Resolution Foundation

A dangerous road?

Examining the 'Pathways to Work' Green Paper

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Yesterday's Green Paper marks a serious attempt by the Government to tackle two major concerns: the growing spend on disability benefits, and the large number of people who are not working through ill-health. The proposals to tackle the former go much further than reforms suggested by the previous Government; between 800,000 and 1.2 million people are set to lose entitlement to PIP (worth at least £4,000 a year by 2029-30) – as well as any benefits that they (or others) receive that are linked to PIP eligibility. This is a straightforward cut to the generosity of the disability benefit system, with the state saying, in effect, that it will support people with a narrower range of health problems than it did before.

Announced reforms to incapacity benefits are more complex, with winners and losers. The Government will be hoping that reducing the financial incentive to be in the UC LCWRA group (by freezing the rate for existing claimants and halving the level of support for new claimants, a cut of £2,800 a year to new claimants after April 2026 (in 2029-30 prices) will get more people who are ill or have disabilities into work. The 2.6 million families projected to be in receipt of the UC LCWRA element by 2029-30 will lose from this change. The winners will be the other 4 million families receiving UC, who will gain from a small above-inflation increase to the standard allowance in April 2026, worth £165 a year to a single adult.

The Government has suggested more radical proposals for the medium-run, such as preventing those aged under 22 from receiving incapacity benefits at all, and replacing the WCA test with the PIP assessment, such that (with a handful of exceptions) only those who have long-term health issues that limit their daily lives will get extra support through UC. Some claimants will therefore be hit with a 'double whammy', no longer qualifying for PIP or for the health element of UC: these people will be severely affected, losing at least £9,600 a year.

The risk to the Government is that any benefits from the changes in the Green Paper could be completely over-shadowed by the scale of income losses faced by those who

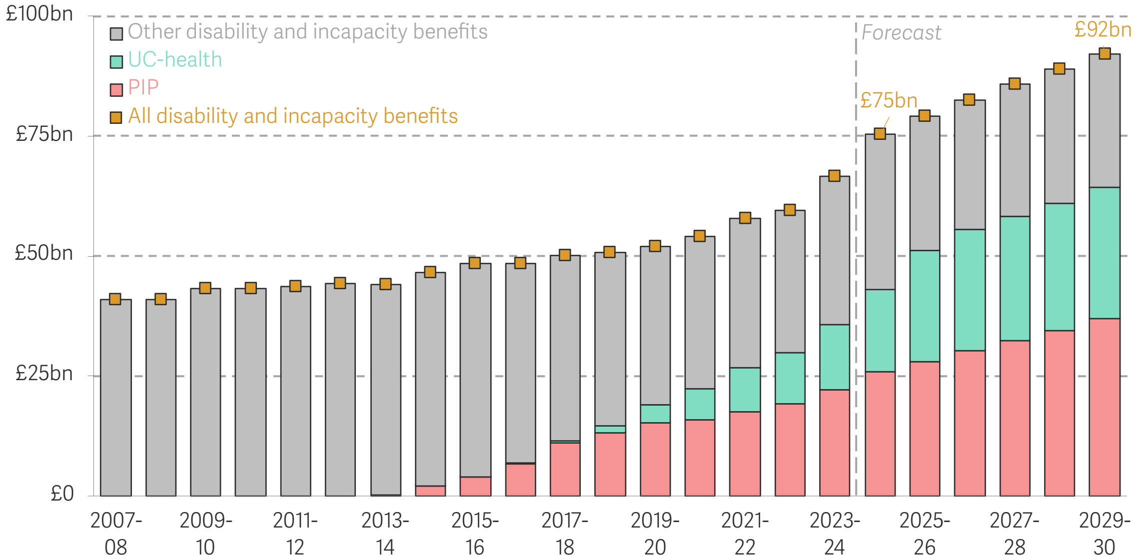
will receive reduced or no support at all. Ironically, the main beneficiaries of yesterday's proposals are those without health problems or a disability. On average, households with at least one disabled member are estimated to lose out by £400 a year by 2029-30, while households with no disabled members will gain slightly, by £35 a year. Although some reforms are sensible, it is hard to escape the conclusion that many of the proposals have been driven by the need for short-term savings to meet fiscal rules, rather than a desire to implement long-term improvements to the system, with some of the suggested giveaways or transitional protection being unconfirmed and subject to further consultation. The result risks being a major income shock for millions of low-income households.

