

Mending the holes:

restoring lost disability elements to universal credit

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Foreword

The Disability Benefits Consortium (DBC) is a coalition of over 80 different disability organisations working towards a fair benefits system. Using our combined knowledge, experience and direct contact with disabled people, those with long-term health conditions and carers, we seek to ensure government policy reflects and meets the needs of disabled people.

The introduction of universal credit (UC), gradually replacing six “legacy” benefits, has been a matter of great interest and concern to our member organisations and those whose interests they seek to represent.

These claimant groups have not done well from the changes to the social security system over the last ten years. Research recently published by the DBC¹ highlighted the financial impact and lived experience of these changes and gave much cause for concern regarding the impact they have had on many disabled people’s wellbeing and right to independent living.

Those disabled people adversely affected do not just lose money – they can lose access to transport, their independence, and in some cases, their jobs. Problems affect both benefits for basic daily living, such as employment and support allowance (ESA) and UC; and those intended to help with the extra costs of disability, such as disability living allowance (DLA) and personal independence payment (PIP).

Within UC itself, there is a pattern of gainers and losers, but the losses for disabled people are considerably greater than the gains.

A principal cause of losses for disabled UC claimants is the reduction or removal of elements relating to disability that obtained within the legacy system. The recommendations in this current report seek to put this right: whilst still fitting in with the overall design and structure of UC, they aim to address as effectively as possible the losses faced by different groups, especially the income reductions which the evidence indicates are likely to lead to the greatest hardship.

The analysis was undertaken and the report written by Sue Royston, who has long experience in the field of welfare rights advice and is an adviser to the DBC.

The project has been led by Geoff Fimister, Policy Co-chair of the DBC, whose contact details, for readers who would like further information, are at p. 38.

¹ M. Griffin, **Has welfare become unfair?: the impact of welfare changes on disabled people**, DBC, July 2019: bit.ly/DBC-HasWelfareBecomeUnfair

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1. Summary

1.1 The Office for Budget Responsibility's **Welfare Trends Report 2018**² points out that, under UC:

“[Those claiming] Employment and Support Allowance see net losses of £1.4 billion. This reflects the removal of disability premia, which more than outweighs.... [the gains for some people claiming ESA]”.

The report notes that, whilst 871,000 households on ESA will see an average increase of £1,121 a year, 950,000 will see an average loss in entitlement of £2,608 a year.

1.2 These are not the only losses disabled people face. In addition to those faced by ESA claimants, there are also cuts in support for most households with a disabled child and for households with someone claiming the disabled worker element of working tax credit (WTC).

1.3 Our report builds on the various earlier work that has been done demonstrating the overall extent to which disabled people will lose out under UC. It examines the detail of where these cuts actually fall, by examining the structure of the support for disabled people within UC and how it compares with the means-tested benefits and tax credits “legacy” system it replaces.

1.4 We identify two changes leading to higher entitlement, but many more that reduce the financial support for disabled people in UC compared to the legacy system and examine the impact of these changes. We make a package of recommendations to address the losses faced by different groups of disabled people, whilst still fitting in with the overall design and structure of UC, seeking to restore as effectively as possible this lost financial support, especially where the evidence points to the losses likely to lead to the greatest hardship.

1.5 There are two very positive measures within UC for some disabled people:

- **The limited capability for work-related activity (LCWRA) element of UC is higher** than the equivalent amount awarded to those in the support group of income-related ESA and continues to be included in the maximum amount of the household regardless of earnings (a single person in the support group of ESA with no other income and not entitled to the severe disability premium (SDP) will be £95 a month better off on UC); and
- **An earnings limit does not apply to the carer element of UC** as long as the other criteria for entitlement to carer's allowance (CA) are met.

² https://obr.uk/docs/dlm_uploads/WelfareTrends2018cm9562.pdf

1.6 Taken together, these two measures correct a significant benefits trap within the legacy system for couples where one is in the support group and the other is a carer for their partner but also working and wanting to increase their hours of work. (See [Graphs 1&2](#) on p. 39).

1.7 However, there are many more measures that will significantly reduce financial entitlement for many disabled people and that we believe will lead to significant hardship.

The lack in UC of any equivalent of the SDP

1.8 The **lack of an equivalent of the SDP** is the most concerning issue with the structure of UC. (For an illustration of the impact of this, follow the link to the scenario [Jane and Mike then Jane on her own](#) on p. 50).

1.9 The SDP is paid to those disabled people who are on a disability benefit that would entitle them to have a carer paid to assist them but who do not have a carer and who live on their own (or only with dependent children or another adult in receipt of a qualifying benefit).

1.10 Even those with the LCWRA element (which is significantly higher than the ESA support group addition) will be £191 a month worse off on UC than in the legacy system. Those with the LCWRA element and who would have been entitled to the SDP in the legacy system have the greatest needs and face the highest costs.

1.11 This group face very many additional costs that disabled people who have a partner or carer would not face or would face to a lesser extent. The SDP is an extremely efficient way of supporting those who live on their own, as it enables people to prioritise what is essential in their particular circumstances. It is often used to defray the expenses of family and friends who live at a distance so cannot assist sufficient hours to claim CA, but are travelling on a regular basis to care for the claimant.

1.12 Those who are entitled to the SDP are already likely to be more socially excluded than other groups, frequently reporting additional costs in getting out at all and restricting any trips to essentials such as visits to their doctor.

1.13 Single parents in receipt of the SDP (as children cannot claim CA) are frequently very concerned that their children who act as carers for them are suffering.

1.14 This reduction in income for these groups can only lead to even further social exclusion for severely disabled people living on their own (or just with children) and for child carers.

In UC there is no equivalent of the enhanced disability premium (EDP) and the disability premium for those who will not qualify as having LCWRA

1.15 There are two other premiums for which there is no direct equivalent in UC. Most of those receiving the enhanced disability premium (EDP) are in the ESA support group (which corresponds to the UC LCWRA group) and are covered in our discussions about the LCWRA element and the SDP. However, those not placed in the LCWRA group but who are entitled to the PIP (enhanced daily living) or DLA (higher rate care) component would also be entitled to the EDP but will receive no additional support at all under UC if they are unable to work, even though they have been found to need the highest level of care when assessed for a disability benefit.

1.16 The disability premium (DP) is paid to those awarded DLA or PIP who claim other legacy benefits, but not ESA. Under UC they would have to have a work capability assessment (WCA) and be placed in the LCWRA group to have any additional financial support if they are not working. Claimants who do not qualify for the LCWRA element will be £149 a month worse off (although if the limited capability for work (LCW) element – abolished for new claims from April 2017 (see below) – were restored, this would help some of them). The situation for those with the DP who are working is covered in a later section.

Reduction in support for most disabled children

1.17 Parents of most disabled children will have £154 a month less money to support that child under UC than under the legacy system. All households with a disabled child, apart from those with a child on the higher rate care component of DLA or who is severely sight impaired, will face this loss. These families face many additional costs, which vary dependent on the impairment but can include: aids and adaptations not provided; additional clothing; additional laundry costs; additional breakages of household items and books and toys; additional travel costs to hospital and other appointments; and higher childcare costs for disabled children (frequently ongoing for a longer period, and at least 15% of any cost has to be found by the parent).

1.18 Single parents, in particular, are likely really to struggle financially as a result of this measure. Many are unable to work if they have a disabled child, because of the care needs of the child, the numerous appointments, having to be home for the taxi collecting and delivering their child, or because their child frequently is unable to be at school or has to come home early, as well as the lack and the distance away of suitable childcare. (See [Lauren](#) on p. 51).

(See [Graphs 3 to 6](#) on pp. 40-41 for the impact of this measure on the income of a household with disabled children as hours of work of parent(s) increase).

Reduction in support for many disabled people who are working

1.19 There is also a group of measures likely to act as significant **work disincentives** for many disabled people.

1.20 In the legacy system:

- ESA claimants can do permitted work and earn up to £131.50 a week without losing any of their ESA (or if relevant, their loan of mortgage interest or, if renting, their housing benefit (HB));

- others, who are working 16 hours or more and are entitled to DLA or PIP or have recently been receiving ESA and still qualify as disabled, can receive the disabled worker element of WTC to assist with the additional costs they face, as a disabled person in work, that cannot be covered by Access to Work.

1.21 In UC, to access any additional support, disabled people must have a WCA and be placed in the LCW or the LCWRA group. The additional support is then through the LCW or LCWRA element and the disabled person's work allowance.

a) Reduction in the amount you can earn without reducing your benefit

1.22 Under the permitted work scheme for ESA someone can earn up to £131.50 without any reduction in their benefits (though any earnings beyond that do create a significant reduction in income – mitigated somewhat for those who work 16 hours or more and can claim WTC). Under UC someone who is found to have LCW or LCWRA can earn £66 if they pay rent or £116 if do not pay rent before their UC starts reducing. (See [Graphs 7 and 8](#) on pp.41-42).

b) Many of those that qualify for the disabled worker element of WTC will not qualify for any additional support in UC

1.23 Someone who qualifies for PIP or DLA but does not qualify as having LCW or LCWRA will receive no more UC than a non-disabled person. For example, a wheelchair user who can mobilise 50 metres in a wheelchair will qualify for the enhanced mobility element of PIP but will not be found to have LCW, so within the UC system will be treated as if they are not disabled. (See [Sharon](#) on p. 52 and [Graphs 9 and 10](#) on pp.42-43).

1.24 Parents, even if they qualify as having LCW, will still receive no more UC than a non-disabled parent (the LCW element has been abolished and they

cannot make use of the disabled person's work allowance because they are only entitled to one work allowance).

1.25 Over a third of the people who qualify for the disabled worker element of WTC are parents. This makes a huge difference to the work incentives of all disabled parents but disabled single parents in particular – a disabled single parent in the LCW group and earning £8.21 an hour and living in rented accommodation will be worse off at any level of earnings and by 16 hours of work will be about £200 a month worse off on UC than in the legacy system. If they are paying a mortgage, the drop in income in UC is even larger. (See [Mary](#) on p. 52 and [Joan and Dave](#) on p. 53. See also [Graphs 11 to 16](#) on pp. 43-44).

c) Accessing any additional support will be very complex for those with deteriorating conditions

1.26 In order to access additional support, a claimant must have a WCA and be placed in the LCW or LCWRA group. However, in order to access a WCA they need to be earning below the adult hourly national minimum wage rate for 16 hours a week (unless they are already receiving PIP or DLA). This will make accessing that additional support very complex for those who are in full-time work but have a deteriorating condition and need to reduce their hours. Someone in this position may well have to ask their employer if, for three or four months, they can reduce their hours further than suits them or their employer until they can have a WCA, whereupon they would be entitled to increase their hours again and keep the additional support. (See [Abdul](#) on p. 54).

d) The way support is provided in UC, compared to the legacy system, for those paying mortgage interest is also likely to act as a strong disincentive to work for some disabled people

1.27 It is necessary in the legacy system, as in UC, to be receiving an out-of-work benefit such as ESA for nine months before qualifying for a loan of mortgage interest. However, those on ESA can do permitted work for a few hours each week, to keep in touch with the workplace and their ex-colleagues. If they have a fluctuating condition and wish to try working more hours, they can re-enter full-time work and if they then become too ill to continue and need to reclaim ESA, they will not have to re-serve their waiting time. Whereas on UC any earnings at all will re-start the clock. Those who are reliant on a loan of mortgage interest to keep their home will be unable to afford to work for a few hours each week as many will have a lower level of income than if they did not work at all. Moreover, once they have qualified for this loan, it will act as a very strong disincentive to try to return to work because of the prospect of managing for another nine months without the loan if they find they cannot continue in work. (See [Elaine](#) on p. 54 and [Graph 17](#) on pp. 44-45).

1.28 There are three other measures that will add to the financial difficulties some disabled people face:

A claimant cannot receive both the LCW or LCWRA component and the carer element of UC

1.29 For example, some disabled claimants may be caring for a disabled child. These two sets of extra costs are not both recognised in the UC calculation.

There is a reduction in living costs of £66 a month for those under 25 with LCW or LCWRA compared to those in the legacy system assigned to the work-related activity group (WRAG) or support group of ESA

1.30 This reduction is on top of any of the other reductions in financial support that they may face. This, combined with other issues such as the lack of an equivalent of the SDP and less support in work on UC than in permitted earnings on ESA, is likely to make it harder for young disabled people to live independently. (See [Graph 18](#) on p. 45).

