

Opening doors

How to incentivise employers to create more opportunities for disabled workers

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Executive Summary

To improve living standards for families across Britain it is crucial to do more to support people with health conditions and disabilities into work. This will also help the Government with its central mission of improving economic growth and reaching its 80 per cent employment target, while also reducing economic inactivity due to long-term sickness, and curb spending on incapacity benefits.

So far, most attention has been given to policies that affect disabled people directly: a pledge to boost employment support offered to sick and disabled people, and the controversial changes to social security benefits debated in Parliament earlier this month. But the Government has also committed to doing more to encourage *employers* to hire and retain disabled workers, setting up the *Keep Britain Working Review* headed by Sir Charlie Mayfield. Ahead of the Review's recommendations due later this year, this report brings together quantitative analysis, wider research, and findings from employer interviews to suggest a set of key principles that should underpin Government action in this space.

The UK's record on disability employment is worse than it appears

On the face of it, there is good news in the form of a rise in the number of disabled people working. Since early 2014, the number of people in this position has risen from 3.0 million to 5.6 million, outpacing the 1.0 million growth in disabled people who are not

working. This has raised disabled people's employment rate from 44 per cent to 54 per cent. This includes rises in the employment rate for people with every different type of health condition, particularly mental health problems and learning difficulties. As a result, the 'disability employment gap' (DEG) – the difference in employment rates between disabled and non-disabled people – has fallen by 4 percentage points in the decade between 2013 and 2023 – though a sizeable gap remains (28 percentage points in the latest data).

However, this measure gives a misleading account of what's been happening over the past decade, because it is affected by changes in how people report disability: if less-severely-impaired people become more likely to report a disability, then the DEG will narrow, even if nothing has substantively changed. So over a period when the prevalence of working-age disability has risen rapidly (from 17 to 24 per cent), it is not sensible to focus exclusively on the DEG. Instead, a better measure is what we refer to as the 'prevalence-adjusted' gap – the prevalence of disability multiplied by the DEG, which measures the total labour market impact of disabled people's lower employment rate. On this measure, things have been getting worse in recent years, with the prevalence-adjusted DEG rising from 5.4 per cent in 2013 to 6.8 per cent in 2023. The UK is also among the worst in the OECD on this measure, with a prevalence-adjusted DEG (at 6.2 per cent across 2016-2019) ranked well above that in France (3.2 per cent), Denmark (4.8 per cent) and the Netherlands (5.1 per cent).

The problem is that there are too few suitable jobs for disabled people, particularly for certain people in certain parts of the country

Disabled people's chances of finding work differ considerably between different disabled people. This partly reflects the nature of someone's disability. For example, those with stomach problems or diabetes have employment rates above 60 per cent, compared to below 40 per cent for those with learning difficulties or mental health conditions other than depression. But wider factors are also crucial: employment is higher in some

regions and for people with higher qualifications among non-disabled people, but these variations are much larger for disabled people.

This is partly about labour demand in general, but it's also partly about the availability of *suitable* jobs. Among disabled people who are currently not working and receiving incapacity or disability benefits, two-thirds said they would need to work part-time, and three-quarters said they would need to overcome travel barriers to be able to work. But not all disabled people have access to such flexibility. For example, those working for large businesses are three-times as likely to have access to very flexible work than those from small businesses (18 per cent and 6 per cent respectively), while those with degrees are nearly seven-times as likely to have access to very flexible work than those with only GCSEs or less (22 per cent vs 3 per cent).

The economy – and often even employers themselves – would benefit from employers doing more to hire and retain disabled people

Supporting workers with health conditions and disabilities makes it easier to hire staff with scarce skills, reduces the costs of sick leave, and increases the retention of talented and productive workers. Some good employers are, therefore, already making considerable efforts here, telling us that offering flexible working arrangements is a “simple” decision. But in too many cases employers are doing less than they should, and sometimes not even taking steps that would benefit their own bottom line, let alone other stakeholders such as disabled people and the taxpayer. This market failure is why *employer* incentives must be a vital part of the policy toolkit.

Of course, we must be mindful of the risks and trade-offs involved, as there is a genuine chance of negative unintended consequences for both employers and disabled people. Four key risks have guided our policy development: the risk of wasting money (referred to as ‘deadweight costs’); the risk of negative economic impacts (e.g. locking people in unproductive, badly-matched jobs); the risk of increasing stigma (by labelling disabled

people as ‘costly’ to employ, or ‘unproductive’); and the risk of worsening a culture of compliance. In the UK, we do not have a lack of process – 96 per cent of employers have processes for return-to-work, more than any other European country. But employers sometimes focus on box-ticking policies to cover their backs rather than genuine human engagement. Rather than reducing legal risks (when currently less than 1 per cent of those experiencing disability discrimination make even the first step towards raising a disability discrimination claim), we need to make sure that employers have clarity about what to do, and support to make genuine engagement easier than box ticking.

Government action should focus on the four Rs of: reimbursement, reporting, reintegration and recruitment

With all of this in mind, we offer four concrete principles that we think can help shift the dial.

1. An improved Access to Work scheme would help *reimburse* employers with costs that go beyond reasonable adjustments

Our starting point is that employers will sometimes incur additional costs that go beyond reasonable adjustments, such as British Sign Language interpreters for people with hearing impairments. Currently, these costs can often be met through the Access to Work scheme – but this is under intense scrutiny, with the Government’s recent Pathways to Work consultation questioning whether it is fit for purpose. The backdrop is clear: spending on Access to Work has increased in real terms by £117 million over the past decade (an increase of 82 per cent), with the bulk of this (£98 million, or 83 per cent) relating to spending on Support Workers.

However, we propose that Access to Work should be strengthened rather than scaled back. The Government should be wary about assuming that the cost is too high: we spend more than 170-times as much on working-age health and disability benefits (in 2023-24, this stood at £45 billion, compared to £258 million on Access to Work). There is no robust evidence of its effectiveness, but annual spending on Access to Work averages

just £3,800 per person using the scheme, while the employment support schemes for disabled people included in the recent Pathways to Work Green Paper had a cost-per-job-outcome of between £19,000-£40,000. More fundamentally, there is a risk that by trying to reduce Access to Work spending by moving towards a scheme that only covers small expenses and has a lower cost-per-person, it would become a *less efficient* use of government funds, since employers are more likely to be able to cover small expenses themselves.

We therefore think that it would be an own goal to substantially cut back a scheme that helps disabled people enter and remain in work at a time when the Government is looking to boost disability employment. And as one employer representative put it, “I think it’s probably the only government scheme where, spontaneously, members have come back to me to say this is a very good government scheme.” But there is room for improvement, and these should focus on: (i) scrutinising claims more appropriately by moving it to a new arms-length body with more specialist occupational health expertise; (ii) providing much more clarity about what counts as an ‘unreasonable’ expense that can be claimed back; (iii) improving the user experience so that turnaround times are quicker and support easily follows disabled people as they move jobs; and (iv) creating a more solid evidence base by testing the impact of an improved system on outcomes such as job retention.

2. Employment and pay gap **reporting** can help drive change, but should not be turned into crude quotas

But we need to do more than just give employers funds for certain workers: employers need to be held accountable for creating inclusive workplaces more broadly. We have had initiatives that lack accountability, like *Disability Confident*, an optional scheme where employers can signal that they are committed to best practice. But this was a failure: private-sector employers that signed up for Disability Confident were no more likely than others to employ disabled staff. Many therefore see mandatory employment and pay gap reporting as essential, with the Government consulting on whether to require this of large

employers. We agree that this greater transparency will drive positive change.

However, the Government should be careful not to turn this into a strict quota. Disability measures are more complex than those relating to gender or ethnicity (as we saw when discussing the DEG), and it is possible that workplaces that improve their employment practices will end up having fewer people reporting a disability per se (because as things improve, these workers' health conditions no longer interfere with their work). And international experience suggests there can be problems with disability quota systems. We therefore welcome the Government's consultation on mandatory reporting, but only if employers are required to use this data to drive inclusion, rather than simply setting a crude target. There are limits to how strong the incentives from greater transparency alone can be, and this underscores that further targeted action on employer incentives is also needed.

3. The biggest impacts will come from incentivising employers to *reintegrate* existing workers (rather than encouraging box-ticking); we recommend doing this through a new 'Right to Reintegration'

If we want to shift the dial when it comes to boosting disability employment, improving retention is likely to be more effective than improving recruitment. More than one-in-ten (12 per cent) disabled staff leave work each year, a figure that has risen over the past decade, and has consistently been 1.5-times that for non-disabled workers. And each year, twice as many people flow from work into inactivity due to ill health (304,000) than flow from inactivity due to ill health into work (151,000).

There are already strong legal obligations on employers arising from the *Equalities Act 2010*, yet employers are simply not doing enough to retain existing workers. Less than half of disabled workers who request a reasonable adjustment have this granted in full. Discrimination also remains a pressing issue, with 15 per cent of disabled people reporting workplace discrimination relating to their disability in 2022. And line managers regularly talk about their 'fear' in dealing with sickness and disability, with

employers often putting considerable effort into box-ticking HR practices that mitigate risk rather than helping workers.

There are many ways of incentivising employers to do more with their existing workers. The Netherlands is a particularly good example: after introducing the sharpest employer incentives across the OECD in 2002, they saw a massive reduction in incapacity benefits inflows, equivalent to UK incapacity benefit on-flows dropping from 470,000 to 160,000 per year.

We recommend that the Government introduces a 'Right to Reintegration' for workers on sick leave, where employers cannot dismiss workers unless they demonstrate that they have made sufficient efforts at reintegration. This would clarify and strengthen existing legal protections: it would provide a much stronger message to workers about what they are entitled to, and extend these rights further. This could potentially be enforced via employment tribunals, but the Government should also consider more proactive enforcement mechanisms, whether via the Equalities and Human Rights Commission or connected to a new system of caseworkers that are expected to be covered in the forthcoming Mayfield Review. The aim is not to put additional strain on (good) employers: our aim is to nudge employers towards doing things that may take time and effort, but will ultimately benefit them as well as disabled workers.

4. This needs to be complemented by a new 'Return-to-Work Recruitment Incentive'

Any new retention incentives should be complemented by incentives to support recruitment. This is partly because employers may be risk-averse when it comes to employing disabled workers who require flexible working arrangements; we find that 9.4 per cent of new starts in a job are able to work with 'flexi-time', but this rises to 12.9 per cent of those who have been in their job for two years or more. But recruitment incentives are also needed because of evidence that stronger retention obligations can unintentionally discourage new hiring.

We recommend that the Government introduces a 'Return-to-Work Recruitment Incentive' targeted at disabled people who

have been claiming incapacity benefits for six months or more. We set out two possible models for delivery, one of which is a giveaway to employers and the other is a cost. First, in a model where costs are borne primarily by the Government, there could be a staggered payment to employers that share the gains of reduced spending on incapacity benefits when an employer takes on someone who was previously out of work due to ill health. Second, in a model where costs are primarily borne by employers, there could be a 'disability employment levy', which could be spent on various costs associated with employing this group (including wages, sick pay, workplace adjustments and disability inclusion practices) on a 'use it or lose it' basis, learning from the design of the Apprenticeship Levy.