The context behind the Green Paper is clear: health-related benefit spending is rising fast

After months of speculation, yesterday the Government released its Pathways to Work Green Paper, setting out its vision for the health-related benefits system with a wide-ranging set of changes which it estimates will cut spending by £5 billion by 2029-30. The backdrop to this is clear: real-terms spending on health-related benefits has risen sharply in recent years, and this rise is set to continue. Total spending on working-age disability and incapacity benefits has increased in real terms by £19 billion since 2019-20 and is set to rise by a further £13 billion between 2024-25 and 2029-30. Figure 1, which breaks down total disability and incapacity benefit spending for all age groups, shows that two benefits account for the majority of health-related benefit spending: Personal Independence Payment (PIP), a benefit that is paid regardless of whether someone is in work, to compensate for the additional costs of being disabled; and Universal Credit for people with health conditions (UC-health), a benefit paid to people whose health or disability affects their ability to work (and is sometimes called an incapacity benefit). In 2024-25, we are spending £26 billion on PIP and £17 billion on UC-health (referred to as UC-H from hereon). It is these two working-age benefits that are the subject of yesterday's Green Paper; disability and incapacity benefits directed at children and pensioners are unaffected.

Figure 1 Spending on PIP and UC-health is rising fast

Real-terms spending on disability and incapacity benefits: Great Britain



Notes: Deflated to 2024-25 prices using the OBR forecast for the GDP deflator. 'Other incapacity and disability benefits' includes benefits for children and pensioners, such as Disability Living Allowance (DLA) and Attendance Allowance, as well as other benefits for working-age adults.
Source: RF analysis of DWP, Autumn Statement 2024 Expenditure and Caseload forecasts; Scottish Fiscal Commission, Economic & Fiscal Forecasts, various; OBR, Economic and Fiscal Outlook.

The Green Paper is a mixture of definite plans, and some proposals that are being consulted on

Unusually for a Green Paper, yesterday's announcements included changes that the Government will definitely be going ahead with, as well as proposals on which it will now consult, or undertake further work. The speed of definite policy decisions is likely driven, at least in part, by a desire for them to be counted by the OBR in next week's Spring Statement, and so help the Chancellor meet her fiscal rules.

The Government has announced changes to all of the drivers of the ultimate bill – who qualifies (eligibility), how much is paid (entitlements), and how long people stay on (exits). The definite changes that the Government is not consulting on are:

Eligibility

1. Reducing the number of people who will qualify for PIP from 2026-27 onwards. The eligibility criteria for the daily living part of PIP will be narrowed (the mobility part of PIP is unaffected).[2] Previously, claimants needed to score at least eight points from the 10 daily living headings to qualify for the standard rate of this element. Under the new system, claimants will also need to score at least four points in any single heading, so claimants who previously scored (say) two points in four or more elements would no longer be entitled. The changes will affect any new claim or reassessment of an existing claim from 2026-27 onwards.

2. From 2028-29, the Work Capability Assessment (WCA) will be scrapped, and eligibility to UC-H will be limited to those receiving a Daily Living award in PIP. Currently, the WCA plays a key role in determining how much a person's illness or disability affects their capability for work, therefore impacting the level of UC that they receive. By scrapping the WCA, those who qualify for UC-H under the current system but do not qualify for the Daily Living element of PIP will lose out. In particular, this will affect those with temporary conditions (those expected to last less than a year) which can impact their ability to work but do not qualify for PIP.

Entitlement

3. Reducing the value of the limited capability for work and work-related activity (LCWRA) element paid to UC claimants who are deemed unable to work, which the DWP currently projects will be claimed by 2.6 million families by 2029-30. The additional amount received by claimants in the LCWRA group is £97 a week; for existing claimants, this will be frozen in cash terms for the rest of the Parliament. Based on current inflation projections, we would have expected the LCWRA element to reach £107 per week by 2029-30 were it not frozen. From April 2026, it will drop to £50 for new claimants (a cut of over £50 a week compared to the previous projected value by 2029-30). A new premium will be introduced to protect the income of those with (in the DWP's words) "the most severe, life-long health conditions, who have no prospect of improvement and will never be able to work" – but there are no details about how this group will be defined and what the value of this premium will be.
4. Increasing the value of the UC standard allowance for all recipients. The Government said this change would be worth £7 a week by April 2026, or £775 a year by April 2029, but these are comparisons between the nominal value now and in those years. In reality, the Government is proposing a one-off increase in the standard allowance by about £3 a week more than the usual inflation uprating for a single claimant in April 2026 (and a proportionally equivalent increase for couples).