Income other than earnings will be worthless under UC

1.31 In the legacy system, although out-of-work benefits take income other than earnings pound for pound from entitlement, HB and the tax credit system apply a taper. Under UC, however, any income other than earnings is taken pound for pound from UC entitlement. Treating income other than earnings in this way will have a particular impact on those who have worked for many years, paid into an occupational pension, paid National Insurance (NI) contributions and have to retire early on health grounds. If they claim UC, they will have no more money than if they had never made those pension and NI contributions, whereas in the legacy system they would be a bit better off. (See [John](#) on p. 55).

2. Recommendations

2.1 The costings³ for our recommendations are at this point provisional and are based on the numbers we have estimated as being affected.

2.2 As we are concerned with how UC is structured, in comparing entitlement the numbers used are based on current recipients and so reflect costs once UC is fully rolled out and any transitional protection exhausted.

2.3 This of course means that, for the next few years, actual costs to the DWP will be considerably less than those quoted, as transitional protection has already been taken into account in official costings.

2.4 Our recommendations are as follows:

Additional support for disabled people who live on their own and do not have a carer

1. a) Introduce a self-care element paid at the same rate as the carer element to anyone who does not have someone caring for them who is claiming carer's allowance or the carer element or premium.

Numbers affected: 528,000 people were in receipt of the SDP in Feb 2018⁴. (There would in addition be some who do not live on their own but do not have a carer who would be eligible, but this is likely to be relatively few as, under UC, partners and others who are working and are a carer will be able to claim the carer element of UC).

Cost: £1,015 million a year.

b) Increase the self-care element (and correspondingly the carer element) by £30 a month so that those on UC who would have qualified for the SDP in the ESA support group are no worse off on UC than in the legacy system.

Numbers affected: 528,000 currently on SDP and 170,000 carers claim income support (IS).

Additional cost: £250 million.

Support for parents of disabled children

2. The lower rate of the disabled child element should be restored to its level in the legacy system.

³ Rounded to the nearest £5 million.

⁴

Numbers affected: In 2016-17, 110,000 households with someone in work had a disabled child entitled to the lower rate of the disabled child element of child tax credit (CTC) but not the higher rate⁵ and in 2018 there were 101,000 such households with no-one in work⁶.

Cost: £390 million a year (£205 million for those in work and £185 million for households with a disabled child and no-one in work).

Increasing and simplifying support for disabled people in work or looking for work

3. a) Anyone entitled to any award of PIP or DLA should automatically be entitled to the disabled person's work allowance
- b) Those who are awarded some points in a WCA but not sufficient points to qualify as having LCW should still be entitled to the disabled person's work allowance.

Numbers affected: 121,000 households had the disabled worker element included in their TC award. Of these 47,000 would be unable to take advantage and are covered separately in recommendation 5.

Cost: £160 million (this is a very significant overestimate as many would be entitled without this recommendation).

4. Someone with a serious health condition or impairment with a GP note saying that their condition or impairment limits their ability to work should automatically be entitled to a WCA to test their entitlement to the LCW or LCWRA addition and the work allowance, regardless of their earnings.

Cost: No increased benefit but may increase take up.

5. a) Work allowances should be additive and two work allowances should be awarded if there are two disabled workers in a household – the second work allowance to be paid at the lower rate.

Numbers affected: In 2016-17 (latest finalised statistics) 46,000 parent households had the disabled worker element included in their tax credit award and 1,000 households had two disabled worker elements included in their WTC.

Cost: £100 million⁷.

⁵ <https://www.gov.uk/government/statistics/child-and-working-tax-credits-statistics-finalised-annual-awards-2016-to-2017> (Tables 3.5 & 3.6).

⁶ Parliamentary written answer by Liz Truss MP, 23/7/19 (to a question by Marsha de Cordova MP).

⁷ Lower work allowance is £287 a month, so worth £181 a month (taper at 63%).

b) The carer element and the LCW or LCWRA component should be additive.

We do not have numbers affected or costs for this recommendation, but neither is likely to be great.

6. To ensure that disabled people with a mortgage are not prevented from trying work or keeping in touch with their workplace:
 - a) Support with mortgage interest should be available to those with a mortgage earning less than the lower work allowance, as well as those not working.
 - b) Anyone who has qualified for support with mortgage interest and then moves into work should not have to wait to requalify for mortgage interest support if in less than a year they need to stop working.

Cost: Likely to be cost saving as current position is likely to prevent people from trying work or staying in the workplace for a few hours a week.

Restoring the LCW element would assist disabled people unable to work, disabled people looking for work and those in work

7. The LCW element should be reinstated.

Numbers affected: 414,000 people in the WRAG of ESA (Feb 2018)⁸.

Cost: £625 million ⁹.

Simplifying the elements within UC to reflect the fact that they are there now both to support those who are unable to work but also to cover the additional costs disabled people face in work

8. a) Someone entitled to any element of PIP or DLA should be entitled to the LCW element as well as the disabled person's work allowance (see recommendation 3).

Numbers affected: The DP is included in the benefit of 76,000 on IS and 36,000 on jobseeker's allowance (JSA)¹⁰.

8

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734667/dwp-quarterly-benefits-summary-august-2018.pdf

⁹ Numbers on JSA and IS have been included in costing for recommendation 8, although some would qualify anyway if recommendation 7 were enacted but not recommendation 8.

¹⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734667/dwp-quarterly-benefits-summary-august-2018.pdf

Cost: £170 million (if LCW element reintroduced).

- b) Except that someone entitled to the enhanced living costs element of PIP or the higher rate care component of DLA should be entitled to the LCWRA element as well as the disabled person's work allowance.

Numbers affected: The severely disabled adult element is included in WTC award of 42,000 households; and 29,000 people on IS were in receipt of the EDP¹¹. It is likely that of these, about 3,000 would not qualify for the LCWRA element. In addition, 56,000 people in the WRAG of ESA were entitled to the EDP.

Cost: £240 million.

Under-25s

- 9. Under-25s in the LCW group should be entitled to the 25 and over living costs element.

Numbers affected: In November 2018, 126,000 people under 25 years of age were claiming ESA¹².

Cost: £100 million.

Ensuring that contribution-based benefits and occupational pensions are not rendered worthless by UC

- 10. Income other than earnings should be subject to a taper, not taken pound for pound.

Numbers affected: We do not have the numbers for households who have their HB or WTC reduced as a result of an occupational pension and/ or a contribution-based benefit

Cost: Would depend on the level of the taper and the numbers affected.

[hment_data/file/714479/ad-hoc-statistics-income-related-employment-and-support-allowance-february-2018.pdf](#)

¹¹ Extrapolating from ESA figures – assumed that 4% of those entitled to the enhanced living costs element of PIP or the higher rate care component of DLA do not qualify for the LCWRA element.

¹² DWP stat-explore <https://stat-explore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>

3. Introduction to main findings

3.1 The Office for Budget Responsibility **Welfare Trends Report 2018**¹³ points out that, under UC:

“[Those claiming] Employment and Support Allowance see net losses of £1.4 billion. This reflects the removal of disability premia, which more than outweighs.... [the gains for some people claiming ESA]”.

3.2 The report notes that, whilst 871,000 households on ESA will see an average increase of £1,121 a year, 950,000 will see an average loss in entitlement of £2,608 a year.

3.3 In addition to these, over 100,000 households who have a disabled child will be entitled to £1,850 a year less for that child and nearly half of the 121,000 receiving the disabled worker element of WTC, worth £3,355 a year, will be entitled to no additional support in UC, despite the benefits system recognising them as disabled.

3.4 The overall losses for disabled people are clearly very large. This paper sets out to disentangle who exactly are the winners and losers; how much people in differing circumstances will lose or gain; and the likely impact.

3.5 Disabled people live in a wide variety of different types of household, with different levels of earnings or none. Some of these households will gain on UC compared to the legacy system, others will lose. What is demonstrated here is the additional impact, both positive and negative, of the changes in support for disabled people in UC compared to the legacy system. As noted above, as this paper is concerned with the structure of UC and how effectively it will support disabled people, it assumes the situation once UC is fully rolled out and all transitional protection exhausted.

3.6 For households where no-one is able to work, it is relatively straightforward to set out the gains or losses and the numbers affected. However, when someone in the household is in work, the difference in the amount disabled people will be entitled to receive in UC, compared to the legacy system, will vary depending on how much there are gains and losses in non-disability-related aspects of the household income. It will also vary depending on their housing costs and at different levels of earnings, as the way the two systems work is different.

3.7 To enable a clearer view of the likely impact of the changes in support for disabled people in UC, compared to the legacy system, at different levels of

¹³ https://obr.uk/docs/dlm_uploads/WelfareTrends2018cm9562.pdf

earnings, there is a series of graphs in Appendix 1 that demonstrate the impact on household income, as earnings increase, for the changes in support (both positive and negative) set out below and a series of scenarios in Appendix 3 that give a clearer picture of what this will mean for individual households. (There are hyperlinks in the text and in the appendices to make moving between the text and the graphs or scenarios as easy as possible).

3.8 In 2012, Citizens Advice, the Children's Society and Disability Rights UK conducted a survey of almost 3,500 disabled people to support the inquiry by Baroness Grey-Thompson into the likely impact of UC on disabled people. In that survey, people were asked about the additional costs faced in different situations and the likely impact if someone in their situation had to manage on less money. It focused on three issues with UC: the lack of any equivalent of the SDP; the drop in support for most disabled children; and the reduction in support for disabled people in work. Since then, the situation for many has got worse. We have used the comments made by disabled people in that survey (summarised in the report **Holes in the Safety Net**¹⁴) to illustrate why we believe changes to the support for disabled people in UC are urgently needed.

¹⁴ https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/holes-in-the-safety-net-final-copy.pdf

4. Measures in UC leading to higher entitlement

4.1 The **LCWRA element of UC is higher** than the equivalent amount awarded to those in the Support Group of income-related ESA.

Amount payable:

If no-one in the household is working, at least one person in the household is entitled to the support group component/ LCWRA element, there is no other income and no-one is entitled to the SDP then:

- A single person will be £95 a month (£22 a week) better off on UC than in the legacy system;
- A couple will be £63 a month (£15 a week) better off on UC than in the legacy system.

In the legacy system, the total additions are:

- for all single person households £241 a month (£55 a week);
- for couples £274 a month (£62 a week)¹⁵.

In UC, the equivalent is the LCWRA: £336 a month (£77 a week).

Numbers affected:

In Feb 2018, 1,330,000 people were in the support group of income-related ESA. Of those, 420,000 were also entitled to the SDP and so likely to be worse off on UC.

However, the remaining 910,000 are likely to be better off on UC, or at least better off than a comparator household in the same situation apart from having one member in the support group of ESA. This is clearly very welcome and together with the following change (immediately below) addresses a very real problem within the legacy system.

4.2 The **earnings limit does not apply to the carer element of UC**, as long as the other criteria for entitlement to CA are met.

In the legacy system:

The carer premium is payable (but not in tax credits) if claimant:

¹⁵ Support component, £168 a month (£39 a week); and the EDP for a single person, £73 a month (£17 a week), for a couple £105 a month (£24 a week).

- earns less than £123 a week **and**
- receives CA **or**
- has claimed CA and meets qualifying conditions but receives an overlapping benefit.

In UC:

The carer element is payable as above, except in UC the earnings limit does not apply as long as the claimant meets the other criteria for CA.

Amount payable:

In the legacy system and in UC, £160 a month (£37 a week).

Impact of removing the earnings limit for the carer premium/ element:

The loss of the carer premium when the earnings limit (£123 a week) is exceeded creates a very problematic benefit trap in the legacy system. The loss of this premium, worth £37 a week beyond earnings of £123 a week, makes it very difficult for a couple, with one in the support group and the partner acting as carer but also working, to make work pay beyond this limit.