These employer incentives should be accompanied by wider actions to ensure that people with health conditions and disabilities can access suitable work

5. We need to do more to *support part-time work* where people would struggle to work full time

Increasing part-time work is part of the solution to increasing the employment rate. Among the ten OECD countries with the highest employment rates, the majority have higher proportions of people working part-time than the UK (including an astonishing 40 per cent of the working-age population in the Netherlands).

But we need to be careful here, as we could end up *reducing* labour supply (if large numbers of full-time workers go part time) – the countries with the highest total hours worked per capita are often *not* those with the highest employment rates. There are also risks of increasing poor quality jobs (given historic problems with pay and progression in part-time work).

We therefore recommend a careful twin-track approach. Firstly, it makes sense to increase the availability of part-time work in a targeted way focused on disabled people, including clarifying employers' obligations as reasonable adjustments, and ensuring incapacity benefit recipients feel more confident in moving into appropriate part-time work (in terms of both conditionality

expectations and work allowances). Secondly, the Government should consider whether broader efforts to support the supply of high-quality part-time work are needed. This is an issue that will only grow in importance (as a greater share of our working-age population have health conditions and caring responsibilities that limit their ability to work full time).

6. There should be a clear ambition to create *better working environments for all workers*

A policy of giving disabled people more flexibility and lower intensity at work compared to other workers will, though, only get us so far. This is partly because many people do not want to disclose their disability to their employer, and partly because of the practical limits to making exceptions to an established way of working. To significantly improve the employment rate of disabled people, we therefore need to create a workplace that works better for everyone.

However, over the past 25-30 years, some aspects of the workplace have been getting worse. There have been some improvements, including sharp rises in homeworking and hybrid working (from 5 to 13 per cent and 14 to 21 per cent of employees respectively between 2017 and 2024). But we have also seen sharp rises in work intensity between 1992 and 2017 (only partly offset by a small fall to 2024), while workers' control over how they do their job has fallen to its lowest level on record (with only 34 per cent of workers having high task discretion in 2024, almost half the 62 per cent who had it in 1992). There are also suggestions that we saw a sharp decline in 'light work' in jobs like cleaning and lift attendants in the 1980s: our new analysis shows that 'light work' declined sharply between 1986 and 1992 (from 41 per cent to 21 per cent of jobs), and sat at 15 per cent in 2017.

Improving the quality of work is a wider agenda, and not always straightforward. For example, a higher quality of line management is clearly desirable but is not an easy target for government intervention. Nevertheless, there is a clear need to link disability employment to the quality of work, and we found support among both employers and wider policy stakeholders for action in this space (for example, creating sectoral standards

on flexible working and disability inclusion, and boosting the role of the Health & Safety Executive (HSE)).

There is no easy solution to boosting disability employment – but employer incentives are a vital piece of the puzzle

Boosting disability employment is not straightforward: it will involve improvements to the health system, benefits system and world of work. But action to incentivise and support employers is a vital piece of the puzzle. If it creates a serious strategy to shift employer behaviour, the Government's ambition to reach an 80 per cent employment rate – and 'Get Britain Working' – remains in reach: halving the disability employment gap would take the Government more than halfway towards meeting its 80 per cent employment rate target. The policies set out in this report offer a practical way forward, one that shares responsibility between the state, employers and workers, to give disabled people a fair chance to find and stay in work.

Section 1

Introduction

In the UK, too few disabled people are in employment. This is a problem in its own right: this is bad for equality, and for the living standards and well-being of disabled people. But by limiting the economic potential of disabled people, we are also making it harder for the country to achieve stronger economic growth, a key priority for this Government. Other important aspects of the Government's agenda – including reaching an 80 per cent employment rate, reducing economic inactivity due to long-term sickness, and curbing spending on health and disability benefits – will also be made easier if we boost the employment rate of disabled people. Indeed, halving the employment rate gap between disabled and non-disabled people would take the Government more than halfway towards meeting its 80 per cent employment rate target.

Of course, employment is not right for everyone: the nature of certain health conditions and disabilities, as well as the types of jobs on offer across the country, means that paid employment is not always an appropriate option. And strategies designed to push people to enter or remain in work at all costs will have detrimental effects, both for disabled people and the Exchequer. But improving the inclusion of people with health conditions and disabilities is good for disabled people themselves (with good work generally better for health), while also helping make Britain both fairer and more economically successful.

Throughout this report, we use the standard definition of disability which includes those who have a long-standing health condition or illness that affects their day-to-day activities. This definition is explored in more detail in Box 1 below.

BOX 1: Defining disability

Measuring disability is harder than measuring many other social phenomena, for two reasons. First, disability means being unable to fully take part in society because of a health condition or impairment.

It is therefore about the interaction between functional impairments and social environments – what would be disabling for one person might not be disabling for someone else in a different time or place. Secondly, defining

disability means placing a binary yes/no category upon barriers that are on a continuum in practice. This means that slightly different measures or questions using different surveys may produce

much bigger or smaller estimates of how many disabled people there are.

To capture disability as defined in law (in the Equality Act 2010), the Government Statistical Service recommend using the following two questions:¹

Do you have any physical or mental health conditions or illnesses lasting or expected to last 12 months or more?	Yes No
[For those that say yes to q1]	Yes, a lot
Does your condition or illness reduce your ability to carry-out day-to-day activities?	Yes, a little No

People are counted as 'disabled' if they answer 'Yes' to the first question and 'Yes, a lot' or 'Yes, a little' to the second question. Unless otherwise specified, this is the definition that we use in this report.

Because disability questions have changed slightly over time (e.g. in 2013 in the Labour Force Survey), there are some discontinuities in the figures

presented here. And because the questions (and wider survey context) vary between surveys, the prevalence of disability also varies between different data sources. Finally, it is important to recognise that these measures of disability are different to asking people how they would define themselves; many people legally protected from disability discrimination would not use the term 'disabled'.

Since the election, most attention in this space has been given to policies that affect disabled people themselves: in recent months, this has included a promised boost to employment support offered to sick and disabled people and the controversial changes to the social security system debated in Parliament earlier this month.² But the Government has also committed to doing more to encourage employers to hire

¹ Government Analysis Function, [Measuring disability for the Equality Act 2010 harmonisation guidance](#), June 2019.

² DWP, [Press release: Government bolsters employment support to unlock work for sick and disabled people](#), March 2025; House of Commons Library, [Research Briefing: Universal Credit and Personal Independence Payment Bill 2024-25: Progress of the bill](#), July 2025.

and retain disabled workers, setting up the ‘Keep Britain Working’ review headed by Sir Charlie Mayfield.³

Employer action on disability inclusion is something that Resolution Foundation has long recognised the importance of: back in 2016, we set out recommendations focusing on employer retention and rehabilitation of disabled workers.⁴ Since then, the issue has only grown in importance, with the number of working-age disabled people increasing by over three million over the past decade.

Ahead of the Keep Britain Working Review’s recommendations due later this year, in this report we bring together quantitative analysis, wider research, and findings from employer interviews to suggest key principles that should underpin Government action in this space. The insights from our employer interviews, and roundtable discussions with employers and employer organisations, policy stakeholders, and experts by experience, are reflected throughout this report.⁵

The report is structured as follows:

- Section 2 sets out the problem: that too few disabled people are in employment;
- Section 3 summarises the role that employer incentives can play in boosting disability employment;
- Section 4 sets out our four key policy recommendations around employer incentives: these should cover the four Rs of reimbursement, reporting, reintegration and recruitment;
- Section 5 explores what more the Government can do to boost disability employment, focusing on supporting part-time work and creating better working environments; and,
- Section 6 summarises our recommendations.

³ www.gov.uk/government/publications/keep-britain-working-terms-of-reference, accessed 14 July 2025.

⁴ L Gardiner & D Gaffney, *Retention deficit: A new approach to boosting employment for people with health problems and disabilities*, Resolution Foundation, June 2016.

⁵ In May 2025, we held six interviews with employers: two with employers from the construction industry, and one each with employers from the health, social care, information and communication and finance industries. All interviews were carried out with people who held hiring responsibilities within their organisation (such as an operations director or head of learning and development). In June 2025, we held three roundtables with delegates from employer representative bodies, policy stakeholders and experts by experience.

Section 2

The UK has a poor record on disability employment

The UK's record on disability employment appears to have improved over the past decade, with more than half (54 per cent) of working-age disabled people now in work, and the conventional disability employment gap (DEG) narrowing over time. However, these headline trends mask deeper issues. The number of disabled people has risen significantly, partly due to changes in reporting, which complicates interpretation of the DEG. After adjusted for prevalence, a more robust measure (the prevalence-adjusted DEG) suggests that disability-related labour market exclusion has worsened in recent years, particularly since the pandemic, with the UK one of the worst performers in the OECD. Progress on disability employment is also uneven, with employment outcomes varying widely depending on disabled people's health conditions, qualifications, region, and access to flexible work. In many parts of the UK, and for many disabled people, there remain too few suitable job opportunities.

The UK's record on disability employment is worse than it first appears

Policy debates on the topic of disability and the world of work often start by noting successive governments' successes in increasing the number of disabled people who are in employment, or narrowing the 'disability employment gap' (DEG), which measures the difference in employment rates between disabled and non-disabled people.⁶ ('Disability' is conventionally measured by people reporting a long-standing health condition or illness that affects their day-to-day activities – this is summarised in Box 1 in the previous section).

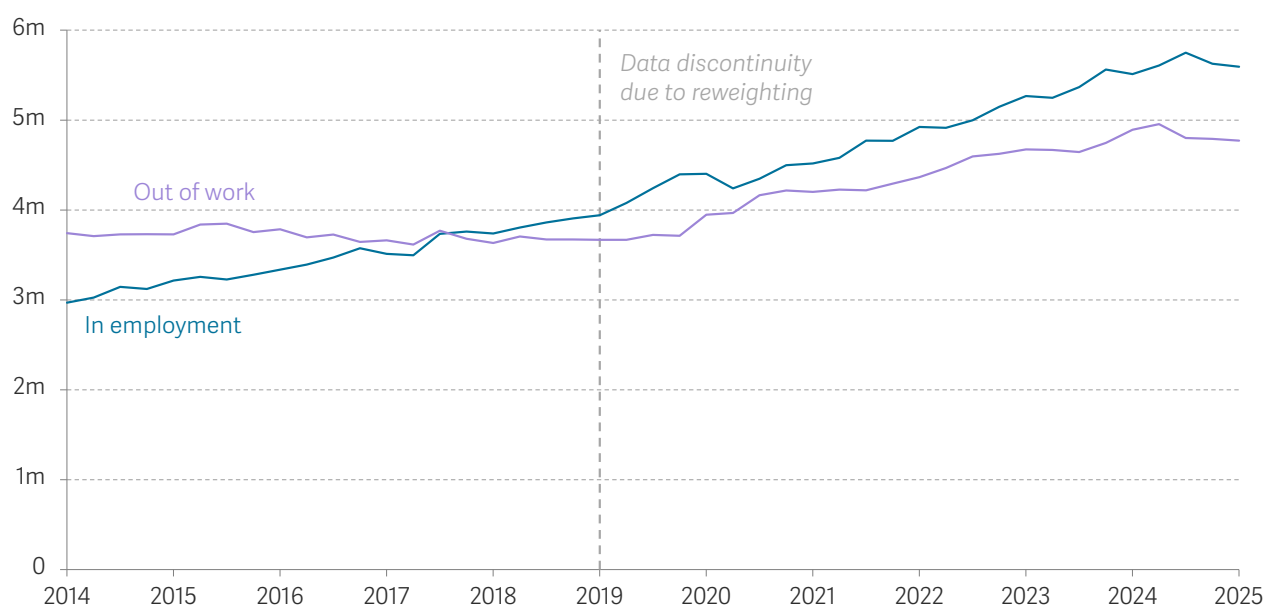
There has indeed been steady progress in the number of disabled people in employment, as Figure 1 shows. At the start of 2014, there were 3.0 million working-age disabled people

