

Lord Bridges of Headley, MBE
Chair of the Economic Affairs Committee
House of Lords
London
SW1A 0PW

Richard Hughes
Chair

102 Petty France
London SW1H 9AJ

obr.uk

13 November 2024

Economic Affairs Committee inquiry on *Economic inactivity: welfare and long-term sickness*

Dear Lord Bridges,

Thank you for inviting the Budget Responsibility Committee to give evidence for the Economic Affairs Committee's current inquiry on economic inactivity on 5 November 2024. Following the evidence session, you requested further information on topics related to the OBR's 2024 *Welfare trends report (WTR)*. This letter addresses each of your requests in turn.

What are the work capability assessment (WCA) criteria, and how have they changed since its introduction in 2008?

There are three possible outcomes at a WCA, which we term as:

- (1) **more severe incapacity** ('support group' under employment and support allowance (ESA) and 'limited capability for work and work-related activity' under universal credit (UC));
- (2) **less severe incapacity** ('work-related activity group' under ESA and 'limited capability for work' under UC); and
- (3) **fit for work** ('fit for work' under ESA and 'capability to work' under UC).

The WCA looks at how any health condition or disability affects a claimant's ability to perform a range of everyday activities. The WCA does this by assessing a claimant against a list of 'descriptors', in each case assessing the extent to which a claimant can perform a certain activity. There are separate descriptors for more severe incapacity and less severe incapacity (though there is significant overlap between the two sets of descriptors). A full description of these descriptors is available in DWP's *September 2024 WCA Handbook*, and we would suggest that you contact DWP if you are interested in further detail on these issues.

There are currently 16 functional descriptors for more severe incapacity. If a claimant is unable to perform one or more of these 16 tasks, they are deemed to have severe functional limitation and recommended for the more severe incapacity group. A claimant who is able to perform all of these tasks may still be recommended for the more severe incapacity group if they fulfil special circumstances, such as having a terminal illness or if exclusion from the more severe group would pose a substantial risk to their mental or physical health. A full explanation of special circumstances is set out in section 2.3.2 of DWP's *September 2024 WCA Handbook*.

There are currently 17 functional descriptors for less severe incapacity. These descriptors list a range of actions for a given activity, and depending on the extent of the claimant's ability to perform the activity they are awarded points. If they are awarded at least 15 points, they are recommended for the less severe group. A claimant awarded fewer than 15 points may be deemed eligible for the less severe group under exceptional circumstances set out in section 3.8 of the WCA Handbook.

In 2011, the Government removed three functional descriptors and altered ten functional descriptors, which included expanding eligibility for the more severe group to cover more people with certain communication issues or severe disability due to mental health conditions.

In 2013, the Government expanded the categories of cancer treatment that make a claimant eligible for the more severe group.

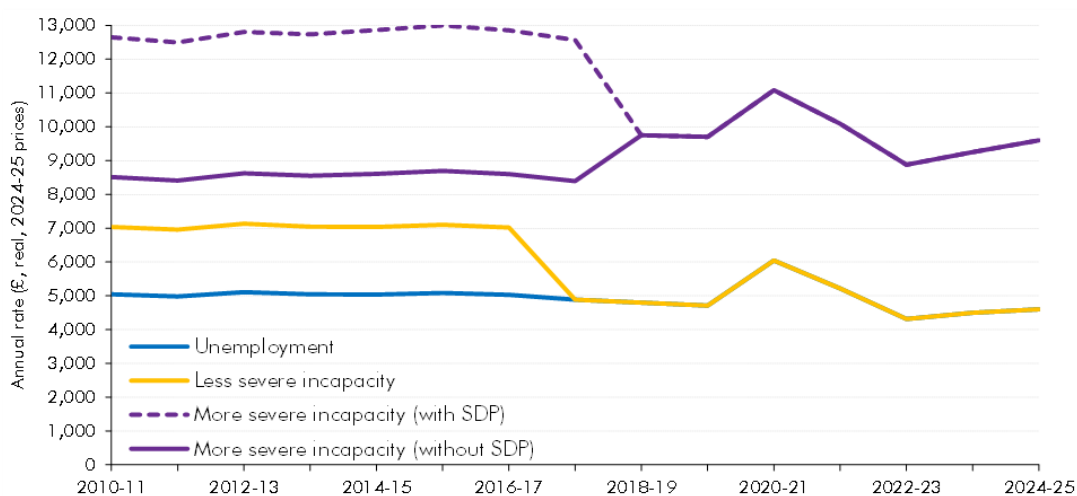
In November 2023 the previous Government announced changes to some descriptors both for the more severe and less severe groups, to be introduced in 2025. These changes were set out in the November 2023 *Government Response to the Work Capability Assessment: Activities and Descriptors Consultation*.