This is especially true if the person in the support group is not entitled to contribution-based ESA. Graphs 1 and 2 in Appendix 1 demonstrate this. The two graphs (one for a couple renting, the other for a couple paying a mortgage) demonstrate the change in household income as the partner's hours of work rise. As can be seen clearly, in both cases UC gives a steady gain from work, whilst in the legacy system it is very difficult to make any work pay. For example, in such a household, if the partner works 20 hours a week: in the legacy system they are only £24 a week better off than when the partner does not work, whereas in UC they are £111 a week better off. (See [Graphs 1 and 2](#) on p. 39).

4.3 However, these changes, whilst very welcome, have been made at the expense of probably the most disadvantaged group within the system – those entitled to the SDP. Money that was there to assist with the additional costs faced by “severely disabled” people living on their own or just with dependent children, has been transferred to households with an adult in work.

5. Measures in UC leading to lower entitlement

5.1 The lack in UC of any equivalent of the SDP:

The SDP is payable in the legacy system to those on working age benefits if all the following apply:

- in receipt of PIP daily living component **or** DLA middle rate or high rate care **or** constant attendance allowance **or** armed forces independence payment **and**
- no one else lives with you apart from dependent children or someone who is also in receipt of one of the above benefits **and**
- no one is paid CA or is entitled to the carer element in their UC claim to assist you.

Amounts payable:

Single person, £286 a month (£66 a week).

Couple (both must qualify), £572 a month (£131 a week).

There is no equivalent in UC.

Numbers affected and the impact of other changes:

In November 2018, 506,000 claiming income-related ESA received the SDP. Of these, 59,000 were single parents with dependent children¹⁶.

28,000 receiving other benefits were also entitled to the SDP.

420,000 (84% of the above ESA claimants) were in the support group¹⁷. Those in the support group of income-related ESA who are entitled to the SDP will have £191 a month less income on UC than in the legacy system (£336 a month UC LCWRA element, compared to £527 a month in the support group)¹⁸.

¹⁶ Parliamentary written answer by Justin Tomlinson MP, 26/7/19 (to a question by Marsha de Cordova MP).

¹⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714479/ad-hoc-statistics-income-related-employment-and-support-allowance-february-2018.pdf

¹⁸ On income-related ESA, they are entitled to the support group component (£168 a month) and the EDP (£73 a month) – a total in addition to basic living costs of £241 a month. If they are also entitled to the SDP of £286 a month, this is a total of £527 a month.

There were 9,500 households where both members of a couple were entitled to the SDP¹⁹. Households in this situation will lose about £510 a month (over £6,000 a year, assuming at least one has LCWRA – it will be even more if neither does).

In February 2018, there were 70,000 people on ESA who were in receipt of the SDP but were not in the support group (this excludes 10,000 in receipt of the SDP who had claimed ESA but had not, at that point, been assessed). Those not in the support group of income-related ESA but in receipt of the SDP will be £286 a month worse off on UC than under the legacy system.

Of this group, 30,000 are entitled to the EDP as well as the SDP. They will be £359 a month worse off.

There were also 18,000 entitled to IS and 10,000 entitled to JSA who were entitled to the SDP – they are also automatically entitled to the DP, so they will be either £435 a month worse off, or about £100 a month worse off if awarded the LCWRA element.

The impact of the loss of the SDP:

A survey in 2012 of claimants with the SDP included in their benefit²⁰ showed that, even with the SDP in place, many were really struggling to make ends meet and were already having to cut back on essentials because of the many extra costs they incur that those with an able-bodied person in the same household would not face or would face to a lesser extent.

“I cannot leave the heating off any longer. I am doing without the maintenance contract on my stair-lift because I haven’t got £250 but I live in fear of it breaking down and me being back to crawling up and down stairs on my bottom”.

The SDP was used for many jobs with which respondents needed help but which they thought an able-bodied person would have done very quickly. These included cooking, cleaning, washing, changing sheets, and small decorating and maintenance jobs.

¹⁹ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-05-13/253642>

²⁰ **Holes in the Safety Net: the impact on disabled people of the abolition of the Severe Disability Premium within Universal Credit**, Oct.2012: https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/holes-in-the-safety-net-sdp-report.pdf

Getting out was also in many cases more expensive for this group and many felt they could not prioritise socialising, only going out for essential trips such as hospital appointments.

Very many of the respondents were having to use ready meals, which cost them more than cooking from scratch, as well as being less healthy. Many were concerned that, because they were unable to do the maintenance tasks such as cleaning gutters, small decorating jobs, tidying the garden themselves – and they could not afford to pay someone else to do it – their home was becoming very neglected. Others were having to prioritise paying for some of these tasks, such as having their grass mown, as it was part of their tenancy agreement, but were then left with less to spend on other essentials.

Single parents whose children take on the caring role face these costs and more. They had extra transport costs connected with essential trips for their children as well as themselves. They were clearly concerned to try to limit the social exclusion of their children. Many also prioritised paying for cleaning help, so that their children were not faced with having to do the heavy cleaning as well as the personal care.

As noted above, the SDP is a very efficient way of supporting people who live on their own, as it enables them to prioritise what is most important in their particular circumstances. People were mainly managing by a mixture of one or more of the following: paying for some assistance with tasks (such as cleaning, personal care, small maintenance jobs); buying pre-prepared food; receiving some help from friends or family; or in many cases, leaving some jobs undone.

Some people had relatives at a distance and some had friends who lived closer. Where none of these were able to assist for enough hours each week to claim CA, the SDP was used to pay expenses of those who were travelling some distance to help and to buy small presents for friends living nearby in acknowledgement of their assistance.

“.....my daughter takes me to hospital, dentist, doctors, shopping or if I want to visit friends. I put around £50/60 in petrol as daughter lives 30 miles from me and also comes to help with showers etc.”

Clearly, the loss of the SDP under UC will have a severe impact on claimants' ability to manage. It will also increase their risk of social exclusion – very many already reported that, even with the SDP, they were unable to afford to go out, apart from essential trips. About 80% of those surveyed said that a reduction in benefit of this level would mean that they had to cut back on food and heating. Single parents were very concerned that their children would have to take on even more caring and household jobs and would become more socially excluded.

(See also [Jane and Mike and then Jane on her own](#) on p. 50).

Recommendation:

- a) Introduce a self-care element into UC paid at the same rate as the carer element to anyone who does not have someone caring for them who is claiming carer's allowance or the carer element or premium.
- b) Increase the carer element and the self-care element by £30 a month so that those on UC who would have qualified for the SDP in the support group are no worse off on UC than in the legacy system.

5.2 In UC there is no equivalent support for those who qualify for the EDP or DP in the legacy system but who would not qualify for the LCWRA element in UC:

a) The **EDP is payable** in the legacy system if receiving any of the following:

- ESA in the support group **or**
- PIP enhanced daily living component **or**
- DLA higher rate care component.

Amounts payable:

Single person, £73 a month (£17 a week).

Couple (only one needs to qualify), £105 a month (£24 a week).

Numbers affected in different groups of people and the impact of other changes:

In February 2018, 1,400,000 people claiming income-related ESA were receiving the EDP. Of these, 1,330,000 were in the support group. As has been pointed out above, for those who are in the support group, the increase in the LCWRA makes up for the loss of the EDP, but not for the loss of the EDP plus the SDP.

However, 56,000 households in receipt of income-related ESA and of the EDP were not in the support group. People in this position will be worse off by £73 a month, or £105 a month if they are part of a couple.

Of this group, 30,000 are also entitled to the SDP, as noted above, so will lose £359 a month.

Recommendation:

Someone entitled to the enhanced living costs element of PIP or the higher rate care component of DLA should be entitled to the LCWRA element as well as the disabled person's work allowance.

b) The DP is payable in the legacy system to:

- Those not working and who are claiming JSA or IS instead of ESA are entitled to the DP in their JSA or IS, also reflected in their HB, if they receive DLA or PIP (see Appendix 2 for fuller list of who qualifies).
- Those working and receiving the disabled worker element of WTC, or DLA or PIP, are also entitled to the DP in their HB. The impact on this group is covered in our discussion of disabled people who are working.

Amounts payable:

Single person, £149 a month (£34 a week).

Couple (only one needs to qualify), £213 a month (£49 a week).

The only equivalent in UC to the DP in the legacy system is the LCW or the LCWRA elements. Unless the claimant is placed in the LCWRA group, a single person will be £149 a month worse off. If the LCW element were restored, it would be likely to assist some in this group.

Numbers affected:

In November 2017, 112,000 people were receiving the DP, worth £149 a month (or £213 a month if the disabled person is part of a couple) in their out-of-work benefits (76,000 on IS and 36,000 on JSA)²¹.

Recommendations:

Restore the LCW element.

Someone entitled to any element of PIP or DLA should be entitled to the LCW element.

5.3 Reduction in support for most disabled children:

Who qualifies in the legacy system?

The disabled child element (lower rate) is payable with CTC (mirrored in HB and many local council tax reduction (CTR) schemes) for each dependent child in the

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714479/ad-hoc-statistics-income-related-employment-and-support-allowance-february-2018.pdf

household who gets DLA, PIP, armed forces independence payment or is registered blind (severely sight impaired).

The severely disabled child element (when this is paid in addition, it is equivalent to the higher rate in UC) is payable in addition if the child receives higher rate DLA care or enhanced rate of PIP daily living costs or armed forces independence payment.

Who qualifies in UC?

Lower rate and higher rate entitlement are as the legacy system, except that a child registered blind (severely sight impaired) qualifies for the higher rate regardless of the rate of DLA or PIP.

Amounts payable:

Under UC, all households with a disabled child who is just entitled to the lower rate of the disabled child element will be entitled to £154 a month (£35 a week) less money for that child than they would have received under the legacy system. Lower rate in the legacy system is £280 a month (£64 a week); Lower rate in UC, £126 a month (£29 a week).

Parents of a child entitled to the higher rate of the disabled child premium/Element will receive the same on UC to support that child as they do in the legacy system.

Higher rate in the legacy system, £393 a month (£90 a week);
Higher rate in UC, £392 a month (£90 a week).

Numbers affected and the financial impact:

Households with no-one in work:

In December 2018, there were 101,000 households with no-one in work receiving the disabled child element but not the severely disabled child element. Of these households, 71,000 were single parents²². All these households will be £154 a month (£35 a week) worse off on UC, unless their child is severely sight impaired.

Why working more is not the answer:

The Government, in response to criticism of this measure during debate on the Welfare Reform Act, said that parents of a disabled child could increase the

²² Parliamentary written answer by Liz Truss MP, 23/7/19 (to a question by Marsha de Cordova MP).

household income by working. However, the survey for **Holes in the Safety Net** found many households believed that it was necessary for one adult not to be in work. This was especially true for parents of children receiving DLA middle rate care (the figures were very similar to parents of children receiving DLA higher rate care).

Three main reasons were given:

- About half the households with a child on middle rate care and at least one adult not in work cited the very many appointments necessary for their child as the reason they were unable to work:

“I stay at home to care for my son as he has many appointments and we have to travel far to Birmingham hospital”.

- About three quarters cited the care needs of the child:

“I have to be at home until my child is picked up by a taxi to go to school.... Also have to be home when she gets back from school”.

Or the child is frequently unable to attend school or may have to come home from school:

“I have to make sure someone is available for my son at all times”.

- Lack, distance away and cost of suitable childcare:

“Lack of childcare for older, middle care needs, disabled children even in the nearby city”.

“Don’t know any childcare facility in my area for disabled children”.

Disabled children may need childcare at a much older age. It is likely to be more costly. It may be much further away from home. Parents in receipt of UC have to pay at least 15% of any childcare costs, so expensive childcare means greater contributions from parents.

(See [Lauren](#) on p. 51).

Households where at least one parent is able to work (see [Graphs 3 to 6](#) on pp. 40-41):

About 110,000 families with a disabled child and with someone in work will be £154 a month (£35 a week) worse off on UC than on legacy benefits, compared to a comparator household.

Single parents able to work:

A single parent of a child receiving DLA lower rate care was, in the survey, more likely to be able to work than parents of children receiving middle rate care. However, as will be seen from Graphs 3 & 4, they are still likely to be worse off at most levels of income and certainly when working for at least 16 hours a week.

For example, a single parent earning £8.50 an hour, working 20 hours a week, paying rent and having two children, one child eligible for DLA lower rate care, will have £30 a week (£130 a month) less income on UC than in the legacy system when renting (Graph 3) or £52 a week (£226 a month) less income on UC if paying a mortgage (Graph 4).