⁶ For example, the previous Government set a target of getting 1 million more disabled people into work between 2017 and 2027: this was met in 2022. For an overview of recent government policy on disability employment, see: A Powell, [Research Briefing: Disabled people in employment](#), House of Commons Library, March 2024. The Work and Pensions Committee recently launched a new inquiry to "to understand the root causes of the persistent disability employment gap": Work and Pensions Committee, [MPs launch new inquiry to address disability employment gap](#), July 2025.

in employment; this had risen to 4.4 million by the eve of the pandemic in early 2020, and is now estimated to stand at 5.6 million.⁷ Over the past decade, the growth in disabled people in employment has outpaced the growth in disabled people who are not working; as a result, by early 2025, 54 per cent of working-age disabled people were in employment, compared to 44 per cent in early 2014.⁸

FIGURE 1: The majority of disabled working-age adults are in employment, unlike a decade ago

Number of disabled adults aged 16-64, by economic status: UK



SOURCE: Analysis of ONS, Labour Force Survey.

To understand what has been driving this big increase in disabled people's employment, in Figure 2 we break down the change experienced over the past decade by health condition. Encouragingly, employment rates have increased for disabled people with all types of health conditions (shown in the right panel), but the increase has been greatest for those whose main condition relates to learning difficulties, depression or other mental illnesses. For example, among people whose main condition is depression, the employment rate increased dramatically in the 2010s, from 36 per cent in 2013 to 54 per cent on 2023 (an increase of 18 percentage points).⁹ Depression is an example of a condition that has become considerably more common over time, but large increases in disabled people's employment are seen both for those with conditions that people are

⁷ In this report, we use the Labour Force Survey to understand long-running trends in disability employment. However, the survey has suffered from well-documented issues in recent years. See: A Corlett, *Get Britain's Stats Working: Exploring alternatives to Labour Force Survey estimates*, Resolution Foundation, November 2024, and: ONS, *Labour Force Survey quality update: May 2025*.

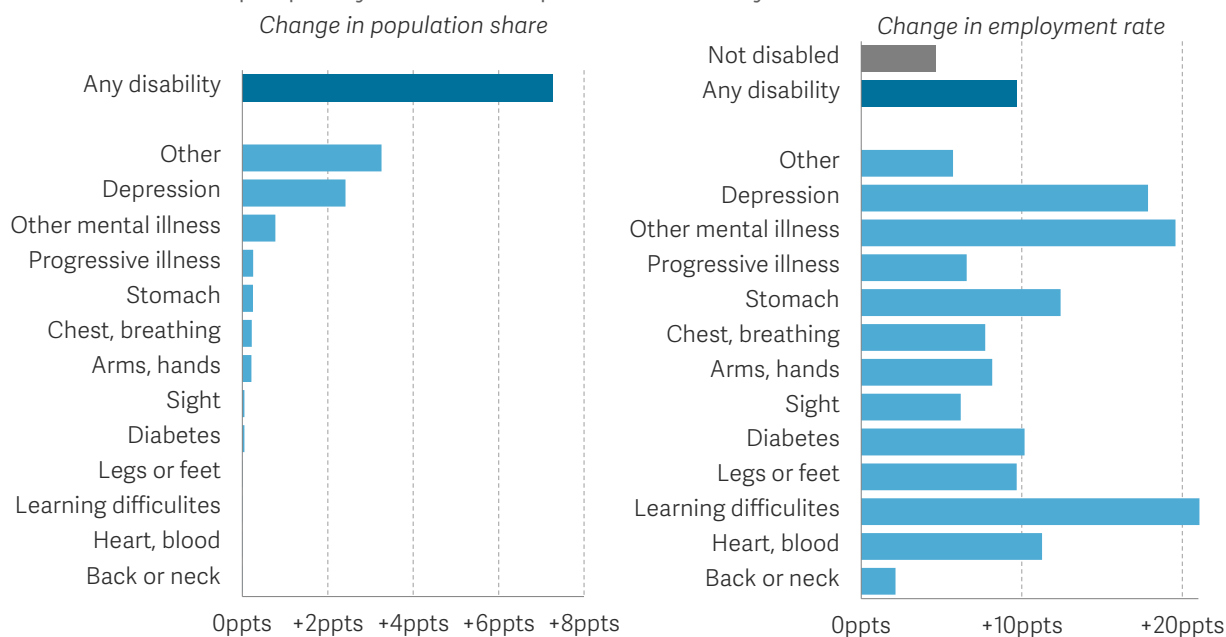
⁸ The employment rate for non-disabled people is 1.5-times the rate for disabled people (in Jan-Mar 2025, the employment rate for non-disabled people was 81.9 per cent, compared to 54.0 per cent for disabled people).

⁹ A version of Figure 1 first appeared in: C McCurdy, *Labour Market Outlook Q3 2022*, Resolution Foundation, October 2022.

much more likely to report a decade ago (including depression), and also for conditions that have become less prevalent over time (for example, those whose main condition relates to 'legs or feet' or 'back or neck'), as shown in the left panel of Figure 2.

FIGURE 2: Employment rates have risen for people with all types of disabilities, including those becoming more or less common over time

Change in employment rate, and change in population prevalence, among disabled and non-disabled people, by main health problems, 16-64-year olds: UK, 2013-2023



NOTES: We exclude four categories of main health condition where sample sizes are small: hearing, skin conditions, speech and epilepsy. For readability the chart abbreviates health problems. The full categories are as follows: Depression (depression, bad nerves or anxiety), Other (other health problems or disabilities), Other mental illness (mental illness, suffer from phobia, panics or other nervous disorders), Progressive illness (not included elsewhere e.g. cancer, multiple sclerosis, symptomatic HIV, Parkinson's disease, muscular dystrophy), Arms, hands (including arthritis or rheumatism), Sight (difficulty seeing while wearing spectacles or contact lenses), Speech impediment, Skin condition (severe disfigurement, skin conditions, allergies), Hearing, Severe or specific learning difficulties, Stomach (stomach, liver kidney or digestive problems), Epilepsy, Leg or feet, Back or neck, Chest or breathing (asthma, bronchitis), Diabetes and Heart, blood (heart, blood pressure or blood circulation problems).

SOURCE: Analysis of ONS, Labour Force Survey.

The employment rate of disabled people has grown dramatically over the past decade and, because this has been greater than the trend for non-disabled people, this has reduced the disability employment gap (DEG). The DEG was falling steadily over time (as shown in Figure 3), with the DEG falling by 4 percentage points in the decade between 2013 and 2023, although a sizeable gap remains (28 percentage points in early 2025).

But solely looking at the DEG overstates how much progress has been made over the past decade, because the DEG is affected by changes in how people report disability. If less severely-impaired people become more likely to report a disability, then the DEG will narrow, even if nothing has substantively changed. So over a period when the prevalence

of working-age disability has risen rapidly (from 17 to 24 per cent of working-age adults), with at least part of this reflecting increased reporting of disability rather than changes in underlying health, it is not sensible to focus exclusively on the DEG.¹⁰

Instead, we find the ‘prevalence-adjusted’ DEG more helpful: this is simply the prevalence of disability multiplied by the DEG. This measure is used elsewhere by the OECD and academic researchers, and is recommended as a useful complement to the DEG by the Disability Employment Charter and in an upcoming OECD working paper.¹¹ It is different to the DEG in two ways. First, it captures something slightly different: the DEG captures an inequality, but the prevalence-adjusted DEG captures how far disability reduces labour supply across society as a whole, and is therefore sometimes known as the ‘proportion prevented from working due to disability’.¹²

Second, in certain situations where the DEG is a biased measure of inequality, the prevalence-adjusted DEG is an unbiased measure of inequality.¹³ This occurs when there are people who report a disability in some circumstances and not in others, and whose employment chances are not affected by their disability.¹⁴ However, the prevalence-adjusted DEG is not perfect: it becomes more biased if the people who sometimes do and sometimes do not report a disability have employment chances similar to other disabled people. Ultimately, the only way to get a more robust measure that covers both scenarios is for the Government to collect detailed data on working-age ill health and impairments in a way that is likely to be interpreted consistently over time and place, and then combine these into a single scale, as described in an upcoming OECD working paper.¹⁵ Unfortunately the Government are going in the opposite direction by proposing to scrap the Health Survey for England, the only survey that even imperfectly enables us to do this.¹⁶

¹⁰ There is some evidence that health has genuinely got worse, but there is also evidence that people are more likely to label their experiences as ill health or activity limitations; see: B Geiger, [A progressive agenda on the medicalisation of mental health](#), Inequalities Substack, March 2025.

¹¹ The OECD used the prevalence-adjusted DEG in [Disability, Work and Inclusion: Mainstreaming in All Policies and Practices](#), 2022, while academic researchers who have used the prevalence-adjusted DEG include R Berthoud, [Trends in the Employment of Disabled People in Britain](#), ISER Working Paper, 2011; and M Jones & V Wass, Understanding changing disability-related employment gaps in Britain 1998–2011, *Work, Employment & Society*, 27: 6, 982–1003, 2013. The recommendations to use the prevalence-adjusted DEG alongside the conventional DEG include the [Disability Employment Charter](#) and B Geiger & C Prinz, [Measuring disability employment gaps: How to get robust comparisons across countries and over time](#), OECD Working Paper, In Press.

¹² Both interpretations in effect assume that the link between disability and employment is causal (and unidirectional) even though we know that it is partly due to other factors. But it is useful to have simple descriptive measures that provide a first-pass estimate of key policy indicators.

¹³ This is explained more fully in B Geiger & C Prinz, [Measuring disability employment gaps: How to get robust comparisons across countries and over time](#), OECD Working Paper, In Press.

¹⁴ This assumption is plausible given that people who report a longstanding illness but say this is not activity-limiting have the same employment rates as people that do not report a longstanding illness (Analysis of LFS data for Jul-Sep 2024). Further evidence comes from Figure 1, which shows how the number of people in-work reporting a disability has risen over time much more sharply than the number of out-of-work people reporting a disability. See also footnote 8.