As well as changes to the assessment criteria (descriptors), we outlined other changes that may have affected assessment outcomes in paragraphs 3.15 to 3.17 and 3.22 to 3.24 of our 2024 *WTR*. These included the DWP expanding opportunities for claimants to provide additional evidence in the early 2010s; the introduction of mandatory reconsiderations in 2013; a new assessment provider in 2015; and more developed advice from external organisations as the WCA bedded in.

What are the levels of benefit award for the more severe and less severe groups, and how have they changed over time?

The specific award a claimant receives will vary based on their circumstances and their eligibility for certain premia (on ESA) and elements (on UC). For simplicity, we provided a highly stylised illustration of the award a representative claimant would receive for more severe and less severe incapacity in Chart 3.7 of our 2024 *WTR* (reproduced below).

The relative generosity of means-tested benefits over time



Note: The time series switch from their respective legacy benefit rates to their UC counterparts in 2018-19, when UC had been rolled out nationwide. The awards are for a new claimant, who is single, aged 25 or over, and has no dependents.

Source: DWP, IFS, OBR

Several changes to the benefits system have affected the level of awards for incapacity benefits claims over the past 15 years (too numerous and complex to detail in full here) but two have been most significant: (a) the move from ESA to UC, and (b) the removal of the less severe health element for new claims in 2017.

The impact of the move to UC from ESA on the generosity of awards varies based on claimant's circumstances and premia eligibility under ESA. More severe cases not eligible for the severe disability premium (SDP) likely have an increase in award because of the move to UC, whereas cases eligible for the SDP likely have a decrease in award. In our October 2024 *Economic and fiscal outlook* we assumed that the managed migration of ESA cases to UC will temporarily increase average awards due to 'transitional protection', but by the forecast horizon will decrease average awards for incapacity benefits claimants as awards are on average slightly lower on UC compared to ESA. This is consistent with recent results of microsimulation modelling by the Resolution

Foundation, which showed via a steady-state comparison that those on ESA in the legacy system were on average worse off on UC.¹

Prior to April 2017, cases in the both the more severe and less severe groups received additional payments (relative to those on jobseeker's allowance and the equivalent 'unemployment' route within UC), with the more severe health element equal to £416 a month in 2024-25 and the less severe health element equal to £156 a month. From April 2017, the less severe health element was no longer awarded for new claims placed in the less severe group, reducing annual awards by just under £2,000 in 2024-25 prices and increasing the health element gap between the more severe and less severe awards from around £3,000 a year to around £5,000 a year.

Please provide more information on the assessment process. Who does it, and how, when and how often?

Chart C of Box 3.2 in our 2024 *WTR* summarises the assessment process. The WCA itself is conducted by a healthcare professional, and the DWP decision on the outcome of a claim draws on a range of evidence such as the UC50/ESA50 questionnaire and medical evidence (for example from a claimant's GP) as well as the assessment itself. For further information on the detail of the process, we recommend asking DWP.

Warmest regards,



Richard Hughes
Chair

¹ Resolution Foundation, *In Credit?*, April 2024.