Whilst the removal of the earnings limit for carers will assist some single parents with children on DLA middle rate care, this group are much more likely not to be able to work at all than parents of children on lower rate care.

Couples with at least one person in work:

Many couples with a disabled child and living in rented accommodation are likely to be slightly better off under UC than under the legacy system, where one of the parents is in full-time work and the other is not working. However, if they have a disabled child, although they may still gain in UC compared to the legacy system, this gain will be £35 a week (£154 a month) less than the gain on a move to UC of a comparator household. However, the gains for the second earner are much greater under the legacy system, so those families where both parents are in work are more likely to be worse off under UC. As can be seen from Graph 5, the loss for those renting gets larger the more hours the second earner works.

Couples paying a mortgage are likely to be worse off on UC than in the legacy system, whether one is in work or both. If the couple have a disabled child then the loss will become even greater, as can be seen from Graph 6. For example, a couple with a child receiving middle rate care and one of them in full-time work earning £400 a week, the other not working, will be £165 a month (£38 a week, about £2000 a year) worse off on UC than in the legacy system (Graph 6).

The situation does not significantly improve for those second earners able to work – it only starts to reduce the loss when they are no longer eligible for UC. For example, a couple with a mortgage and with two children, one of whom receives higher rate mobility and lower rate care, the first earner working full-time earning £400 a week, the second earner working 20 hours a week and earning £165 a week, will still be £74 a week (£322 a month) worse off on UC than in the legacy system.

The impact of the reduction in support:

Families with disabled children face many additional costs – additional aids and adaptations not provided; additional clothing and laundry costs; higher breakages of household items, books, toys; additional travel costs, for example to hospital appointments:

“We regularly have three appointments a week, can be as many as seven and we have appointments at four different hospitals.... most involve a round trip of an hour and a half to two hours”.

Many already felt that they were struggling to cope with the legacy system in place in 2011. The thought of further cuts was, for single parents in particular, very frightening. Three quarters felt they would need to cut back on food and two thirds thought it would lead them into debt. They were very worried about the impact on their child.

“I don’t have a social life, don’t drink or have TV/ mobile phone. Cutbacks will be to necessary things like food and especially clothing/ activities for my child”.

“Our son’s leisure activities and aids are severely limited by our budget at the moment and this would just increase his isolation and lack of opportunity”.

“My child would have little quality of life and would lose much of the social interaction he needs.... It would be like a prison sentence”.

Recommendation:

The lower rate of the disabled child element should be restored to the level in the legacy system.

5.4 Many disabled people who are working will be eligible for no additional support, or significantly reduced support, in UC:

To receive any additional support in UC, disabled people who are working must have a WCA and be placed in the LCW or LCWRA group – a much higher barrier for those able to work at least 16 hours a week than the disabled worker element of WTC. Even qualifying for a WCA, for those already in work, is in itself complex.

One advantage of UC is that there is not the sharp cut-off between permitted work on ESA of under 16 hours and then having to claim WTC if working 16 hours or more. UC gives a much smoother rise in income as earnings increase. This is helpful.

However, for different groups, some only able to do a few hours of work and others able to work longer hours, whilst it matters what happens if they take on extra work, the key issue is what their income will be in the job that they want or that they are doing.

It is much harder to compare the legacy system and UC for those who are working, as the two systems operate differently – the basic elements do not give a true picture of who will be better or worse off. A clearer picture of the groups likely to gain and those likely to lose is given by the analysis later in this section of how different groups are affected and the accompanying graphs in Appendix 1.

A key concern about UC is that many disabled people who are in work and would be entitled to additional support in the legacy system, to cover the additional costs they face as a disabled person who is working, will be eligible for no additional support in UC.

For those who actually qualify for the disabled person's work allowance, the increase in the UC work allowances in April of this year has improved the situation, but those who are single and in the LCW group are still generally better off under the legacy system than on UC, especially if they are able to work up to the maximum permitted work level of £131.50.

It is a more mixed picture for those in the LCWRA group. Those who are doing a few hours work and are renting will be better off on UC unless they are working just below the earnings limit for permitted work, or they are entitled to the SDP in the legacy system and working under the earnings limit.

Amount payable:

In the legacy system:

ESA permitted work scheme: claimants can earn up to £571 a month (£131.50 a week) without reducing benefits.

DP: Single person £149 a month (£34 a week); couple £213 a month (£49 a week). Included in JSA, IS and HB for those who are not receiving ESA but are entitled to DLA or PIP (see Appendix 2 for fuller list of who qualifies).

The tax credits disabled worker element of WTC: single person £264 a month (£61 a week) (payable for each disabled worker that qualifies). Need to work at least 16 hours a week **and** have a disability that puts them at a disadvantage in getting a job **and** be in receipt of DLA or PIP or have recently received ESA.

In UC:

Support for disabled people who are in work is only accessed through the WCA.

Those placed in:

LCW group (new claim) – no element payable but receive a work allowance;
LCWRA group – element of £336 a month (£77 a week) plus the work allowance.

Work allowance if renting – earn up to £287 a month before UC starts reducing, worth up to £180 a month.

Work allowance if rent not included in UC – earn up to £503 a month before UC starts reducing, worth up to £317 a month.

Why support for disabled people who are working is important:

There are frequently substantial additional costs for disabled people who are working that cannot be claimed under the Access to Work scheme. For those working part-time in minimum wage jobs this can significantly affect being able to make work pay.

The main problem areas reported in the **Holes in the Safety Net** survey included:

- **Many disabled people report having to spend more on specialist clothing or for help to assist them with their personal appearance, but those in work reported having to spend even more, so as to always be presentable in work:**

“.....additional compression sleeves as they have to be clean and presentable for work”

“.....especially extra underwear ... and expensive clothes to work to enable me to get them off easily to go to the loo on my own”

“I have to have my hair done - not fancy, just washed and brushed and styled plainly for work... It's not cheap”.

- **Additional therapy costs to enable them to work:**

“I go to an Osteopath every six weeks to be manipulated enabling me to continue to work”.

- **More expensive aids and more repair costs as a result of heavier use:**

“Lightweight wheelchair approx. cost £2,500, regular maintenance/ repair costs £100 two or three times a year”.

- **Higher costs at home as a result of exhaustion from working:**
This included needing extra help with cleaning, ironing work clothes and other household tasks over and above what they would need if not in work and therefore more able to pace household jobs.
- **Although in theory covered by Access to Work, in practice many people were facing many additional costs travelling to work** that they would not face if not disabled and working.

Who will be affected by these changes?

5.5 Loss of the LCW element and the reduction in the amount someone can earn without reducing their benefit compared to the permitted work scheme of ESA, together significantly reduce the amount available to disabled people who are only able to work part-time:

(See [Graphs 7 and 8](#) on pp. 41-42).

Those who make a new claim and are placed in the LCW group will only receive the disabled person's work allowance.

The original intention was that those in the LCW group who were working would also receive the £29 LCW element as part of the additional support for disabled people in work. This element has now been abolished for new claims. It was claimed in the discussions in Parliament around this measure that part of the intention in abolishing this element was to increase the gain from entering work. However, under UC there is no increased gain from entering work as a result of the loss of this element as it reduces the additional support for those in work as much as for those who are not able to work.

In UC compared to the legacy system there is a reduction in the amount someone can earn without reducing their benefit for those only able to work part-time. Under the permitted work scheme for ESA someone can earn up to £131.50 without any reduction in their benefits (though any earnings beyond that do create a significant reduction in income – mitigated somewhat for those who work 16 hours or more and can claim WTC). In UC someone can earn £66 if they pay rent or £116 if they do not pay rent before their UC starts reducing.

It is welcome that UC gets rid of the cliff edge caused by the permitted work earnings limit. However, the reduction in UC compared to the legacy system

in the amount disabled people can earn before their benefit starts reducing, taken together with the loss of the LCW element, mean a very significant reduction in entitlement for disabled people only able to work part-time. The reintroduction of the LCW element would significantly assist this group, as would increasing the work allowances.

Recommendation:

The LCW element should be reinstated.

However many will not qualify for any additional support

5.6 Those who qualify for DLA or PIP but do not qualify for the LCW group will receive no additional support:

(See also [Sharon](#) on p. 52 and [Graphs 9 and 10](#) on pp. 42-43).

Unless someone qualifies for the LCW or LCWRA group they will receive no additional support in work, even though they face additional costs that they would not face if they stopped work. Many people with a significant level of impairment and facing additional costs in work that are not covered by the Access to Work scheme do not qualify for the LCW or LCWRA element.

Many of these will be receiving DLA or PIP. For example, wheelchair users who can mobilise at least 50 metres will receive no additional support in UC compared to a person who is not disabled, but report significant additional costs as a result of working. Under the legacy system anyone in receipt of DLA or PIP would be entitled to the DP in out-of-work benefits and the disabled worker element of WTC if working 16 hours or more. This group will be worse off under UC regardless of their hours of work.

Recommendations:

Anyone entitled to any award of PIP or DLA should automatically be entitled to the disabled person's work allowance.

Those who are awarded some points in a WCA but not sufficient points to qualify as having LCW should still be entitled to the disabled person's work allowance.

5.7 Disabled parents in the LCW group will receive no more support than non-disabled parents:

(See [Graphs 11 to 14](#) on pp. 43-44).

Work allowances are not additive, so only one work allowance per household can be utilised. Disabled parents already receive a work allowance as parents, so do not receive any help from the disabled person's work allowance. Disabled parents making a new claim and placed in the LCW group will receive no additional support – they will receive the same income as a parent who is not disabled.

Graphs 11 & 12 demonstrate that a disabled single parent in the LCW group is worse off at every level of earnings. The amount lost gradually increases as hours of work increase, until by 16 hours of work at the national minimum wage their income will be £200 a month (£46 a week) lower on UC than in the legacy system. Even though this amount lessens as their earnings rise further, when working full-time, they will still have £130 a month (£30 a week) less income on UC.

Some couples with children will be better off on UC than in the legacy system, where one of the couple is in full-time work and the other is unable to work. However, this is less likely when the person who is not working is entitled to contribution-based ESA, as shown in Graphs 13 & 14. Once the disabled person starts working, the rise in income of the household is likely to be lower in UC than in the legacy system.

Why this matters:

Parents face additional costs in work, such as having to pay at least 15% of any childcare costs, transport costs to and from childcare, paying for activities or for un-claimable childcare with friends or relatives at times when official childcare is not available. Disabled parents in work obviously may face these costs but also all the additional costs any disabled person faces in work. Yet they receive support only either as a parent or as a disabled person.

Moreover, the sum is frequently greater than the parts. Disabled parents in the survey also mentioned that, in addition to the extra costs they face as parents and the extra costs because they are disabled, they also faced some additional costs as a disabled parent. For example, the impact of exhaustion for some was greater as a parent and being disabled so that they may need additional help around the house or additional childcare when not working, to allow time for recovery.

Numbers affected:

18,000 single parents and 28,000 couples with children have a disabled worker element included in their tax credit award.

(See [Mary](#) on p. 52 and [Joan and Dave](#) on p. 53).

5.8 When there are two disabled workers in a household, the second worker will receive no additional support:

(See [Graphs 15 and 16](#) on p. 44).

When there are two disabled workers in a household, only one LCWRA or LCW element (LCWRA, if both are applicable) is payable and only one work allowance. in tax credits, one household can receive two disabled worker elements. As can be seen from Graphs 15 & 16 in the legacy system the gains for the second earner are greater than in UC because the taper is considerably more generous when not paying tax and NI and when they reach 16 hours the support from the disabled worker element helps considerably. The second worker in UC gets no additional support yet will face some additional costs of their own.

Numbers affected:

Just over 1,000 households have two disabled workers both claiming the disabled worker element in their tax credit award.

Recommendation:

Work allowances should be additive.

5.9 Accessing any additional support will be very complex for those with deteriorating conditions:

Those with a deteriorating condition which worsens and who therefore need to reduce their hours of work, will not be allowed a WCA unless they are earning below the adult hourly national minimum wage rate for 16 hours a week, or are already receiving PIP or DLA.