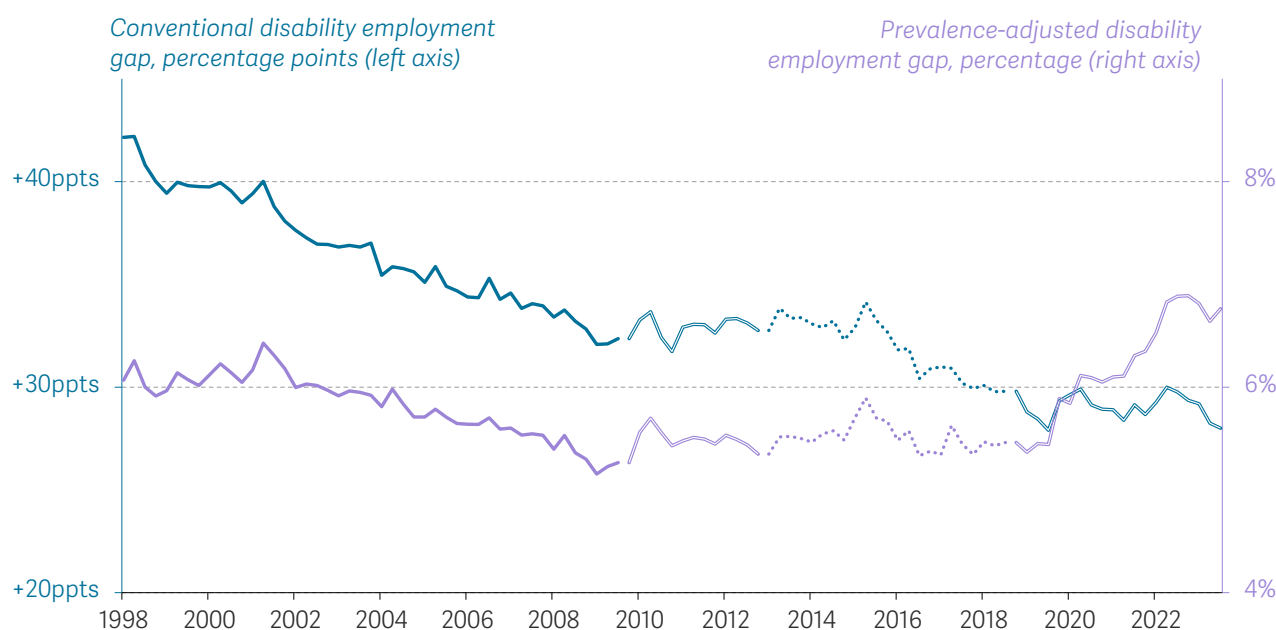
¹⁵ B Geiger & C Prinz, [Measuring disability employment gaps: How to get robust comparisons across countries and over time](#), OECD Working Paper, In Press.

¹⁶ Due to an outcry over the proposals, the Government have re-opened a consultation on the future of the HSE; see: O Oyeboode, [Help shape the future of population health surveys](#), July 2025.

Either way, the prevalence-adjusted DEG allows us to take account of the changing prevalence of disability while also comparing employment outcomes between disabled and non-disabled people. And if we use the prevalence-adjusted DEG, then things have been getting worse in recent years: it has risen from 5.4 per cent in 2013 to 6.8 per cent in 2023 (see Figure 3). The difference is most marked since Covid-19, when the prevalence of disability rose most sharply. We would expect the conventional DEG to fall at a time when the prevalence of disability has risen so markedly; but the prevalence-adjusted DEG highlights that post-Covid-19 developments should be of concern to policy makers.

FIGURE 3: The conventional DEG is misleading: if we adjust for prevalence, then things have been getting worse, not better

Conventional disability employment gap (DEG), and the prevalence-adjusted DEG, among working-age adults: UK



NOTES: The prevalence-adjusted DEG is the prevalence of disability multiplied by the disability employment gap. Breaks in the data series relate to discontinuities in measures of disability; we use a chained series to make trend clearer. Unlike other charts in this report, we here account for a minor discontinuity in Jan 2019 (the earliest time point that ONS have reweighted the data with revised population projections), as well as the discontinuities we consistently account for in April 2013 and Jan 2010 (both due to changes to the disability questions in LFS).

SOURCE: Analysis of official statistics for the working-age population (aged 16-59(f)/65(m) until 2009, 16-64 from 2010 onwards), from the Labour Force Survey.

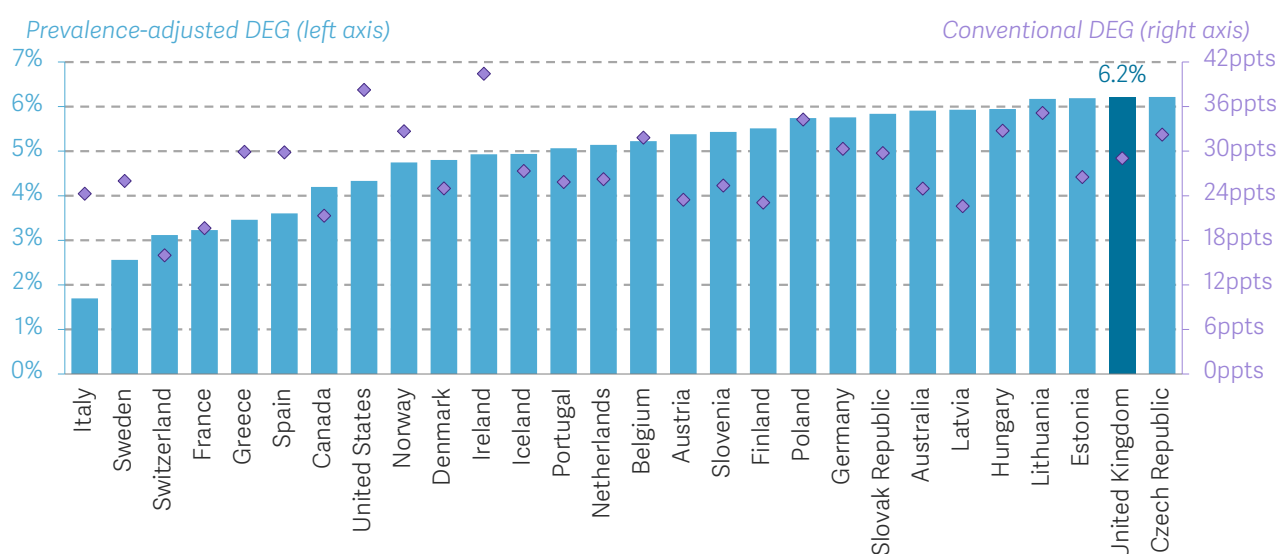
When we look at how the UK performs compared to other countries, the outlook is concerning.¹⁷ Figure 4 shows the conventional DEG and the prevalence-adjusted DEG, using the most recently available OECD data. This shows the UK mid-ranking on the conventional DEG, but among the worst in the OECD on the alternative prevalence-

¹⁷ See also: Understanding Society, *UK underperforms in employment for ill and disabled*, June 2025.

adjusted measure.¹⁸ Across 2016-2019, the UK had a prevalence-adjusted DEG at 6.2 per cent, well above that in France (3.2 per cent), Denmark (4.8 per cent) and the Netherlands (5.1 per cent).

FIGURE 4: The UK's conventional DEG is middling compared to other countries, but once we take prevalence into account, the UK is a poor performer

Prevalence-adjusted disability employment gap (left axis) and conventional disability employment gap (right axis), for 20-59 year olds: selected OECD countries, 2016-2019



SOURCE: Redrawn from OECD 2022 Disability, Work & Inclusion, Figures 2.8 and 2.5.

Overall, there is a clear need for progress when it comes to the employment of disabled people. The fact that the conventional DEG stands at 28 percentage points – and that only just over half (54 per cent) of disabled people are in employment – should be warning enough. But the trends shown by looking at the prevalence-adjusted DEG, that things in the UK are getting worse over time and are among the worst-performing in the OECD, indicates a need for urgent action.

The problem is that there are too few suitable jobs for disabled people, particularly for certain people in certain parts of the country

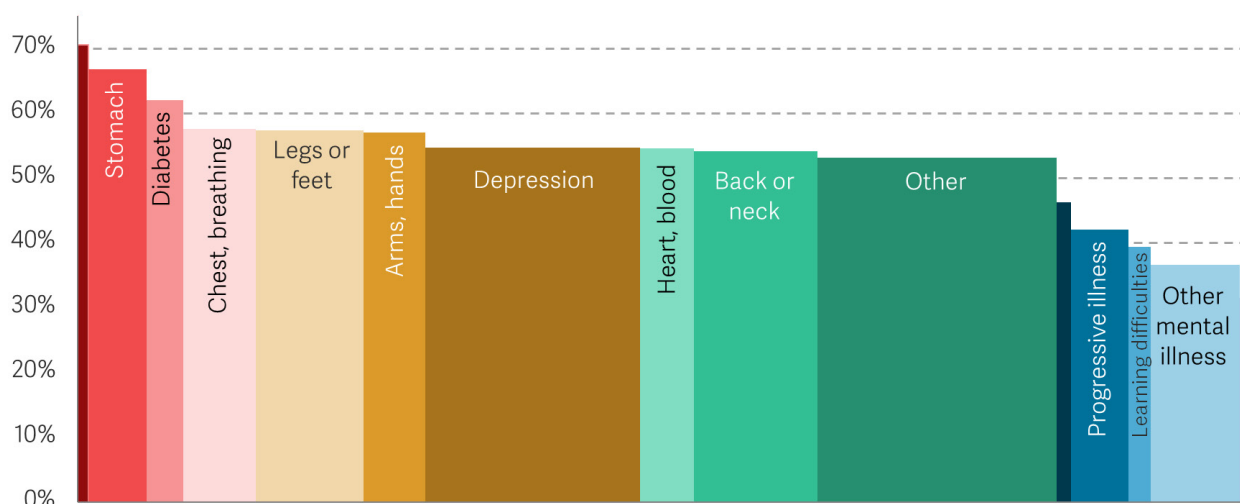
In understanding why the DEG remains a persistent problem in the UK, we must consider that disabled people's chances of finding work relate to more than just disability itself. Of course, there is a huge variation in the types of health conditions reported by disabled

¹⁸ The prevalence-adjusted gap is not a perfect measure, and the upcoming OECD report by Geiger and Prinz explores some alternative, more robust ways of comparing the UK's performance, although these are only available for those aged 50+, for England rather than the UK as a whole, and have wide confidence intervals. They similarly find that England is relatively poorly-performing, with a prevalence-adjusted DEG of 7.7 per cent. This is lower than the USA (which at 11.0 per cent was the worst-performer), but noticeably higher than Switzerland (2.2 per cent), Sweden (3.7 per cent), the Netherlands (4.9 per cent), Denmark (5.2 per cent), and indeed most of the countries included in the study.

people, and employment rates vary considerably between disabled people with different conditions, as Figure 5 shows. More than three-fifths of disabled people whose main condition is stomach or diabetes related are in employment (with employment rates of 67 per cent and 62 per cent respectively), but less than two-fifths of disabled people whose main condition relates to learning difficulties or an 'other' mental health condition (not including depression or anxiety) are in employment (with employment rates of 39 per cent and 37 per cent respectively).