Exits

5. There will be various changes to the business of conducting WCA and PIP assessments, including increasing the number of WCA reassessments carried out (when capacity allows) and increasing the number of face-to-face PIP and WCA assessments.
6. A new 'Pathways to Work' support offer: this will include employment, health and skills support for out-of-work benefit claimants with a health condition or disability, costing £1bn a year in 2029-30.

The main changes that are being consulted on (with the implication that funding has not yet been found) or pursued separately are as follows:

1. The Government is considering what form of transitional protection or extra support to give to those who lose entitlement to PIP or UC-H through the changes above. For example, there is a proposal to create a new premium within UC for people with "the most severe, life-long health conditions", and to guarantee that people in this group will never face a reassessment.
2. In the longer term, launching a thorough review of the PIP assessment, with the Green Paper asserting that "the PIP assessment needs modernising".
3. Creating a new time-limited Unemployment Insurance contributory benefit, to replace the contributory Jobseekers Allowance (c-JSA) and Employment and Support Allowance (c-ESA). This will be slightly more generous than basic out-of-work benefits: the proposal is to pay this at the c-ESA rate, currently £138 per week. This would lead to some winners and some losers, with those who currently qualify for the 'Support Group' within c-ESA seeing a time-limit imposed (currently, claimants in the Support Group can claim c-ESA indefinitely).
4. Implementing a "new support conversation" and creating "a new baseline expectation of engagement" for people with health conditions or disabilities who are in receipt of out-of-work benefits. That is, offering more support for people to get a job, but also increasing the level of 'conditionality' requirements within the benefits system.
5. Exploring how the social security system could be tweaked to remove actual or perceived barriers to people in the UC-H group from trying work.
6. Preventing those aged under 22 from accessing UC-H at all, a proposal that sits alongside the Government's Youth Guarantee. This proposal has been framed as a way of "remov[ing] any potential disincentive to work during this time", but the living standards risks of cutting benefits for young people are acute since people under 25 already receive lower rates of UC than older adults. There are currently 66,000 18-21-year-olds in the UC LCWRA group.
7. Preventing those aged under 18 from claiming PIP at all (they will instead continue to claim DLA for children (C-DLA)). There are good reasons to consider increasing the age of transition between C-DLA and PIP, but the Government is also clear that this proposal will reduce benefit expenditure overall.

Unusually, the DWP did not release any form of impact assessment, even for the changes that it definitely intends to go ahead with (subject to Parliamentary approval); it said these will be released alongside the Spring Statement on 26 March. This lack of information limits what we can say about their impact, but below we discuss the main Green Paper policy changes that will definitely be implemented in more detail, first looking at the PIP changes, and then the changes to UC. We do not discuss the new Unemployment Insurance contributory benefit, or the changes affecting young people, since these proposals seem particularly uncertain.

Changing the PIP eligibility criteria will hit the living standards of hundreds of thousands of disabled people