If they cannot have a WCA, they will receive no additional support, even if they would qualify as having LCWRA. In order to access a WCA, they may have to agree with their employer to reduce their earnings below a level they and their employer would like, until the assessment, when they can then raise their hours again. This level of complexity for those already in work whose condition worsens and who need to access additional support to stay in work is so great that very many will receive no additional support.

(See also [Abdul](#) on p. 54).

Recommendation:

Someone with a serious health condition or impairment with a GP note saying that their condition or impairment limits their ability to work should automatically be entitled to a WCA to test their entitlement to the LCW or LCWRA and the work allowance regardless of their earnings.

5.10 Disabled people who are reliant on a loan of mortgage interest to keep their home may be prevented under UC from doing a few hours of work if that is all they can manage, or from trying work if they are not sure they can manage:

(See [Graph 17](#) on pp. 44-45).

Any support from the benefits system to help pay mortgage interest is now through a loan paid as part of out-of-work benefits. As a result, many do not claim this support. However, for some it is a vital way of ensuring they do not lose their home. When you can receive this support varies significantly between the legacy system and UC.

In the legacy system:

When someone, who has a mortgage, first becomes eligible for an out-of-work benefit, they are not eligible to claim support with their mortgage interest until they have been claiming that out-of-work benefit for 39 weeks. However, if they then move back into work but need to reclaim an out-of-work benefit less than a year later, they do not have to serve that 39-week waiting period again. It is also possible to do some work and still qualify for out-of-work means tested benefits. As long as you continue to qualify for one of these benefits, you will continue to receive the loan of interest as part of it.

Under the permitted work rules for ESA (as noted above) as long as you work less than 16 hours and earn less than £131.50, you keep your full entitlement to ESA and either HB or your loan of mortgage interest payments.

Under UC:

You need to have not received any earnings at all for nine months before you can qualify for support with mortgage interest and there are no linking rules allowing you to try work. Disabled people with a mortgage to pay will have to think very seriously before risking trying work, if they are dependent on this loan to afford the interest payments. If they try work but find they cannot manage, they will need to wait another nine months with no earnings to requalify for this loan.

It also means that if someone is only able to do a few hours' work, their income when working is liable to be less than if they did no work. This may prevent those with fluctuating health conditions staying in touch with their workplace.

How will this affect people?

Graph 17 demonstrates that a disabled person who has a mortgage will have a lower income if they do a few hours of work than not working at all.

(See also [Elaine](#) on p. 54).

Recommendations:

- a) Support with mortgage interest should be available to those with a mortgage earning less than the lower work allowance as well as those not working.
- b) Anyone who has qualified for support with mortgage interest and then moves into work should not have to wait to requalify for mortgage interest support if in less than a year they need to stop working.

5.11 A claimant cannot receive both the LCW or LCWRA component and the carer element:

Some claimants may for example be caring for a disabled child but also be disabled themselves. The extra costs they face in this situation are likely to be more than additive and yet under UC they cannot both be paid.

For example, if a single parent in the ESA support group/ UC LCWRA group is the carer for their child, who is receiving middle rate DLA care, additional amounts a month will be:

- in legacy system, £967 a month (support component + EDP £241, disabled child element £280, SDP £286, carer premium £160);
- in UC, £462 a month (LCWRA £336, disabled child element £126)

Someone in this position will have a lower entitlement of about £500 a month or £6,000 a year.

Recommendation:

The carer element and the LCW or LCWRA component should be additive.

5.12 Reduction in living costs for those under 25 in the WRAG/ LCW or support/ LCWRA group:

(See [Graph 18](#) on p. 45).

Amounts payable for under-25s:

Those who are under 25 and in the LCW or LCWRA group will have £66 a month (£15 a week) less income on UC than in the legacy system. This is in addition to any other changes.

In the legacy system:

Living costs element of £318 a month (£73 a week) on ESA (under-25s not on ESA receive a living costs element of £252 a month (£58 a week)).

In UC:

Living costs element of £252 a month (£58 a week) – no exception for those in LCW or LCWRA groups.

A young adult under 25 with LCW will therefore have £58 a week to pay all their living costs – this is less than parents get to support a child. This change when taken in combination with other drops in income for disabled people is likely to make it very difficult for young disabled people to live independently.

For example:

A young person aged 23 who is in the ESA support group and is entitled to the SDP would receive:

In the legacy system, £843 a month (£194 a week) plus housing costs (living costs £318 a month, support component + EDP £241 a month, SDP £286 a month).

On UC, £587 a month (£135 a week) plus housing costs (living costs £252 a month, LCWRA component £336 a month).

That is £256 a month, more than £3,000 a year, less income on UC than in the legacy system.

Likewise, in all the other situations in this report where someone is in the LCW or LCWRA of UC, those in that position who are under 25 will have £66 a month (£15 a week) less income on UC than the amount given.

Numbers affected:

In November 2018, 126,000 people under 25 years of age were claiming ESA²³.

Recommendation:

²³ DWP stat-explore <https://stat-explore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>

Under-25s in the LCW or LCWRA group should be entitled to the 25 and over living costs element.

5.13 Treatment of income other than earnings under UC will make occupational pensions worthless:

In the legacy system:

Income-related ESA takes any income other than earnings (for example, contribution-based benefits and occupational pensions) from entitlement pound for pound, but HB withdraws any income other than earnings using a 65% taper and tax credits withdraw income other than earnings using a 41% taper.

In UC:

Any income other than earnings is taken pound for pound from UC entitlement.

How will this affect people?

Single people:

Someone who has been working for the last 30 or 40 years but has a deteriorating health condition and has to retire early on health grounds is likely to be entitled to contribution-based ESA and is quite likely also to have an occupational pension.

If they are placed in the WRAG and have contribution-based ESA and an occupational pension of £115 a week, paying rent of £120 a week, they will be eligible for the following means-tested benefits:

In the legacy system, they would be entitled to no income-related ESA, and their ESA(CB) would be reduced by £7.50 but would receive HB of £120 minus £65 (65% of £100 excess income) = HB of £55 a week. So in the legacy system their total income would be £35 a week (£152 a month) more than if they were not entitled to contribution-based ESA and an occupational pension.

Under UC they would be entitled to £20 a week. That is, their total income will be no more than if they were not entitled to ESA(CB) and an occupational pension.

(See also [John](#) on p. 55).

Couples:

In the legacy system, if someone who has had to retire early on health grounds with contribution-based ESA of £100 and an occupational pension after tax of

£100, has a partner who is still working and so they are entitled to WTC, this £200 of income other than earnings will be worth £118 to them.

Under UC this income other than earnings will be worth nothing!

Recommendation:

Income other than earnings should be subject to a taper, not taken pound for pound.

6. Conclusion

6.1 There are different ways in which addressing problems with UC might be approached.

6.2 For example, one suggestion sometimes made is that there might be a lower withdrawal rate (taper). However, we would argue that, whilst lowering the taper is sound enough in the abstract, it should not be a priority. Lowering the taper from 65% to 63% in 2016 is estimated by 2021-22 to cost the Treasury £700million.²⁴ It gives a couple earning £1,000 a week, who will be better off on UC, an additional £20 a week. It gives a disabled person earning £100 a week, who will be worse off under UC, an additional £2 a week. In our view, it is vital that restoring the money taken from the support for disabled people in the means-tested system is the priority.

6.3 In UC, overall support directed specifically at disabled people has been cut drastically. Some of the premiums and elements from the legacy system, such as the carer premium, are replicated in UC. Others are not replicated, but the way UC works compensates for their loss. Some disabled people will as a result be better off. However, there are some key premiums, elements and other measures that are lost in UC that will leave more disabled people worse off.

6.4 We have put together a package of measures that together cost about £3 billion, almost all of which just replaces the money that was targeted specifically at disabled people within the legacy means-tested system but has been lost within UC²⁵ (including the loss of the WRAG addition/ LCW element).

6.5 Our proposals are designed to restore as effectively as possible this lost financial support whilst still fitting in with the overall design and structure of UC.

Report written and researched by Sue Royston

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²⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/571402/Policy_Costings_AS_2016_web_final.pdf

²⁵ Loss of £1.4 billion for those on ESA plus £1.3 billion (loss for disabled children and disabled people in work and the loss of the LCW element).

Appendix 1: Graphs demonstrating the impact of the changes and our recommendations at different levels of earnings

Please note that child benefit, DLA and PIP have been excluded from the comparisons, as those benefits are the same whether you are getting legacy benefits or UC, in or out of work.

CTR schemes can make a significant difference for those on a low income, so we have included support for council tax. These schemes vary depending on the local authority, but we have used those most commonly in place and have assumed a £5 minimum contribution by all claimants.

The **blue** lines on the graphs demonstrate the income after housing costs (and after childcare and school meals costs have been deducted where relevant) in the legacy system. The **green** lines represent the same within the UC system. The **green dotted lines** represent the income after housing costs of the UC system if our recommendations were implemented.

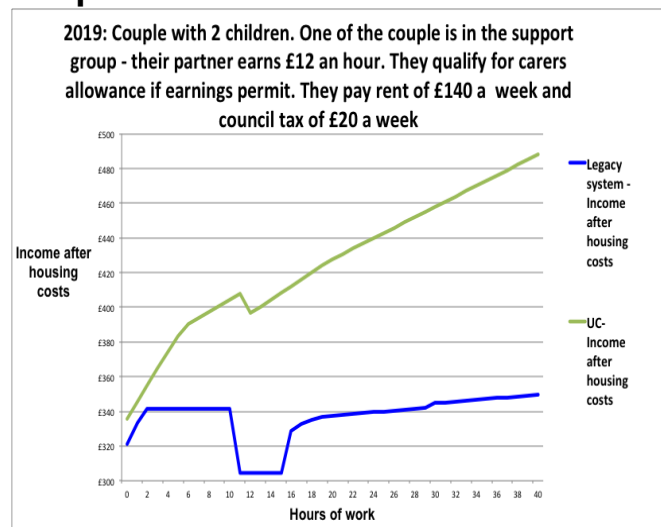
Impact of higher LCWRA element

[Link back to summary](#) [Link back to main text](#)

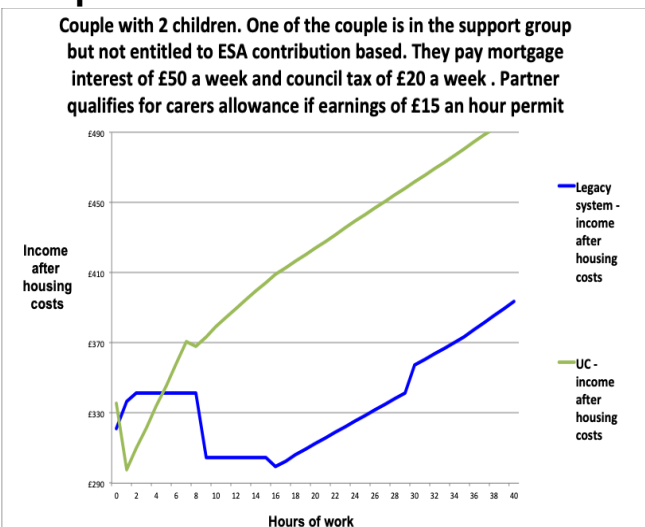
Graphs 1 & 2 are based on a couple with two children. One of the couple is in the support/ LCWRA group and their partner claims the carer element/ premium. Graph 1 assumes they are renting, Graph 2 assumes they are paying a mortgage.

As can be seen, in both cases UC gives a much steadier gain from work. The loss of the carer premium in the legacy system once the earnings limit is reached creates a very effective benefit trap – it is very hard to make work pay for households in this position.