FIGURE 5: There is wide variation in employment rates between disabled people with different health conditions

Employment rate among disabled adults aged 16-64, by main health condition: UK, 2022-2023



NOTES: Bar width reflects size of group. Some health conditions have small sample sizes so are not labelled. These are: skin conditions, hearing, sight, epilepsy and speech. For readability the chart abbreviates health problems. The full categories are as follows: Depression (depression, bad nerves or anxiety), Other (other health problems or disabilities), Other mental illness (mental illness, suffer from phobia, panics or other nervous disorders), Progressive illness (not included elsewhere e.g. cancer, multiple sclerosis, symptomatic HIV, Parkinson's disease, muscular dystrophy), Arms, hands (including arthritis or rheumatism), Sight (difficulty seeing while wearing spectacles or contact lenses), Speech impediment, Skin condition (severe disfigurement, skin conditions, allergies), Hearing, Severe or specific learning difficulties, Stomach (stomach, liver kidney or digestive problems), Epilepsy, Leg or feet, Back or neck, Chest or breathing (asthma, bronchitis), Diabetes and Heart, blood (heart, blood pressure or blood circulation problems).

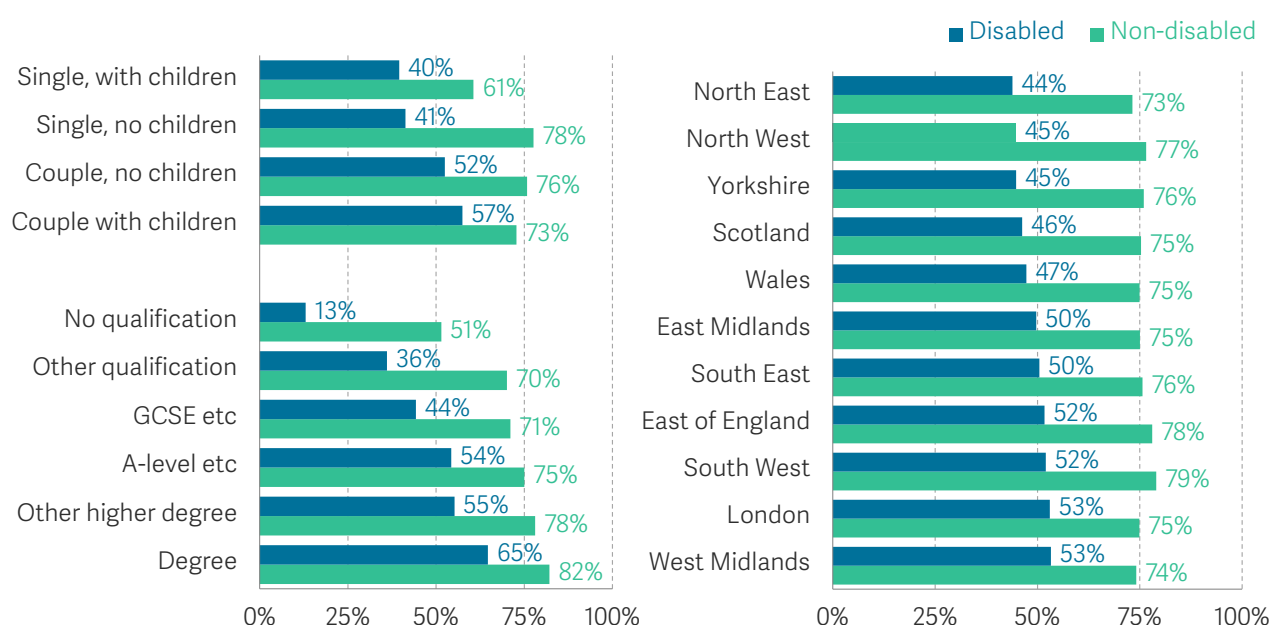
SOURCE: Analysis of ONS, Labour Force Survey.

But the wider context that disabled people find themselves in matters too. Employment is higher in some regions and for those with higher qualifications among non-disabled people, as shown in Figure 6, but these gaps are much bigger for disabled people. For example, disabled people in the West Midlands, London and the South West are much more likely to be in work than those in the North East or North West, with the disability

employment rate varying by 9 percentage points between the best- and worst-performing regions, compared to 6 percentage points for non-disabled people. Likewise, after controlling for other personal characteristics, 65 per cent of disabled people with degree-level qualifications are predicted to be in employment, compared to (a predicted) 44 per cent of those with GCSE-level qualifications and just 13 per cent of those with no qualifications (a gap of 20 and 52 percentage points in the predictions, respectively).

FIGURE 6: Disability employment relates to more than just disability – the wider context that people find themselves in matters too

Predicted probability of being in employment, after controlling for other factors, for adults aged 16-64, by selected demographics: GB, 2019-2022



NOTES: The chart shows the marginal probabilities of employment after controlling for sex, age, ethnicity, region/nation, qualification level and household type.

SOURCE: Analysis of ISER, Understanding Society.

Of course, labour demand varies considerably between different parts of the UK, and those with higher levels of qualifications have access to a greater pool of jobs.¹⁹ But this is not just about labour demand in general: it's also about the availability of suitable jobs, which are scarce and unevenly distributed. For example, we know that flexible working is often an important part of what makes a job suitable to disabled people. Among disabled people who are currently not working and receiving health or disability benefits (such as Universal Credit or Personal Independence Payment), two-thirds (66 per cent) said they would need to work part-time and three-quarters (76 per cent) said they would need to

¹⁹ See, for example, M Bryan et al., *The Geography of the Disability Employment Gap: Policy Brief*, University of Sheffield, June 2024; M Bryan et al., *The role of education in the disability employment gap*, University of Sheffield, April 2023.

overcome travel barriers.²⁰ On the other hand, only one-in-five (18 per cent) said that they could do a job with a fixed shift pattern.

Put simply, for many disabled people, whether they are capable of work depends on what sort of jobs are available to them. This is one of the core insights of the social model of disability;²¹ as the LSE-founder Sidney Webb put it in 1912, “incapable of any work whatsoever” can only mean “literally unconscious or asleep”.²²

But not all disabled people have access to such flexibility, particularly when we look at ‘very flexible’ jobs with multiple degrees of flexibility (whether people have access to part-time work, flexi-time and the opportunity to work from home, even if they are not currently making use of these flexibilities). As Figure 7 shows, very few disabled workers are in jobs that offer all of these types of flexibility, but there is a high degree of variability beneath the surface. Among disabled workers, those from large businesses are three-times as likely to have access to very flexible work than those from small businesses (18 per cent and 6 per cent respectively); those working in the public administration and education sector are twice as likely to have access to very flexible work than those in the manufacturing sector (13 per cent and 6 per cent respectively). Access to partially flexible work (where workers have access to either part-time work, flexi-time or the opportunity to work from home) is more common, but similar differences exist.

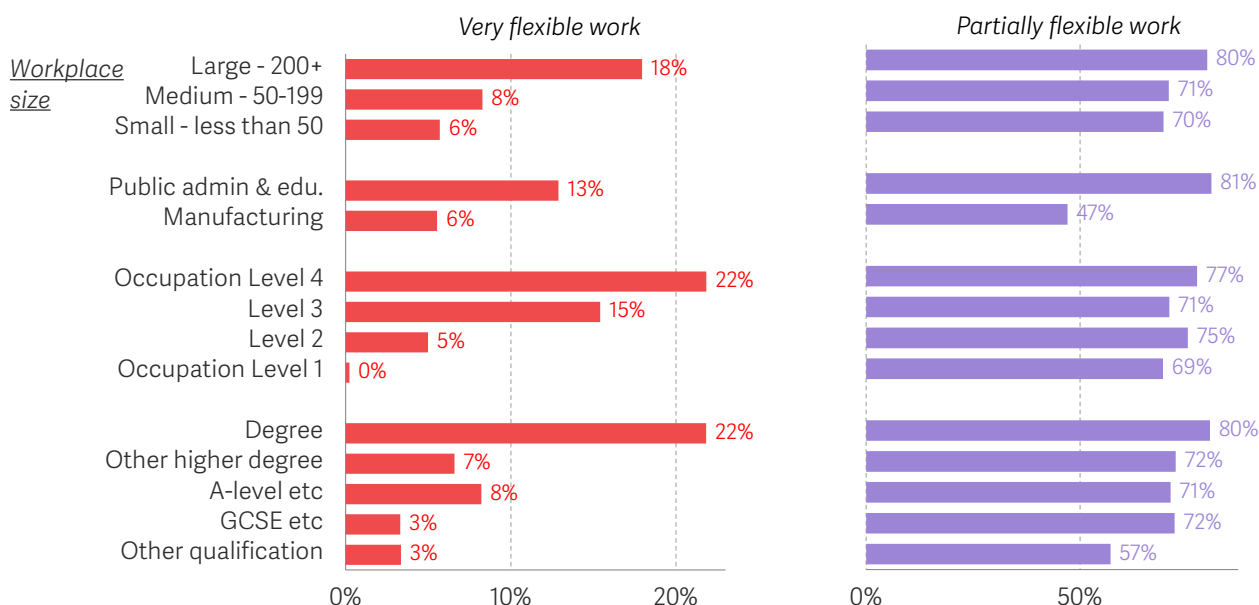
²⁰ DWP, *Work aspirations and support needs of health and disability customers: Interim findings*, Ad hoc research report 112, February 2025.

²¹ C Hale, K Hoque & B Baumberg Geiger, *The 39 Steps: Realising the potential of Flex Plus working for disability inclusion*, ESRC Centre for Society and Mental Health, March 2025; L Sayce, *Switching Focus Whose responsibility to improve disabled people's employment and pay*, LSE, November 2018.

²² Cited in a conference paper by Jackie Gulland, “‘Excessive sickness claims’: controlling sickness and incapacity benefits in the early 20th century”, paper presented to the Social Policy Association annual conference, Lincoln, 2011.

FIGURE 7: Disabled people's access to flexible work is not evenly spread

Proportion of disabled workers who have very flexible working available to them (left) and partially flexible work available to them (right), by selected demographics: UK, 2018-2019 and 2020-2021



NOTES: 'Very flexible work' is defined as a job that offers part-time work, flexi-time AND work from home; 'Partially flexible work' is defined as a job that offers part-time work, flexi-time OR work from home. Data refers to type of flexibility on offer, regardless of whether or not the worker takes it up.

SOURCE: Analysis of ISER, Understanding Society

This section has shown that the UK has a real problem: the employment rate among disabled people remains woefully low; the prevalence-adjusted disability employment gap is moving in the wrong direction; and there are not enough suitable jobs available to disabled people. In the next section, we move from problem identification to considering how we can bring about change by exploring the ways in which policy can encourage employers to take the steps needed to hire – and retain – disabled workers.

Section 3

The economy – and often even employers themselves – would benefit from employers doing more to hire and retain disabled people

Many employers would benefit from supporting disabled workers (through improved staff retention, reduced absence, and access to underutilised talent), but market failures mean these benefits do not always outweigh the perceived costs. Meanwhile, many of the broader gains from increased disability employment, such as higher tax revenues and lower benefit spending, accrue to the state rather than employers.