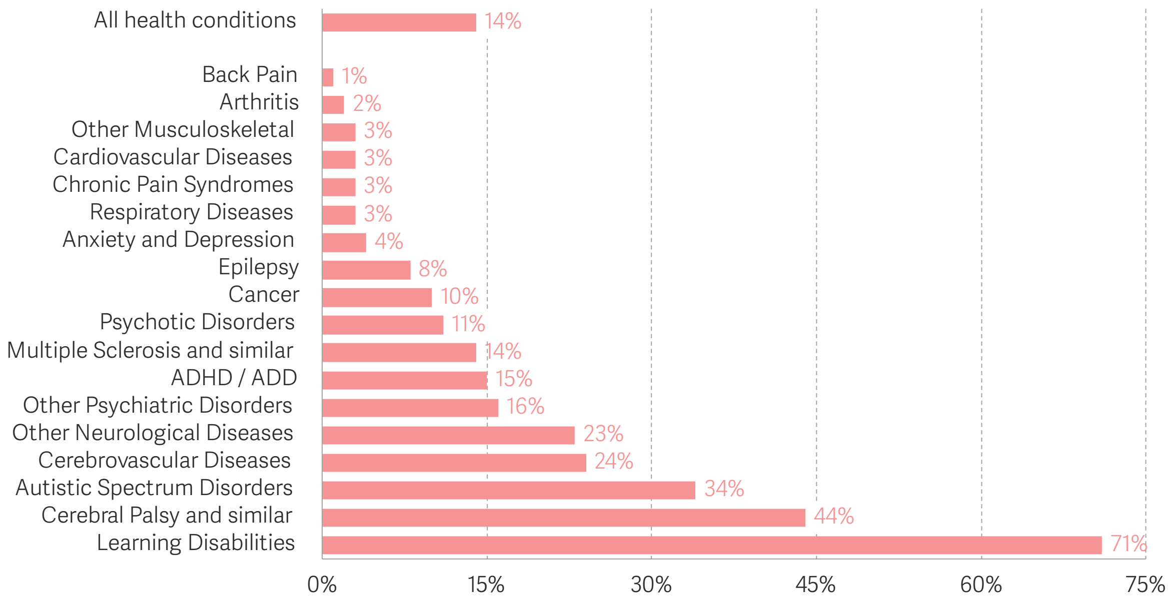
The changes to PIP are the biggest source of savings in yesterday's announcements. The Government gave no details of who would lose, but, if this change alone saves £5 billion, then it means between 800,000 and 1.2 million people losing support of either £4,200 (if receiving the standard rate Daily Living element) or £6,300 (if on the enhanced rate Daily Living element) a year by 2029-30.

Those losing out will be the people who would currently qualify for the Daily Living element of PIP, but score under four points in each of the 10 headings. For example, this will include people who have lower-level needs across a range of activities (like needing aids or appliances to cook, take nutrition, wash and bathe, and dress and undress) but who are not deemed to be completely unable to complete any of these activities. Meanwhile, people who experience large difficulties across one or more of the PIP activities will be unaffected.

The DWP has not released any evidence on the impact of these changes, but what we can say (based on previously-released data) is that people with conditions including learning disabilities, cerebral palsy and autism are least likely to be affected, since people receiving PIP and with these conditions are most likely to score 21 points or more in the Daily Living part of the PIP assessment, meaning they are very unlikely to have passed the assessment without scoring four or more points in one of the headings. This is shown in Figure 2.

Figure 2 **PIP claimants with learning disabilities, cerebral palsy and autism are least likely to be affected by changes to PIP included in the Green Paper**

Proportion of PIP claimants who score 21+ Daily Living points, by primary health condition of claimant: England and Wales, January 2024



Notes: Some primary health conditions are abbreviated for readability. Data is for working-age claimants only, for normal rules claimants only (i.e. excludes special rules for end of life (SREL) claimants). The primary health conditions shown are the 18 most common ones. Source: RF analysis of DWP, Evidence Pack: Modernising Support for Independent Living: The Health and Disability Green Paper.

Relatedly, we would expect this change to affect older claimants more so than younger ones, since older claimants are less likely to be awarded 21 or more points during the Daily Living part of the PIP assessment. For example, 35 per cent of 16-19-year-olds and 25 per cent of 20-29-year-olds were awarded 21 or more points, compared to only 10 per cent of those aged 50 or over.[3]

One reason that savings are likely to be considerable here is that the changes will impact anyone going through the PIP assessment, whether that be for a new claim or a reassessment. As the Green Paper makes clear, "this change means that people could lose entitlement to the daily living element of PIP and potentially other entitlements linked to this award." These linked entitlements include Carer's Allowance for people who care for them, exemptions from the benefit cap, and (as we discuss below) the UC-H element, once the WCA is scrapped.

Importantly, although the Government set out that it is "mindful of the impact this change could have on people", it has not committed to any form of transitional protection. Instead, the Green Paper is *consulting* on whether people who lose PIP after a reassessment might need transitional protection to offset this loss of income, or help or support in managing their condition. Transitional protection has been an important part of previous welfare reforms, such as the move from tax credits to UC.

Scrapping the Work Capability Assessment as well as tightening eligibility for PIP risks a 'double whammy' income loss for some

In the medium run, the Government is proposing – in line with the previous Government's ideas – to scrap the WCA altogether. There are some good reasons for this, for both the claimant experience as well as DWP, but many details will need to be worked through. In particular, there are currently 600,000 people receiving the LCWRA element within UC who do not get any PIP. Following this change, some of those people may try to claim PIP, but they will not all be eligible. The Government has said it may need to introduce special exemptions for, for example, those affected by cancer treatment, people with short-term conditions that get better and women with a high-risk pregnancy. Crucially, the tightening of PIP eligibility criteria that we describe above means that some individuals (from 2028-29 onwards) will lose eligibility for both PIP and UC-H as a result of the Green Paper reforms; the Government has not said how many people it expects to be in this group. As we show in Figure 5, anyone in this situation will be severely affected – losing at least £9,600 a year.