Graph 1



Graph 2



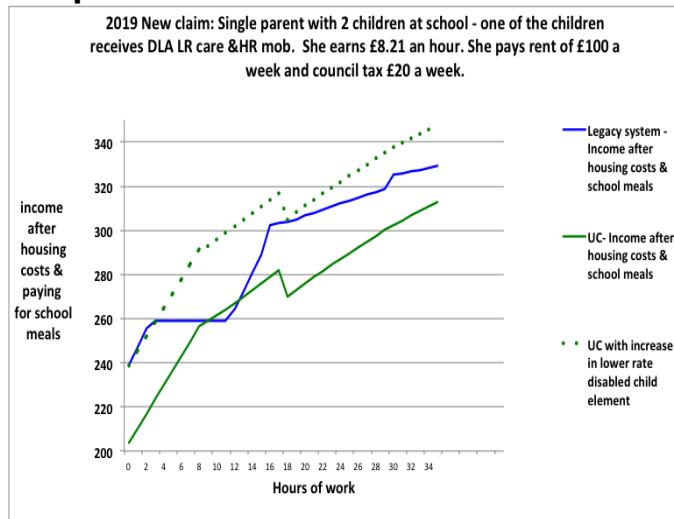
Parents of disabled children

Single parents with disabled children

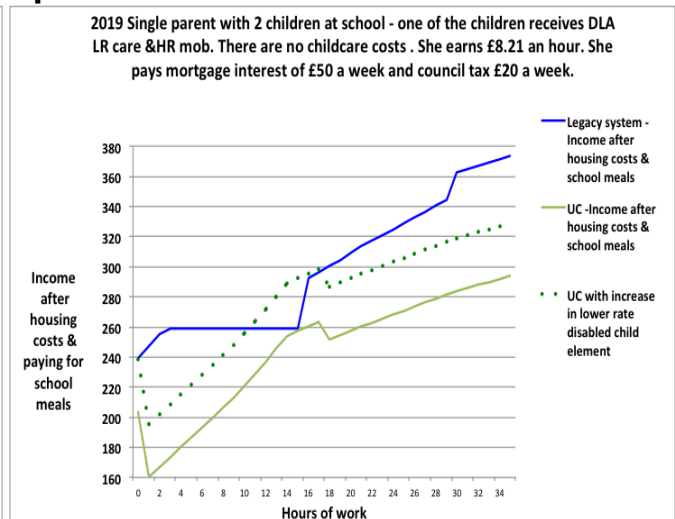
[Link back to summary](#) [Link back to main text](#)

A single parent with a disabled child on DLA lower rate care, with or without higher rate mobility, will find it hard to make work of less than 16 hours pay in the legacy system, but Graph 3 (paying rent) and Graph 4 (paying a mortgage) demonstrate that they are still likely to be worse off on UC at almost any level of earnings and will be very significantly worse off on UC if they work 16 hours or more. The green dotted line shows what would be the impact of our recommendation to restore the lower rate of the disabled child element to its level in the legacy system.

Graph 3



Graph 4



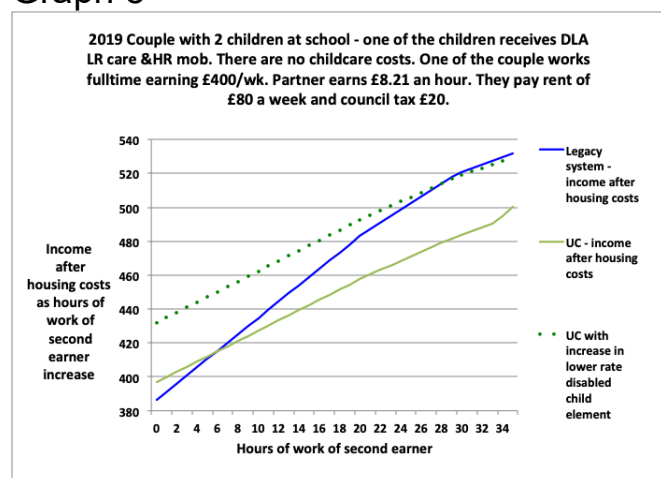
Couples with disabled children

Again, the green dotted line in the graphs below shows what would be the impact of our recommendation to restore the lower rate of the disabled child element to its level in the legacy system.

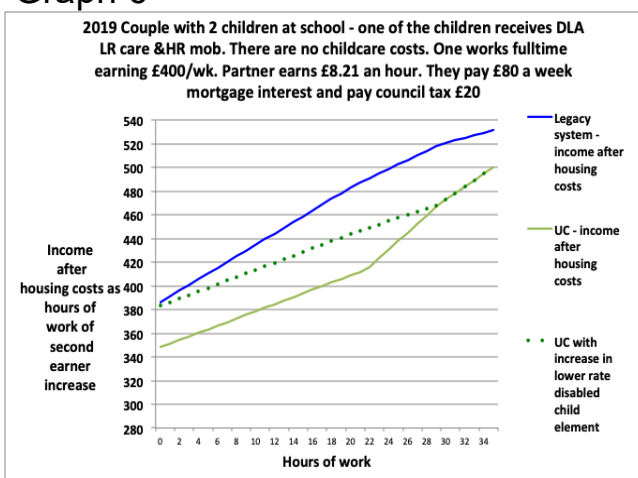
Couples who have children and live in rented accommodation will often be better off on UC if only one of the couple is working. Even if they have a disabled child only entitled to the lower rate of the disabled child element, they may still be better off on UC, though their gain will be £154 less than those couples with a child who is not disabled. However, the gains from work for the second earner are likely to be lower under UC than under the legacy system because once their income is high enough they will not be entitled to any HB, and tax credits have a much larger work allowance than UC and a more generous taper for any earnings below the tax threshold. The drop in value of the lower rate of the disabled child element on top of this will have a big impact.

Couples who have children and are paying off a mortgage on their home are likely to have a much lower income on UC than on legacy benefits. This is because in the legacy system they are reliant just on tax credits (not HB) and the factors explained above make the tax credit system more generous than UC for this group. As can be seen below in Graph 6, the drop in income in UC compared to the legacy system rises to £74 a week (£322 a month, almost £3,900 a year). The difference between the two systems starts diminishing at that point only because they will no longer be entitled to any support from UC. However, in the scenario below, the second earner will have to work 12 hours just for the household to reach the same level of income that they would have had in the legacy system if that person was not working at all. Parents with a disabled child are likely to really struggle in UC if they are paying a mortgage – the drop in entitlement for this group is huge.

Graph 5



Graph 6



Disabled people in work

[Link back to summary](#) [Link back to main text](#)

Single person in the LCW group

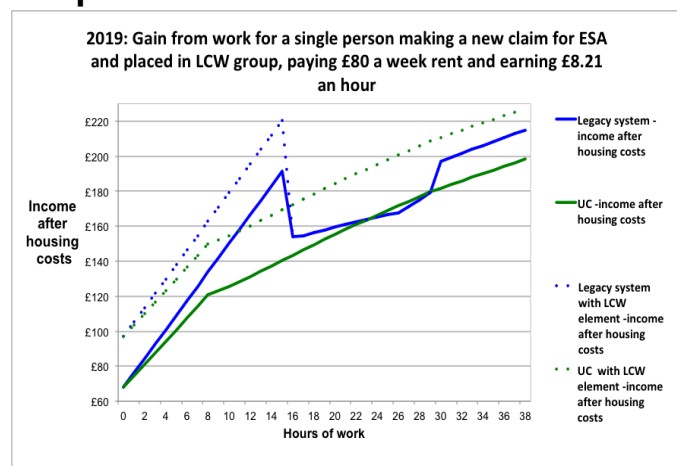
Those in the LCW group who earn less than the permitted work earnings limit²⁶ are significantly better off under the legacy system than on UC²⁷. However, even beyond the permitted earnings limit those working at least 16 hours are generally

²⁶ There is a large drop in income in the legacy system at some levels of earnings, as demonstrated in graph 16, for those who exceed the permitted earnings limit whilst doing less than 16 hours' work (this will happen if someone earns more than the national minimum wage). [See also footnote 28].

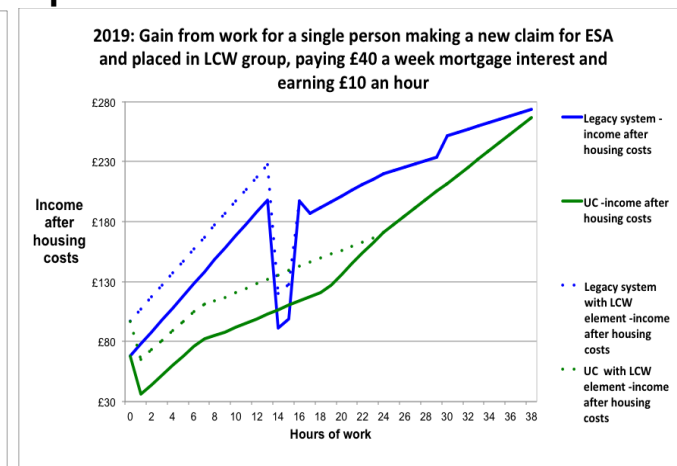
²⁷ The reason UC is less than the legacy system even at a low level of earnings is that generally the CTR schemes for those on UC are less generous than for those on the legacy system.

better off or have at least about the same level of income in the legacy system at almost all levels of earnings, as shown by Graph 7 (renting) and Graph 8 (paying mortgage interest).

Graph 7



Graph 8



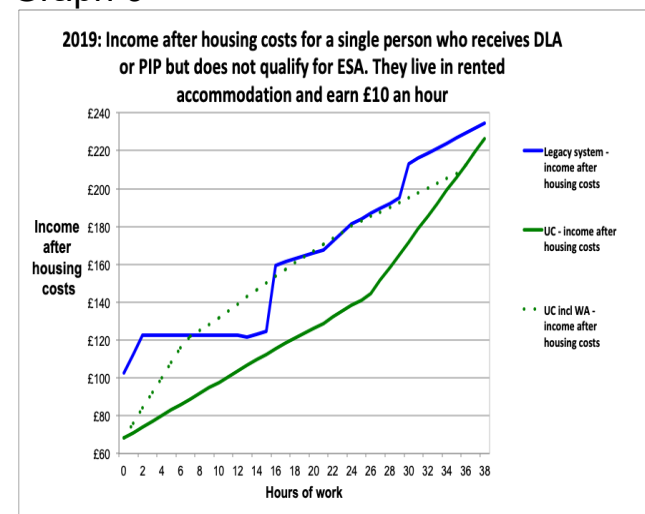
The position for under 25s is even worse. If they make a contribution to the household costs of £50 a week – considerably less than parents get to support a child – they will have just £8 a week left for their own expenses if they are unable to work.

Single person entitled to DLA or PIP but not in the LCW group

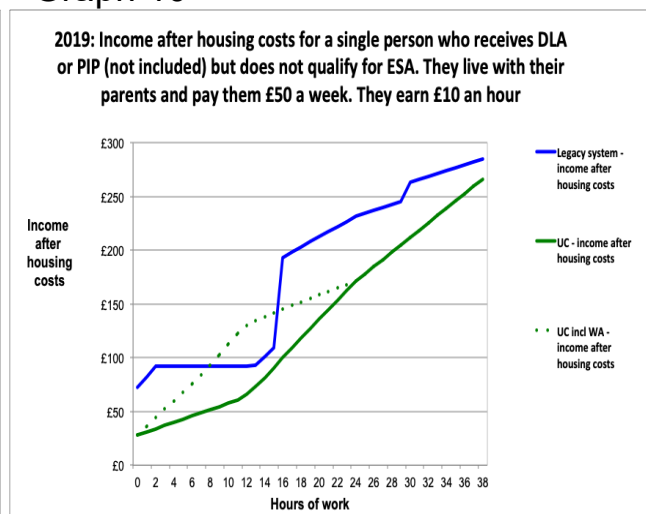
[Link back to summary](#) [Link back to main text](#)

Those who are entitled to DLA such as wheelchair users who can mobilise 50 metres (DLA higher rate mobility) qualify for the DP in JSA and, when working more than 16 hours, the disabled worker element of WTC. However, in UC they receive no more support than someone who is not disabled.