Well-designed employer incentives can help address these challenges, encouraging employers to make positive changes they might otherwise avoid. But incentives must be carefully targeted to avoid unintended consequences. These include high deadweight costs, reinforcing stigma, distorting hiring decisions, and entrenching a compliance-led rather than human-centred culture. Current management practices are often process-heavy but ineffective, with line managers under-supported and risk-averse.

The market failure that means employer incentives are needed

There are many benefits to employers if they support workers with health conditions and disabilities: it makes it easier to hire staff with scarce skills, reduces the costs of sick leave, and increases the retention of talented and productive workers, which is particularly important at a time when 62 per cent of employers report skills shortages.²³ Some good employers are therefore already making considerable efforts here, and told us that offering flexible working arrangements is a “simple” decision that they feel contributes to higher productivity and increased retention. For example:

²³ See the Open University/British Chambers of Commerce ‘Business Barometer 2024’ at <https://business.open.ac.uk/business-barometer-2024>.

“Because ultimately, you know, if we were an employee, if we were coming into business, what would we want to make sure that we would stay in the business a long time and for longevity? And that’s essentially what we were thinking and that was the rationale behind that decision [to increase flexibility]...It’s a big perk for your company because then it all, you know, allows them to stay.”

(Manager, construction, small business)

“We’ve implemented a couple of things [flexibility at work]... and you know it’s actually improved our performance and our productivity.”

(Manager, construction, small business)

“I think we always look at the individual’s health and see like, one, if they can do the role itself and two, yes, they could be the right fit for the role itself, and we just need to work around how we can accommodate that individual because of the health issue. They could be an expert on the field that we’re looking for and we might be struggling to fill that particular role, and if you’ve seen someone who is an expert, then you don’t want to lose them. You know, just because they’ve got a disability you want to try and work with them to accommodate them.”

(Manager, information and communication, medium business)

But in too many cases employers are doing less than they should. Sometimes this is because of a market failure: many of the considerable economic benefits to having more disabled people in the workforce are felt by the state, for example through higher tax revenues and lower benefit spending, and not the individual employer. Any benefits that employers do experience by retaining productive workers are weighed up against various types of costs (with these costs falling fully on the employer rather than the state). These include:

- Ongoing costs: for many people with health conditions and disabilities, there are no ongoing costs for employers. However, for other disabled people there can be productivity-related costs (e.g. from reduced workloads) or absence-related costs.
- Risk/uncertainty: aside from the risk of ongoing costs (and of struggling to dismiss workers on the grounds of productivity or presence), employers believe there are further risks in providing flexible work to new applicants. Because of management challenges, very flexible work is usually restricted to trusted workers – so many flexibilities are largely unavailable to those who are applying for jobs.²⁴ Employers also told us that the current economic context (for example, recent increases in

²⁴ C Hale, K Hoque & B Geiger, *The 39 Steps: Realising the potential of Flex Plus working for disability inclusion*, ESRC Centre for Society and Mental Health, March 2025.

employer NI contributions and the upcoming Employment Rights Bill) makes them even more risk-averse in hiring decisions.

- Adjustments: most adjustments are relatively low-cost, but some adjustments are more expensive (as we discuss below). There is also the time/effort involved in changing labour processes (e.g. to get deeper levels of flexibility that help workers with health conditions and disabilities).

We heard some of these concerns when we spoke to employers about barriers to hiring disabled staff:

“At the end of the day, these businesses are there to make a profit, and if they don’t think that you’re going to be able to put in the full, are you going to have extra time off? I’m just thinking outside the box. Are you going to have more time off sick, need adaptations? Does that mean that you’re not going to be able to do the job fully and do they need somebody else to come on board? Are they going to need to recruit somebody in addition?”

(Manager, care, large business)

So employers might not maximise disability employment because they can incur costs – but don’t feel the full benefit – when they do. Moreover, there is substantial evidence that do not take full advantage of the best technology and management techniques to maximise efficiency and profits, and they their profits can go up when nudged to do better.²⁵ So it is likely that the same applies to disability-friendly employment – with proper guidance and incentives, the changes they adopt could be win-win.

For these reasons, employer incentives must be a vital part of the policy toolkit. It is no surprise that they have been extensively used in the UK in the past, and are widely used across the OECD.

The risk of unintended consequences

Of course, we must be mindful of the risks and trade-offs involved: there is a genuine chance of negative unintended consequences for both employers and disabled people when introducing employer incentives focused on disability employment. Five key risks have guided our policy development:

²⁵ See, for example: N Bloom & J Van Reenen, *Why Do Management Practices Differ across Firms and Countries?*, Journal of Economic Perspectives, 24(1), Winter 2010, and: H Alcott & T Rogers, *The Short-Run and Long-Run Effects of Behavioral Interventions: Experimental Evidence from Energy Conservation*, American Economic Review, 104(10). Similarly, there is evidence that the costs of paying the Real Living Wage were matched by benefits, among firms that were nudged into making this change; see: N Datta. & S Machin, *Living wages and government contracts*, VoxEU, March 2025. As [Andy Burnham recently explained](#) in terms of the Greater Manchester good employment charter: “[Ikea] stood up in a packed room not far from here and said, ‘Paying the real living wage and joining the [charter] saves us money’. I always remember the whole room going, ‘What?’ They were saying, ‘We have reduced the cost of recruitment. We are retaining more staff. Sickness levels are lower.’”

The risk of not changing anything: incentives that are too weak may be largely ignored by employers. For example, in Germany, about 60 per cent of firms pay at least a small fine for failing to meet the disability quota. In the UK, the postwar disability employment quota was formally on the statute books until 1995 but had not been enforced for many years before then.²⁶ Incentives need to be strong enough to change employer behaviour.

The risk of negative economic impacts: from the employee side, badly designed incentives may lock people into their existing jobs even when they would be better off changing to a new job. From the employer side, policies that substantially increase employer costs can lead to wider negative economic impacts, particularly for SMEs that do not have the ability to spread sickness-related costs over large numbers of employees.²⁷ These risks are real, but it is also easy to overstate their impacts, particularly where labour rights have wider economic benefits.²⁸ Incentives therefore need to have proper consideration for employers and, where possible, designed in such a way as to improve (rather than harm) productivity.

The risk of wasting money: badly designed incentives may be pocketed by employers without leading to any real change in behaviour (this situation is known to economists as a 'deadweight cost'). For example, in Denmark an astonishing 2.5 per cent of all working-age people are in subsidised 'Flexjobs'; the OECD have argued that such broadly targeted incentives probably result in high deadweight costs.²⁹ Similarly, in a previous UK pilot, 50 per cent of employers taking advantage of disability-related recruitment incentives said that they would have employed the candidate anyway.³⁰ Time-limited incentives can reduce deadweight costs, but there are anecdotal reports from other countries of employers simply making disabled employees redundant when time-limited incentives run out.³¹ So these types of incentives therefore need to be carefully targeted and carefully monitored to reduce deadweight costs.

The risk of increasing stigma: some incentives label disabled workers as 'costly' or 'less productive', stigmatising those that they aim to help. Moreover, this labelling can make

²⁶ Information on the German and UK quotas comes from, respectively: K Hiesinger, L Pohlen & F Vetter, The employment statistics of severely disabled people: description and research potential, *Journal for Labour Market Research*, 59: 1, 2025; and: J Brown, *Victims or villains? Social security benefits in unemployment*, London: Policy Studies Institute for the Joseph Rowntree Trust, 2010.

²⁷ For example, 'experience rating' in the Netherlands (where employers have to pay the government if too many ex-employees claim benefits) increased firm bankruptcy among small firms: N de Groot & P Koning, *A burden too big to bear? The effect of experience-rated disability insurance premiums on firm bankruptcies and employment*, *Scandinavian Journal of Economics*, 124, November 2021.

²⁸ N Cominetti & C McCurdy, *Low Pay Britain 2025: Where next for the Government's employment reforms?* Resolution Foundation, July 2025.

²⁹ Statistics on Flexjobs taken from <https://www.jobindsats.dk/databank/ydelsers/fleksjob/personer-forlob-og-udgifter/antal-personer-og-fuldtidspersoner/> and Danish population data from Eurostat at <https://ec.europa.eu/eurostat/databrowser/bookmark/d5d488fb-64d5-4f37-99be-bfae03518d42?lang=en>. The OECD's discussion of deadweight costs is in: OECD, *Sickness, Disability and Work: Breaking the Barriers* (Vol. 3): Denmark, Finland, Ireland and the Netherlands, OECD Publishing, 2008.

³⁰ UK employers' perspective is taken from an evaluation of the job introduction scheme: J Atkinson & J Kodz, *Evaluation of the Job Introduction Scheme*, Institute for Employment Studies, 1998.

³¹ This includes reports from Canada (V Chouinard, *Women with disabilities' experiences of government employment assistance in Canada*, *Disability and Rehabilitation*, 32: 2, 2010) and Australia (Australian Government, *National Disability Employment Framework - consultation report*, Australian Government - Department of Social Services, 2015).

the incentives ineffective: they convey to employers what applicants cannot do, rather than emphasising what they can contribute.³² Recruitment incentives are therefore best if they do not focus on compensating for lower productivity, and instead focus on meeting costs relating to either uncertainty or adjustments.

The risk of worsening compliance culture: badly designed employer incentives can lead employers to focus on box-ticking policies to cover their backs, rather than genuine human engagement. Only 37 per cent of disabled workers feel their employer is genuine about removing all disability-related barriers and making the workplace inclusive for disabled employees.³³ And 'fear' is usually the first word that is raised by UK employers in talking about sickness and disability, with line managers scared of talking to their workers in case they say or do the wrong thing, and businesses having a wider fear that disabled employees will claim discrimination if the job does not work out.³⁴

In this context, the relationship between line managers, occupational health (OH) and HR can be dysfunctional. Line managers' fear can lead them to delegate issues to OH experts or HR departments, who are often perceived by workers to be focused on minimising the risk of successful tribunal claims. What is more, from line managers' perspective, the advice given by OH can be unhelpful. The result, as a disability and work practitioner put it, is as follows:

"I spend a significant amount of my time directly in with employers, and I can tell you the... the biggest barriers are Occupational Health sending [line managers] reports that... tell you everything that somebody can't do, give no solutions, no guidance around how you embed good quality adjustments. And [line managers] go, 'ugh, this all feels a bit difficult'. Then they go to HR... and HR's responsibility is then 'how do we protect the organisation, well let's manage someone out'."

And when we spoke to employers themselves, we heard a desire for a more 'human' approach to management, where line managers are empowered to make decisions in a pragmatic way rather than having to follow a tick-box process. One employer said:

"I think people hide behind it [policy]. I think when you get to a big corporate business like mine – and there's plenty of them that are bigger, right? – it's almost like you're that corporate machine and you're just expected to do your job and get on with it and do the best. And it's almost like cracking the whip, right."

(Manager, construction, large business)

³² F Liechti et al., The Signalling Value of Labour Market Programmes, *European Sociological Review*, 33: 2, 2017.