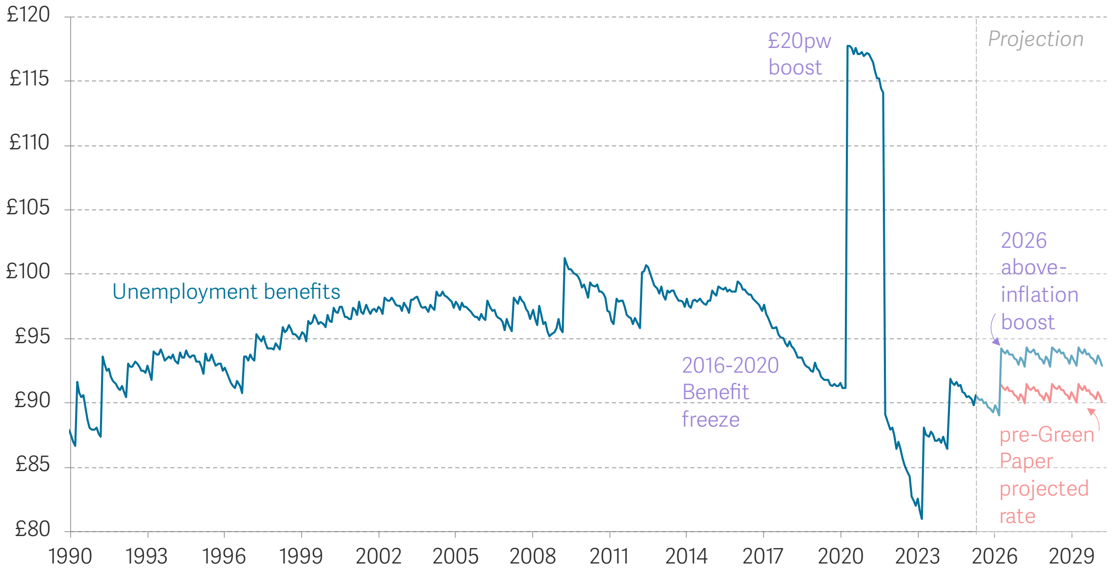
Rebalancing payments within UC means that millions of claimants will see a small income gain – but those who are too ill to work will lose support

The changes to UC represent a redistribution of benefits away from the LCWRA element towards the standard allowance. We and others had previously pointed out that there are very large difference between these two rates (a single person receives more than twice as much UC if they are put in the LCWRA group) and that this creates a very large financial incentive for someone to get into the LCWRA group. The Government has responded to this with a dramatic set of changes: increasing the basic rate of UC by around £3 a week above inflation, but cutting the LCWRA for new claimants by over £50 per week relative to the usual inflation uprating.

This package has clear winners and losers. Claimants who qualify for the LCWRA element – projected to be 2.6 million families by 2029-30 (39 per cent of the Universal Credit caseload) – will see their monthly benefit entitlement reduce by £234 in real terms by 2029-30, while the other 61 per cent of Universal Credit claimants (around four million families) who don't receive UC-H will see their monthly benefit entitlement rise by £14 if they are single and £22 if they are in a couple. This is a welcome increase, albeit small considering the real value of the Universal Credit standard allowance for a single person has fallen by £42 per month (10 per cent) between April 2012 and April 2025. The increase will bring the real value of the standard allowance back to its 2018-19 level (see Figure 3).