Graph 9



Graph 10



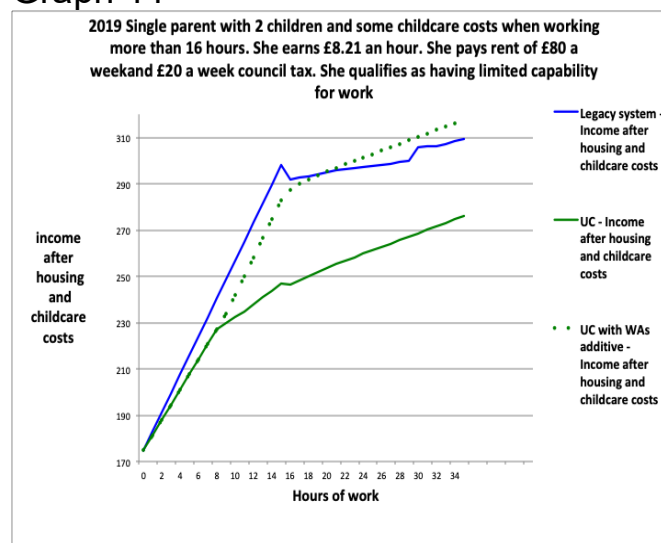
The graph above demonstrates that, whilst the legacy system does not give a smooth gain from work, someone in this position is better off in the legacy system regardless of the level of income. The green dotted line in the graphs demonstrates what would be the impact of our recommendation to award the disabled person's work allowance to anyone receiving DLA or PIP.

Disabled parents in work and 2nd disabled worker in a couple

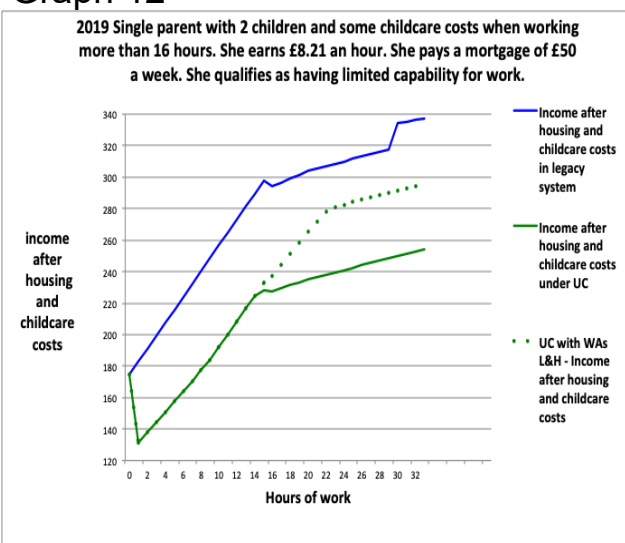
[Link back to summary](#) [Link back to main text](#)

Single parents (Graphs 11 & 12) who are in the LCW group will be much worse off under UC compared to the legacy system because they receive no more support than parents who are not disabled. The green dotted line shows the impact of our recommendation to make work allowances additive (in the case of those who do not pay rent, the lower work allowance is added to the higher).

Graph 11



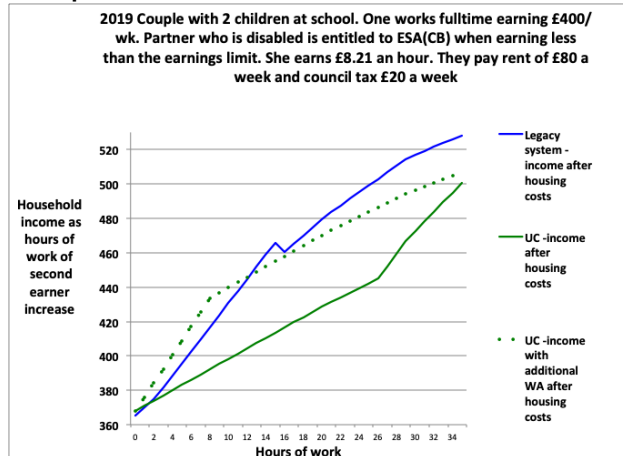
Graph 12



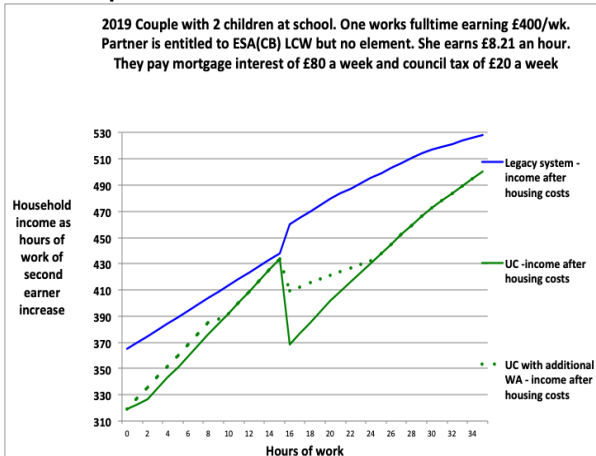
Some couples with children will be better off on UC than in the legacy system where one of the couple is in full-time work and the other is unable to work. However, this is less likely when the person who is not working is entitled to contribution-based ESA, as in Graph 13 below. This is because, as explained earlier, in UC income other than earnings is taken pound for pound from entitlement, whereas in tax credits they are reduced by a taper of 41%, meaning contribution-based ESA of £100 a week will increase their income by £59 a week.

Regardless of whether they are better or worse off with one person working, the graphs below demonstrate that once the disabled person also starts working, the rise in income of the household is likely to be lower in UC than in the legacy system, as in UC there is no additional support for the disabled person. The green dotted line shows the impact of our recommendation to make work allowances additive.

Graph 13

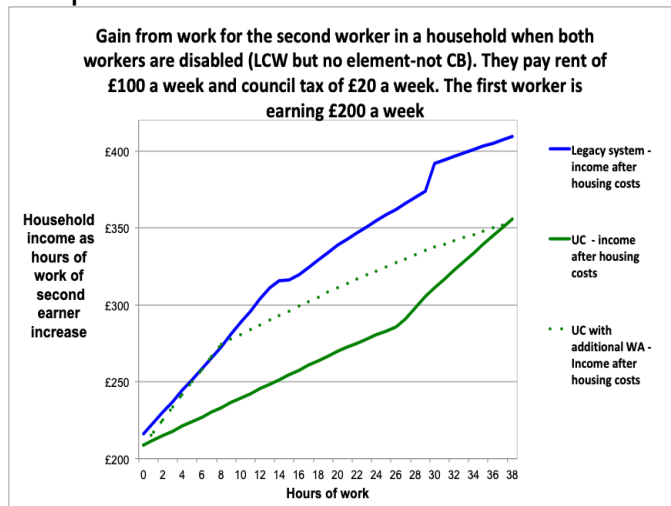


Graph 14

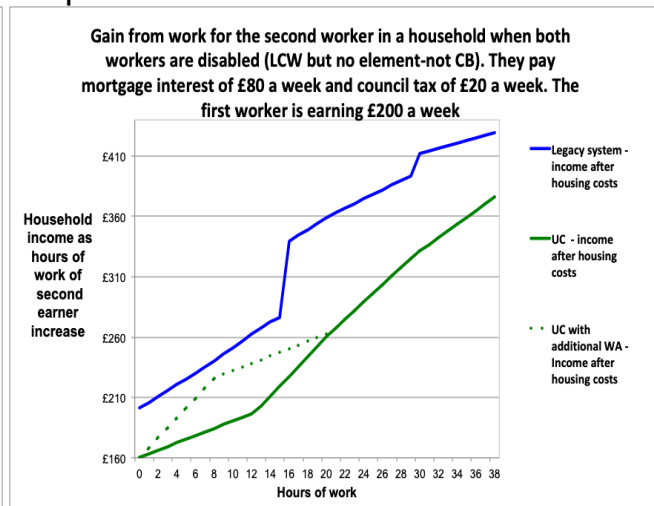


Similarly, the gain from work for the second worker in a household where both workers are disabled and in the LCW group is much lower in UC than in the legacy system. The green dotted line shows the impact of our recommendation to award a second disabled person's work allowance and make work allowances additive.

Graph 15



Graph 16

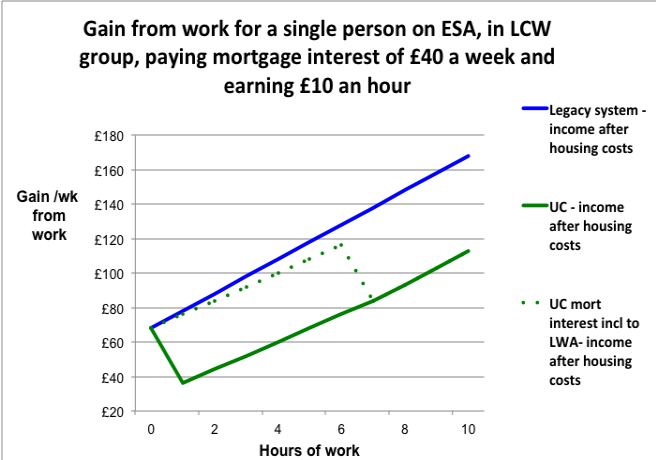


Loss of support with mortgage interest as soon as any work done

[Link back to summary](#) [Link back to main text](#)

Graph 17 demonstrates that those who are dependent on the loan in their UC payment to pay the mortgage interest on their home will find it financially impossible to do a few hours' work under UC. Whilst in the legacy system they can do permitted work of up to £131 a week and keep the loan in their ESA, under UC they lose the loan in full if they do any work.

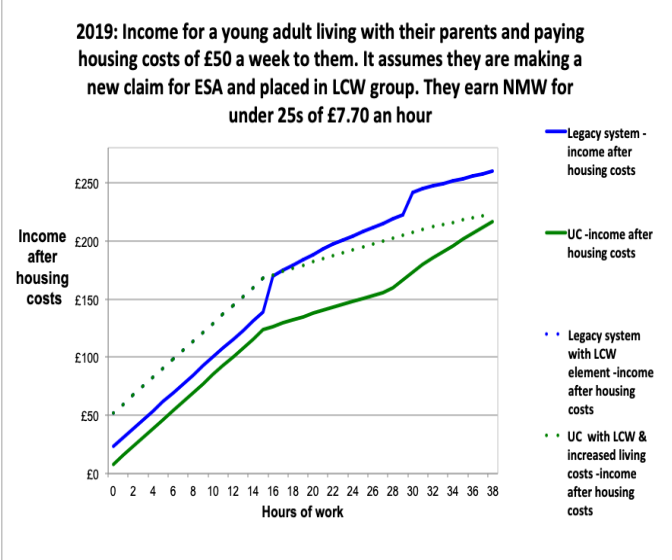
Graph 17



Reduction in support for disabled people under 25 years

[Link back to summary](#) [Link back to main text](#)

Graph 18



Appendix 2: Premiums and elements for disabled people in legacy system and in UC

(April 2019-20 rates, rounded to nearest £)

Legacy system

Severe disability premium

Payable if all the following apply:

- in receipt of PIP daily living component **or** DLA middle rate or high rate care **or** constant attendance allowance **or** armed forces independence payment **and**

- no-one else lives with you apart from dependent children or someone who is also in receipt of one of the above benefits **and**

no-one is paid CA (or is entitled to the carer premium in their UC claim) for looking after you.

Amounts payable:

Single person	£66 a week (£286 a month)
Couple (both must qualify)	£131 a week (£572 a month)

Enhanced disability premium

Payable if receiving any of the following:

- ESA in the support group **or**
- PIP enhanced daily living component **or**
- DLA higher rate care component.

Amounts payable:

Single person	£17 a week (£73 a month)
Couple (only one needs to qualify)	£24 a week (£105 a month)

Disabled child premium

Payable with CTC (mirrored in HB & usually local CTR) for each dependent child in the household who gets DLA **or** PIP **or** armed forces independence payment **or** is registered blind (severely sight impaired).

Amount payable:

Lower rate	£64 a week (£279 a month)
Higher rate (child receiving DLA higher rate care)	£90 a week (£392 a month)

Disability premium

Payable in IS and JSA, also in HB (but not ESA).

It applies if claimant or partner receives any of: DLA, PIP, constant attendance allowance, armed forces independence payment, severe disablement allowance, incapacity benefit, disability element or severe disability element of working tax credit or is registered severely sight impaired.

The claimant must not be in receipt of ESA – if they are, the work-related activity or support component will be included instead. The claimant's partner can be in receipt of ESA.

Amount payable:

Single person	£34 a week (£149 a month)
Couple	£49 a week (£213 a month)

Carer premium

Payable if claimant:

- receives CA
- **or**
- has claimed CA and meets qualifying conditions but receives an overlapping benefit.

Amount payable:

£37 a week (£160 a month)

ESA support component

Payable if claimant applies for ESA and after a WCA is placed in the support group.