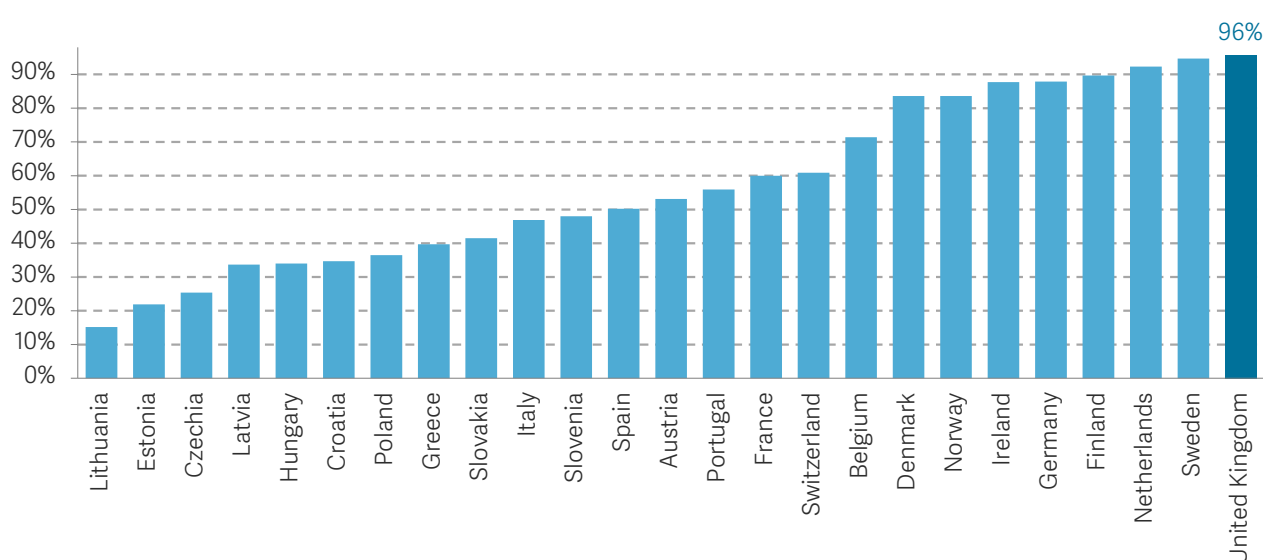
³³ Business Disability Forum, *The Great Big Workplace Adjustments Survey 2023*, June 2023.

³⁴ In a Disability Rights UK/Reed in Partnership survey of 300 people in recruitment/HR/leadership positions, 31 per cent agreed that businesses are worried that disabled people will claim discrimination if the job does not work out (39 per cent disagreed, and 30 per cent said that they neither agreed nor disagreed; see: DRUK & Reed in Partnership, *Disability and Employment*, April 2023.

The problems here are certainly not because of a lack of processes and procedures; indeed, Figure 8 shows that the UK is an international leader in having procedures to support employees returning to work after a long-term sickness absence. But too often these procedures do not translate into employers doing everything they should to retain and rehabilitate workers.

FIGURE 8: The problem is not too few processes: the UK leads the way in having processes to support workers after sickness absence

Proportion of employers with five or more employees that have a procedure to support employees returning to work after a long-term sickness absence: 2019



SOURCE: Analysis of the European Health & Safety Agency's 'ESENER' employer survey for 2019.

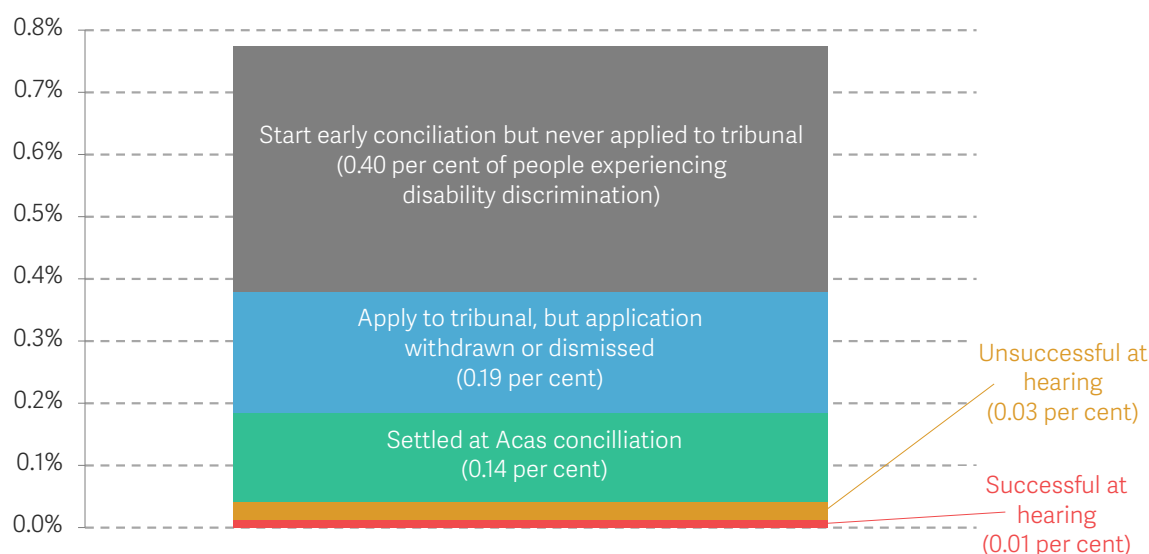
It is hard to know whether this fear is because of the genuine risks that employers face, or whether line managers are more worried than they should be. On the one hand, 15,361 people made the first step towards raising a disability discrimination claim in 2023-24, and the total amount of compensation awarded by employment tribunals for disability discrimination claims has risen sharply, from just £1.5-2.5 million each year 2013-14 to 2021-22, to £6.8 million in 2022-23 and £5.5 million in 2023-24.³⁵ On the other hand, only 220 out of these 15,361 initial contacts ultimately lead to a worker winning a tribunal disability discrimination case (most are settled after conciliation or withdrawn), and these are both dwarfed by the 2.0 million people that report disability discrimination (see

³⁵ Figures are in nominal terms and not adjusted for inflation. Source: calculations from Table E_6 of Employment Tribunal and Employment Appeals Tribunal Annual Tables - 2023-24, released 3 October 2024. Note that from a small number of cases are excluded from these figures from September 2022, because HMCTS are migrating to a new computer system.

Figure 9).³⁶ There are also widespread reports that employers often refuse requests to reasonable adjustments, as we discuss in the next chapter.

FIGURE 9: Disability discrimination claims – let alone successful hearings – are a tiny fraction of those reporting disability discrimination

Initial contacts to Acas on the grounds of disability discrimination, split by tribunal outcome, expressed as a share of people experiencing disability discrimination: UK, 2020-2022



SOURCE: Analysis of (i) 2020-21 early conciliation data taken from Acas annual report 2021-22 p25; (ii) 2020-21 tribunals outcome data taken from Tribunal Statistics Quarterly: April to June 2022 (more recent data are not available because HMCTS are migrating to a new computer system); and (iii) people reporting disability discrimination is taken from YouGov survey for Resolution Foundation, as reported in: H Slaughter, Policing prejudice: Enforcing anti-discrimination laws in the workplace, Resolution Foundation, November 2022.

Incentives therefore need to be carefully designed to target genuine employer engagement, rather than worsening a culture of compliance where employers focus on box-ticking policies to cover their backs. Designing incentives carefully will involve three things: clarity of expectations (which reduces fear and uncertainty), support for employers, and the involvement of line managers.

Of these, support for employers is crucial, so that genuine engagement is the easiest thing for employers to do; even motivated employers struggle to know how to best reintegrate and recruit disabled employees. (In this report we do not focus in detail on

³⁶ The total number of claims across all categories is 12,988 who start early conciliation, of which 6,632 never progress further, 3,249 are withdrawn/dismissed, 2,424 are settled via Acas conciliation, 463 unsuccessful hearings, and 220 successful hearings. Note that not all successful hearings result in compensation payments. Note also that HMCTS data are only broken down for cases that have been decided ('disposals'), whereas the Acas early conciliation data is for applications ('receipts'); and the data do not match perfectly because the backlog of cases has been growing.

the form this support should take, but there are a number of recent proposals,³⁷ and this will be a major plank of the recommendations from the Mayfield Review).

Similarly, the incentives should ensure that line managers are at the core of sickness and disability processes: the role of OH/rehabilitation expertise is to support line managers, not replace them. The first step is simple: we need to incentivise managers to have conversations with their workers and to listen to what their workers say (and to be forgiving if managers do this and then make human mistakes in their responses, to reduce managers' fear). Managers do not need any medical knowledge about the causes or treatment of someone's condition; indeed, they do not even need to know what health condition a worker is affected by. Instead, they need to know how someone's health or disability affects them, to have people with more expertise on tap when needed, to discuss what steps they can take to get the best out of them, and simply to use everyday human listening skills. For example, one employer told us:

"Really at the core of [line managers' role] is people practicing empathy... I wouldn't expect my line manager to be an expert on [my disability], it's about having line managers that recognise when to signpost, when to seek help... The humanity piece cannot be talked about enough."

(Employer DEI lead)

Taken together, the evidence is clear: while some employers are taking steps to support disabled workers, too many employers are doing less than they should. Often this is because of a market failure: many of the economic benefits to having more disabled people in the workforce are felt by the state rather than individual employers. Carefully designed employer incentives are therefore needed if we want to genuinely boost disabled people's inclusion in the labour market. In the next section, we set out specific policy proposals that we believe will shift the dial.

³⁷ For example, Health Foundation, [Action for healthier working lives: Final report of the Commission for Healthier Working Lives](#), March 2025, recommends "national information and advice service for work and health support", "a new independent advisory service' for SMEs, and a "locally based caseworker support offer". A Budak et al., [Stemming the tide: Healthier jobs to tackle economic inactivity](#), Work Foundation, December 2024, recommends "a UK-wide network of one-stop workforce health hubs".

Section 4

The Government should increase incentives on employers to take meaningful action – these should cover the four Rs of reimbursement, reporting, reintegration and recruitment

The Government must strengthen employer incentives to improve disability employment by focusing on the four Rs of reimbursement, reporting, reintegration, and recruitment.

The Access to Work scheme should be enhanced rather than cut. Though spending on Access to Work has risen over the past decade, it remains small compared to health and disability benefits (annual spending on these benefits is more than 170-times the cost of Access to Work). Improvements to Access to Work should include better scrutiny of claims, clearer guidance on eligible expenses, faster support, and undertaking robust evaluations of the scheme.

Mandatory disability employment and pay gap reporting can increase accountability but isn't enough alone. This reporting should not be turned into a strict quota, since disability measures are more complex than those relating to gender or ethnicity. Instead, the Government should build on mandatory reporting to drive inclusion, e.g. by creating a Disability Confident scheme with teeth.

Improving the retention and reintegration of disabled workers is crucial. Disabled employees leave work at higher rates than their non-disabled counterparts, often due to inadequate support or fear from employers. Introducing a 'Right to Reintegration' would require employers to actively support their disabled workers, encouraging early intervention and workplace adjustments.

Targeted recruitment incentives are needed to address employers' risk-aversion when it comes to hiring disabled staff, particularly those who have been out of work and in receipt of incapacity benefits for a long time. These incentives could be government-funded payments or a disability employment levy borne by employers.