Figure 3 **Boosting the basic rate of UC will take the real value of unemployment benefits back to its 2018-19 level**

Weekly value of unemployment benefits for a single person over 25, January 2025 prices: UK



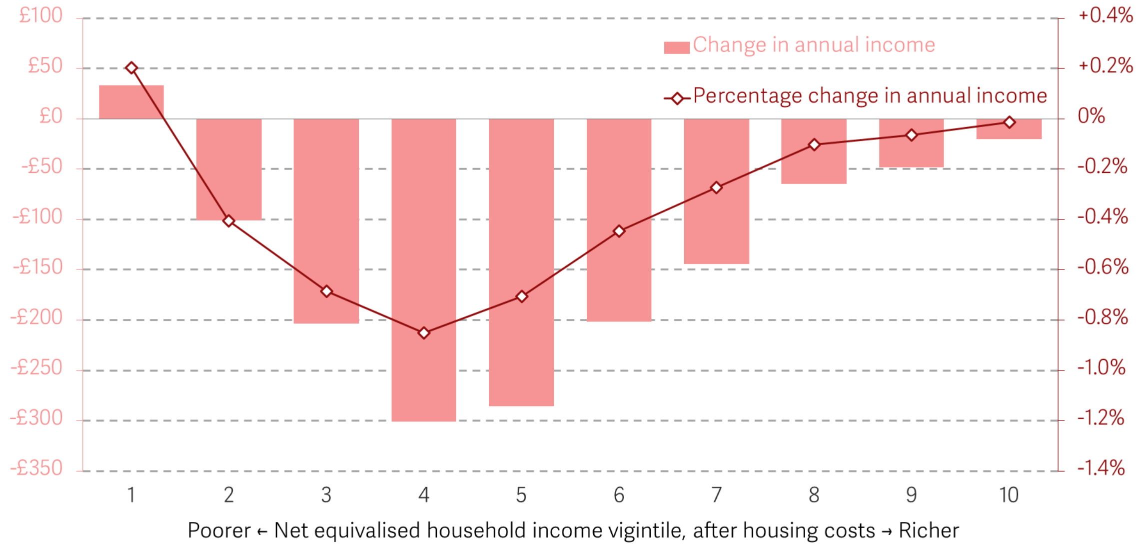
Notes: Deflated by CPI.
Source: RF analysis of DWP, Abstract of Benefit Statistics; OBR, Economic and Fiscal Outlook October 2024.

People with health conditions or disabilities from low-to-middle income households are most likely to be affected by the measures included in the Green Paper

In Figure 4, we show our estimate of how the changes to PIP eligibility, and the rebalancing of UC, will affect household incomes across the income distribution, based on the limited amount of information released yesterday, and assuming that the total losses amount to £5bn by 2029-30.[4] The combined impact of restricting eligbility for PIP, rebalancing payments within UC and scrapping the WCA is that low-to-middle income households will be worse off by 2029-30. For example, households in the fourth and fifth decile will lose £300 and £290 per year on average, equivalent to a loss of 0.9 per cent and 0.7 per cent of their annual income. The PIP changes affect people across the income distribution, reflecting that it is a non-means-tested benefit that is not linked to being out of work. But it is still the case that low-income households are most affected, with seven-in-ten PIP recipients being in the bottom half of the distribution. The rebalancing of UC only affects low-to-middle income households, with the chart showing the net impact of a relatively large number of very small income gains and a smaller number of large income losses (for those who see UC-H frozen or halved). [5]

Figure 4 **The changes to PIP and UC included in yesterday's Green Paper will hit the incomes of low-to-middle income households**

Estimated annual impact of the confirmed newly announced changes to PIP and Universal Credit, by income decile: UK, 2029-30



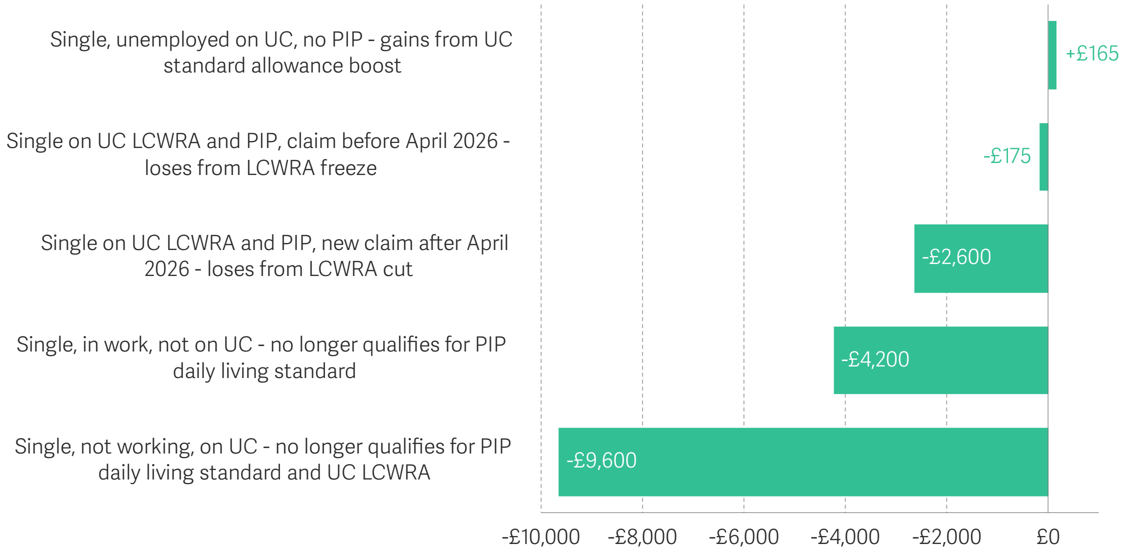
Notes: Includes the impact of the PIP assessment threshold change; rebalancing Universal Credit between the LCWRA element and the standard allowance; and scrapping the Work Capability Assessment and using the PIP assessment to determine UC LCWRA eligibility. We exclude the bottom 5 per cent of the income distribution due to concerns about the reliability of data for this group. Income deciles are based on equivalised household income after housing costs.
Source: RF analysis of DWP, Family Resources Survey, using the IPPR tax-benefit model.