Amount payable:

£39 a week (£168 a month)

ESA work-related activity component

Payable if claimant:

- applied for ESA before 3 April 2017
- after a WCA, was placed in the WRAG.

Amount payable: £29.05 a week (£126 a month)

Tax credits

Disabled worker element of WTC

Payable if:

- working at least 16 hours a week
- and**
- Have a disability that puts them at a disadvantage in getting a job
- and**
- receives or have previously received a qualifying benefit (be in receipt of DLA or PIP or have recently received ESA).

Amounts payable:	Single person	£61 a week (£264 a month)
	Couple	if both members of a couple qualify then 2 elements payable.

Severe disability element of WTC

Payable if receive PIP (enhanced rate of daily living component) **or** DLA (higher rate care component).

Amounts payable: £26 a week (£114 a month)

Disregards of earnings in the legacy system

In ESA, someone can have earnings up to £131.50 a week (£571 a month) and have it disregarded in full, so they are entitled to maximum ESA and maximum HB. This is known as permitted earnings.

The amounts of earnings disregarded in other out-of-work benefits are relatively small (£5 to £25 a week (£22 to £110 a month)). In tax credits, however, £123 a week (£535 a month) is disregarded if the person qualifies for WTC; and £309 a week (£1,342 a month) if the person qualifies just for CTC.

Universal credit

Limited capability for work element

Payable if claimant:

- applied for ESA before 3 April 2017
- after WCA was placed in the WRAG.

Amount payable: £29 a week (£126 a month)

Limited capability for work-related activity element

Payable if claimant, after WCA, was placed in the LCWRA group.

Amount payable: £77 a week (£336 a month)

Carer element

Payable if claimant:

- receives CA
- or**
- has claimed CA and meets qualifying conditions but receives an overlapping benefit.

Amount payable: £37 a week (£160 a month)

Disregards of earnings in UC

In UC, disabled people and parents have:

£66 a week (£287 a month) of earnings disregarded if housing costs (for rent) are included in their maximum amount

£116 a week (£503 a month) disregarded if housing costs are not included.

Appendix 3: Individual scenarios

The examples below are hypothetical, but drawn from real-life advice casework.

Please note that child benefit, DLA and PIP have been excluded from the comparisons, as those benefits are the same whether you are getting legacy benefits or UC, in or out of work.

CTR schemes can make a significant difference for those on a low income, so we have included support for council tax. These schemes vary depending on the local authority, but we have used those most commonly in place and have assumed a £5 minimum contribution by all claimants.

Jane and Mike and then Jane on her own

[Link back to summary](#) [Link back to main text](#)

Jane and Mike would initially be better off with UC, but once they separate, the situation changes and UC would leave Jane much worse off.

Jane and Mike have two children, Louise and Joanne, aged 10 and 6. They pay rent of £140 a week and council tax of £20 a week. Jane was diagnosed with multiple sclerosis five years ago and was no longer able to work. Her condition worsened and she was put into the support group of income-related ESA. Mike reduced his hours to ten per week (earning £12 an hour) so he could assist her. He claimed CA. Under the legacy system their income after housing costs (but excluding any DLA or PIP) is £341 a week, but under UC they would have £404 a week.

They found it financially difficult to manage so they agreed that, now their younger child was in school, Mike should return to working more hours. However, when he enquired what their income would then be under the legacy system, he was horrified to find that if he worked 30 hours they would only have £345 income after housing costs and now having to pay for school meals – when he also took into account extra bus fares, actually worse off. Under UC they would have £458 a week.

What happens if they separate?

The pressures they are under increase and they decide to separate. The two children stay with Jane and Mike moves out. He helps out for a while but then moves to a different town and starts a new relationship and they lose contact. As she now lives alone except for dependent children, her ESA in the legacy system now includes the SDP. Their older child, Louise, is now doing much more to assist her mother. Jane is now facing many additional

costs. She is very dependent on friends and neighbours to help out with small jobs and lifts for her and the children when she is unable to drive, and it is important to her that she can buy small presents from time to time to thank them. She pays a cleaner for a couple of hours each week to do the heavy cleaning so Louise doesn't have to do that. If there are any maintenance jobs that need doing she usually has to pay someone to do them. Jane has a sister, Hannah, who lives about 30 miles away but who comes for a day each weekend if she can, to do any household jobs and the week's shopping and to give Louise a chance to go out with her friends. Hannah also has a family and is also struggling financially so Jane insists on paying her petrol costs.

Jane and the children now have just £296 a week after housing costs (excluding any DLA or PIP) but under UC they would have just £252 a week.

There is clearly a very significant benefit trap within the legacy system for couples where one is in the support group and the other a carer but wanting to work more hours. It is very welcome that UC solves this benefit trap, but it should not have been at the expense of those with the greatest needs and highest costs – those who live on their own or just with dependent children.

Lauren

[Link back to summary](#) [Link back to main text](#)

Lauren's case illustrates the impact of the reduced support in UC for parents of disabled children.

Lauren has two children, Mike aged nine and Jake, aged seven. Jake has Down's Syndrome – he also has a heart condition and a number of other health conditions – and has been awarded the DLA middle rate care component. Lauren receives CA.

Lauren's partner left shortly after Jake was born. Once Jake had settled in school, she was planning to return to work but found there was no childcare provider in the area who would take Jake after school and in the holidays. Lauren also realised she would have to take time off work too often because Jake was often too ill to attend school and he also had regular appointments at the hospital.

Her income after housing costs for her and the two children is £276 a week in the legacy system, but would be £241 a week on UC.

Sharon

[Link back to summary](#) [Link back to main text](#)

Sharon's case illustrates how many claimants who qualify for the disabled worker element of WTC will not qualify for any additional support in UC.

Sharon had a car accident a year ago. Following a period of rehabilitation, she is still unable to walk but can propel her wheelchair to get around locally and in her social housing flat that has been adapted for her. She has been awarded the PIP enhanced mobility component, so now has a motability car. She was receiving ESA, but was then found fit for work, as she can propel her wheelchair more than 50 metres. She claimed JSA and got the DP so had an income of £102 after housing costs (excluding PIP and assuming a £5 minimum payment of council tax). On UC she would have had £68. If she was under 25, she would have had an income of £53 a week.

She wants to return to work but still gets very tired. She found a job working 20 hours a week (four hours a day) earning £10 an hour doing administrative work in a local office. She finds there are a number of additional costs she did not face before the accident. The sleeves of her jackets wear out much more quickly and she has to be smart in the office. It is costing her a lot in petrol for return journeys, five days a week, over a distance she would have walked before her accident. She is getting very tired and so having to take short cuts at home to manage, such as living on ready meals more often.

Her income after housing costs is £166 a week, including the disability element of WTC. Under UC her income would be £126 a week. If she was under 25 it would be £111 a week.

Mary

[Link back to summary](#) [Link back to main text](#)

Mary's case illustrates the work disincentives in UC for disabled parents.

Mary is a single parent with two children, Charlie and Sophia, aged ten and eight. Mary pays rent of £80 and council tax of £20 a week. When Sophia started school, Mary returned to work but had to stop because her mental health deteriorated. After a year her condition improved a little and she found a job working ten hours a week earning £8.21 an hour, still claiming ESA doing permitted work. Her income in the legacy system after paying

rent and council tax is £257 a week, while under UC it would be £232 – a drop of £108 a month.

If she had a mortgage and was paying mortgage interest of £50 a week, her income after housing costs on ESA would be £257 a week (including a £50 loan). Her income on UC would be £192 a week – a drop of £282 a month.

She is offered a few more hours at work and thinks she can manage that, so she is now working 16 hours a week. She now needs to pay some childcare costs. Her income on WTC with the disabled worker element would have been £292 a week after housing and childcare costs, while under UC it is £246 – a drop of £200 a month.

If she were paying mortgage interest of £50 a week, her income after housing and childcare costs claiming WTC would be £294 a week. Her income on UC would be £228 a week – a drop of £287 a month.

Joan and Dave

[Link back to summary](#) [Link back to main text](#)

Joan and Dave's case shows that the position for couples with children is also difficult.

Joan and Dave have two children. Joan earns £400 a week and Dave is in the WRAG of contribution-based ESA and is doing 10 hours a week permitted work at £8.21 an hour. If they pay rent of £80 and council tax of £20 a week, their income after housing costs is £431 a week under the legacy system. On UC it is £398 a week.

If Dave works sixteen hours a week, then their income after housing costs on the legacy system if they pay rent is £460 a week. Under UC it is £416 a week.

If Dave works 10 hours and they pay mortgage interest of £80 and council tax of £20 a week, their income after housing costs is £414 a week under the legacy system. On UC it is £392 a week.

If Dave works sixteen hours a week then their income after housing costs on the legacy system if they have a mortgage is £460 a week. Under UC it is £369 a week – a drop of almost £400 a month.

Abdul

[Link back to summary](#) [Link back to main text](#)

Abdul provides another example of a complex and perverse situation for disabled claimants in work.

Abdul has worked for the same employer for the last nine years. He was diagnosed with Parkinson's about a year ago and has found it increasingly difficult to manage. He has talked to his employer about reducing his hours, who agrees that he can reduce them to 20 a week, but any less than that is not viable. He is paid £10 an hour. Abdul finds the reduction in his income very difficult especially as he is facing additional costs now. He claims UC but finds he is still only left with an income of £126 a week after paying his rent and council tax. He had had an income of £226 a week after housing costs when working full time.

Abdul is advised that he could claim the disabled person's work allowance. However, in order to do this, he would have to negotiate with his employer to reduce his hours to 13 a week and his income would drop further to £107 a week after housing costs. When he has done this, he can request a WCA. He will then have to wait at least three months, but if he is then put in the LCW group, he will be able to increase his hours back to 20 and his income after housing costs would then rise to £167 a week.

Elaine

[Link back to summary](#) [Link back to main text](#)

Elaine's case illustrates the work disincentive effect of the mortgage interest provision within UC.

Elaine is single, owns her own house and pays mortgage interest of £60 a week. She works full time in a local shop. About a year ago she was diagnosed with cancer. Once her statutory sick pay was ended, she claimed contributory ESA and UC and was placed in the LCWRA group. She has used most of her savings adjusting to the large drop in income and paying the mortgage interest. A loan to cover her mortgage interest payments is now included in her UC.

She had hoped to return to work after the treatment, but she is not well enough. She misses her colleagues, but her employer offers her the opportunity to do three hours work a week covering three lunchtimes. She is delighted with this, but then discovers that if she does this work, she will lose

the loan of mortgage interest and that although she will earn £25 a week her income will actually fall by £35 a week.

Also, if she finds the work too difficult, she will have to wait another nine months with no help with her mortgage, so she would have £60 a week less income. She is worried she will not be able to keep up the payments on her mortgage, so has to refuse the opportunity to do some work.

John

[Link back to summary](#) [Link back to main text](#)

John's case shows how UC removes any net gain from his NI and occupational pension contributions.

John lives in a one-bedroomed flat and pays rent of £120 a week. He had worked all his life until his arthritis made it too difficult to continue. He stopped work and claimed contribution-based ESA. He was placed in the WRAG. He also has an occupational pension of £100 a week.

On UC, he would be awarded £20 a week – no more than if he had made no NI or pension contributions. In the legacy system, he would be awarded HB of about £50 a week – that is, about £30 a week (£130 a month) better off than if he had not had £200 a week of income from his NI and pension contributions.

Appendix 4: Glossary of abbreviations

CA	carer's allowance
CB*	contribution-based
CTC	child tax credit
DBC	Disability Benefits Consortium
DLA	disability living allowance
DP	disability premium
EDP	enhanced disability premium
HB	housing benefit
HR*	higher rate
IS	income support
JSA	jobseeker's allowance
LCW	limited capability for work
LCWRA	limited capability for work-related activity
L&H*	lower and higher
LR*	lower rate
NI	national insurance
NMW*	national minimum wage ²⁸
PIP	personal independence payment
SDP	severe disability premium
UC	universal credit

²⁸ Technically, “national living wage”. NMW used here to distinguish from Living Wage Foundation’s national living wage, which is higher.

WA*	work allowance
WCA	work capability assessment
WRAG	work-related activity group
WTC	working tax credit

*Abbreviated in graphs only.