earnings of less than £110 a week. This results from the combined tapers or deductions of tax, NI, Tax Credit, Housing Benefit and Council Tax Benefit;
- **Extend and improve the 52 week Linking Rule:** unnecessarily bureaucratic procedures impede the use of the benefit Linking Rule, and delay reinstatement of benefits if health fails;
- **Publicise and improve Access to Work:** a dearth of publicity for the excellent ‘Access to Work’ scheme, combined with difficulties and delays in obtaining support for adaptations and equipment lead to disabled people losing employment opportunities.
- **Study the Impact of The Personal Capability Assessment (PCA):** the PCA is at the core of benefit barriers to work. It is the medical test by which people are

assessed for their entitlement to the higher rated incapacity benefits. The test is carried out at regular intervals, however any work related activity (such as study, training, voluntary work or part-time work) can be used as a reason to trigger an additional test. The activity may be thought to indicate some recovery and so incapacity benefits may be disallowed.

It is not surprising therefore that fear of loss of benefits deters and prevents people from undertaking education, training and work. Lack of meaningful activity creates social exclusion, corrodes skills, motivation and undermines self-belief. A new method of awarding benefits and of continuing to confirm entitlement is needed that will encourage and reward attempts to move towards work. In recognition of the scale of the task involved with a total redesign of the benefits system the report advances proposals to explore the scope of a radical alternative.

- **Introduce ‘The Tax Credit Starter’:** the report outlines a proposal for an alternative source of income based on the Working Tax Credit system. ‘The Tax Credit Starter’ would be made available to people who cannot consistently work 16 hours a week as is presently required for Tax Credit entitlement and to people with a low earning capacity and/or an episodic condition.

People with a long term disability or fluctuating health problem who are in receipt of incapacity benefits would be offered the option of transferring of their own volition to a ‘Tax Credit Starter’ if they wanted to move towards and into work. They would be provided with a secure basic income equivalent to incapacity benefits.

**All of the afore-mentioned benefit barriers would be dismantled. People with ill-health or disability could study, train and work without risking their income. Earnings and work would not be regulated by artificial benefit limits. People with fluctuating capacity would be able to participate in open employment as and when health allows.**

## ‘Benefits and work for people with mental health problems’ - a briefing for mental health workers

With the permission of Social Firms UK and SEP GB, the Sainsbury Centre for Mental Health commissioned a Briefing paper for mental health workers, based on ‘Addressing Disincentives To Work’ and the research for the ‘Briefing for Social Enterprises’.

The Sainsbury Centre for Mental Health has published a series of short briefing papers that give an introduction to topics of importance or controversy. The aim is to give clear and independent comment and analysis of the issues that lie behind it.

Many people who use mental health services want to work. Most of those who claim an incapacity benefit for the first time expect to go back to work, but after six months sickness absence there is only a 50% chance of them ever returning to work. The number of people claiming an incapacity benefit because of mental health problems has almost doubled in the last decade.

The briefing identifies the main areas of concern for people with mental health needs who might – if these were addressed – consider moving towards or into employment., and recommends means to reduce benefit barriers.

**“The test feels like a great big weight hanging over me just waiting to drop”** (Participant MIND Survey). Voluntary work, education training and permitted work may trigger a Personal Capability Assessment. People can be found capable of work before they feel able to cope.

**“The money earned (over £20) is taken away from Income Support or Housing Benefit so it’s virtually useless”** (Service user, Shaping Our Lives, on the Permitted Work rules).

**“Many people have concerns that if they returned to work they would be judged no longer to have the care needs provided by DLA”** (Office Deputy Prime Minister 2004)

**“People fear a drop in income – or little financial gain when replacing benefits with work. This may be caused by low wages, loss of DLA and the reduction in Housing Benefit which reduces Tax Credits”** (Disability Alliance, 2003)