The nature of the policy changes included in the Green Paper disproportionately affect disabled people. On average, households with at least one disabled member will lose out by £400 a year by 2029-30 (equivalent to an income reduction of 0.9 per cent), while households with no disabled members will gain slightly by £35 a year (a rise of 0.1 per cent).

But there is significant variation in impact among those on low-to-middle incomes. Somewhat ironically, the families set to gain from this package of changes are those on Universal Credit who are not sick or disabled: a single unemployed person claiming Universal Credit who does not get PIP will be around £165 better off in 2029-30. At the other end of the spectrum, a single person who would have previously qualified for PIP Standard Daily Living and UC LCWRA will now not qualify for PIP Daily Living if they do not score at least four points on a single criterion of the PIP assessment, and from 2028 they will also not qualify for the UC LCWRA element when the PIP assessment replaces the Work Capability Assessment to determine eligibility. This amounts to an annual loss of £9,600 per year in 2029-30 (see Figure 5).

Figure 5 **Some families will gain a small amount from the changes, while others could lose up to £9,600 per year**

Annual impact of confirmed changes to PIP and Universal Credit, by family characteristics: UK, 2029-30



Notes: Shows change in income in 2029-30, in 2029-30 prices, based on projected amounts prior to the announcements included in the Green Paper.
Source: RF analysis of DWP, Abstract of Benefit Statistics; OBR, Economic and Fiscal Outlook October 2024.

Conclusion

Yesterday's Green Paper marks a serious attempt by the Government to tackle two major concerns: the growing spend on disability benefits, and the large number of people who are not working through ill-health.

But any gains risk being completely over-shadowed by the scale of income losses faced by those who will receive reduced or no support at all – irrespective of whether they are able to work. The irony of this Green Paper is that the main beneficiaries are those without health problems or a disability. Although it includes some sensible reforms, it is hard to escape the conclusion that many of the proposals in the Green Paper have been driven by the need for short-term savings to meet fiscal rules, rather than long-term reform, with some of the suggested giveaways or transitional protection being unconfirmed and subject to further consultation. The result risks being a major income shock for millions of low-income households.

[1] The authors thank Adam Corlett and Ruth Curtice for their advice and support.

[2] For more information about the PIP assessment, see: Disability Rights UK, Personal Independence Payment: A Guide to Making a Claim, April 2024.

[3] DWP, Evidence Pack: Modernising Support for Independent Living: The Health and Disability Green Paper, June 2024.

[4] We model the potential impact of cutting entitlement to PIP, rebalancing UC payments, and scrapping the WCA and instead using the PIP assessment to determine eligibility for UC-H, based on the limited information available. We assume that these changes amount to a £5bn saving by 2029-30.

[5] Data citations: Family Resources Survey (series page here): Department for Work and Pensions, NatCen Social Research. (2021). Family Resources Survey. [data series]. 4th Release. UK Data Service. SN: 200017, DOI: http://doi.org/10.5255/UKDA-Series-200017; Households Below Average Income (series page here): Department for Work and Pensions. (2021). Households Below Average Income. [data series]. 3rd Release. UK Data Service. SN: 2000022, DOI: http://doi.org/10.5255/UKDA-Series-2000022.