Having set out the market failure that means employer incentives are needed, in this section we outline the steps that the Government needs to take to encourage employers to take meaningful action. These should cover the four Rs of reimbursement, reporting, reintegration, and recruitment: we consider each of these in turn.

1. An improved Access to Work scheme would help reimburse employers with costs that go beyond reasonable adjustments

We start by considering the type of employer incentive that the UK is relatively familiar with: reimbursing employers for some of the costs associated with taking on disabled staff.³⁸ At present, this happens through the Access to Work scheme, which provides grants (as well as practical support) to help overcome some of the costs incurred by employers that go beyond reasonable adjustments, such as British Sign Language interpreters for people with hearing impairments.³⁹ In 2023-24, total spending on Access to Work stood at £258 million, with 68,000 people benefiting from Access to Work provision.⁴⁰ This translates to a cost per person per year of £3,800.

In our view, a scheme like this is a vital part of the toolkit needed to boost disability employment, since some of the costs associated with hiring (and continuing to employ) disabled members of staff are too high for employers to bear themselves. We heard this loud and clear from employers we spoke to, with particular concern raised about small businesses' ability to cover additional costs:

[What are the main barriers to employers taking on disabled people?] "If they cannot accommodate an individual's disability and whether they have the facilities to allow them in the office or not, if it means like it's going to be costly to accommodate that, you know, like I said, restructuring of the office or whatever."

(Manager, information and communication, medium business)

"You know, sometimes if you're a small company and you know the budgets are tight and everything, they will look at it [making adjustments] and they'll try and help the individuals, but if you want something at a high end, they might not be able to accommodate that."

(Manager, information and communication, medium business)

But the Access to Work scheme is under intense scrutiny, with the Government's recent Pathways to Work consultation questioning whether it is fit for purpose, and suggesting

³⁸ In this section, we refer to Access to Work as a way of reimbursing employers. However, Access to Work payments can sometimes be paid to workers themselves if they commission the approved provision. See a summary of the Access to Work customer journey in: DWP, [Access to Work statistics: April 2007 to March 2024](#), October 2024.

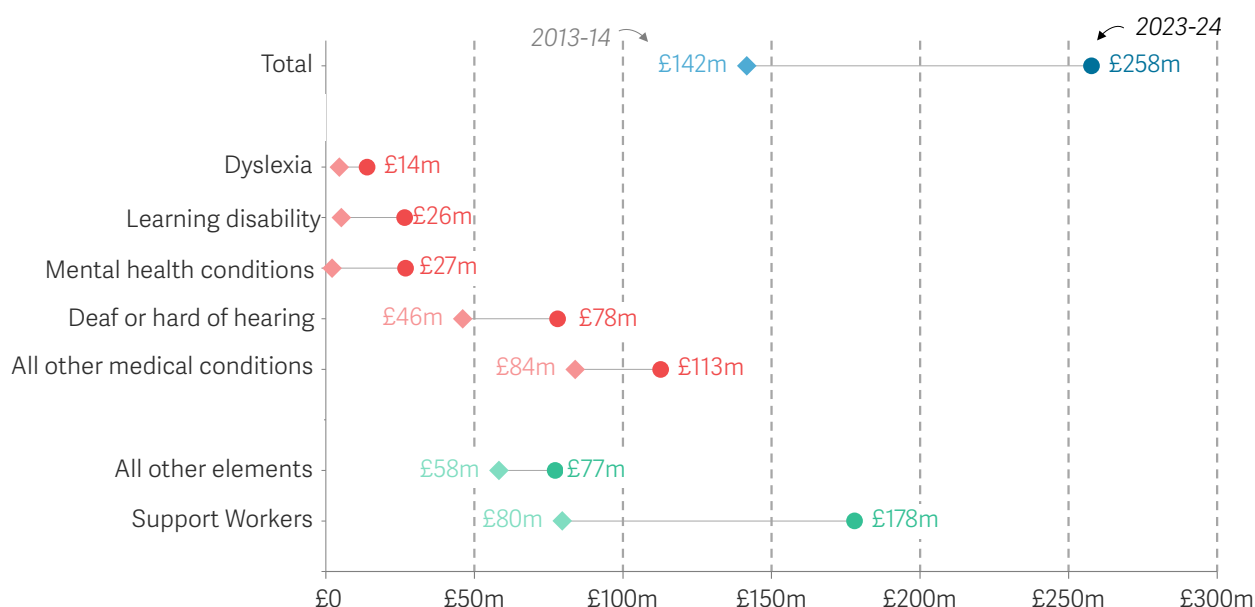
³⁹ See: www.gov.uk/access-to-work, accessed 16 July 2025.

⁴⁰ DWP, [Access to Work statistics: April 2007 to March 2024](#), October 2024.

that the cost per person is too high.⁴¹ Spending on Access to Work has increased in real terms by £116 million over the past decade, from £142 million in 2013-14 to £258 million in 2023-24, a rise of 82 per cent (see Figure 10). The bulk of this rise (£98 million, or 85 per cent of the total rise) relates to spending on Support Workers, where the cost per beneficiary is particularly high.⁴²

FIGURE 10: Real-terms spending on Access to Work has increased by 82 per cent over the past decade

Real-terms spending on Access to Work between 2013-14 and 2023-24, by element and primary medical condition: UK



NOTES: Rise in support for health conditions partly reflects the Mental Health Support Service introduced 2011, which has only become operational at a significant level in the past decade (the cost of this service has risen from £0.7m to £11.0m between 2013-14 and 2023-24). Deflated to 2023-24 prices.

SOURCE: Analysis of DWP, Access to Work statistics.

Increased demand for – and spending on – Access to Work is not unexpected. As set out earlier in this report, the prevalence of disability has increased over the past decade, with the number of disabled working-age adults rising by over three million.⁴³ And in 2011, a review by Liz Sayce described Access to Work as “Government’s best-kept secret” and recommended that the Government should double the number of people helped by the

⁴¹ In the Green Paper, the Government said that it wants to “consider the future role and design of Access to Work”. It also says it wants to “consider whether there are ways for resources to help more people or make an impact on a wider number of people.” See: DWP, *Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper*, March 2025.

⁴² In 2023-24, the cost per person for those who received a payment to cover the costs of a Support Worker is £10,000, much higher than the average cost per person of £3,800. The category of ‘Support Workers’ is a broad one that includes British Sign Language interpreters, as well as things like note-takers, job coaches and drivers. See: disabilityarts.online/resources/guides-and-toolkits/access-to-work/atw/self-employed, accessed 17 July 2025; UNISON, *Guide for UNISON disabled members: Access to Work*, January 2023.

⁴³ L Judge & L Murphy, *Under Strain: Investigating trends in working-age disability and incapacity benefits*, Resolution Foundation, June 2024.

scheme.⁴⁴ And now is not the first time that spending on Access to Work has been under pressure: a cap on the value of Access to Work grants was introduced in 2015, with a focus on reducing the high per-person costs associated with grants going towards British Sign Language interpreters.⁴⁵

But while the Government is right to look to improve aspects of the Access to Work scheme, it should be wary about starting from the assumption that the cost is too high. The annual cost of Access to Work, at £258 million in 2023-24, pales into insignificance when compared to spending on working-age health and disability benefits: these amounted to £45 billion in the same year – more than 170-times the cost of Access to Work.⁴⁶ The cost per job (£3,800 per year in 2023-24) compares well to similar government schemes. For employment support programmes aimed at disabled people, the National Development Team for Inclusion estimated in 2014 that the average cost per job outcome stood at £8,200,⁴⁷ while the Learning and Work Institute estimates that the employment support schemes included in the recent Pathways to Work Green Paper are likely to cost between £19,000 and £40,000 per job outcome.⁴⁸

But the numbers above related just to cost, and not value-for-money: if most of the people supported by Access to Work would otherwise be continually out of work then it is clearly good value, but we lack any robust evidence on how far this is the case and how large the deadweight costs might be.⁴⁹ Even if there is a lot of deadweight loss, there is a risk that, by trying to reduce Access to Work spending by moving towards a scheme that only covers small expenses, it would become a less efficient use of government funds: arguably employers can cover small expenses themselves. And when we spoke to employers, we heard that Support Workers can work well, supporting both the disabled worker and taking pressure off colleagues and line managers. For example, one manager said:

“We had staff that had learning disabilities and autism. And you just make the adaptations – they may need to come with their support worker, they may need that extra support, it depends. It is possible and you can make those adaptations. The staff team needs to be able to support that, they don’t want to be feeling like

⁴⁴ DWP, [Independent report: Specialist disability employment support](#), June 2011.

⁴⁵ www.disabilityrightsuk.org/news/2015/march/access-work-cap-announced, accessed 16 July 2025.

⁴⁶ DWP, [Benefit expenditure and caseload tables 2025](#), April 2025.

⁴⁷ R Greig et al., [The Cost Effectiveness of Employment Support for People with Disabilities: Final Detailed Research Report](#), National Development Team for Inclusion, March 2014.

⁴⁸ Learning and Work Institute, [Estimating the impacts of extra employment support for disabled people](#), April 2025.

⁴⁹ Some qualitative evidence from nearly 20 years ago suggested that Access to Work had genuine impacts on retention and recruitment, and that full deadweight is rare, but partial deadweight does occur where in the absence of Access to Work employers would provide something of worse quality (though employers would have struggled to provide this without the assessments that were part of the Access to Work process). See: S Dewson, D Hill, N Meager & R Willison, [Evaluation of Access to Work: Core Evaluation](#), DWP Research Report 619, 2009. More recent qualitative research simply notes that “the programme was deemed invaluable and essential in allowing many individuals to stay in work” – see L Adams et al., [Access to Work: Qualitative research with applicants, employers and delivery staff](#), DWP Research Report 967, November 2018.

the pressure is on them to do more tasks. You need [to make] sure that the person is still able to do what they're employed to do."

(Manager, care, large business)

Overall, then, we support the advice given by the Parliamentary and Health Service Ombudsman in its 2017 report. It concluded:

*"In the context of increasing demand and limited resources, it can be tempting for Departments to look to make immediate savings by focusing on the most expensive cases and making cuts to these. However, to avoid making the same mistakes as the ones the DWP made, any decisions about changes or cuts to funding must take account of all relevant considerations, including the impact on those most likely to be affected by them, and whether any alternatives are possible."*⁵⁰

We propose that Access to Work should be *strengthened* rather than scaled back, and set out four areas for improvement:

- Access to Work claims should be scrutinised more closely by practitioners with Occupational Health expertise. In our view, moving Access to Work from DWP to a new arm's-length body (ALB) would enable this to happen most effectively. This new ALB could also be responsible for assessing workers' rehabilitation plans (depending on the exact model for support recommended by the Mayfield Review; see below), and generally for spreading education and awareness relating to disability employment.
- This new ALB should provide employers with much more clarity about the Access to Work scheme, including about what counts as an 'unreasonable' expense that can be claimed for, as opposed to costs that should be counted as 'reasonable adjustments' that employers are legally obliged to meet themselves.
- The user experience of Access to Work – for both employers and workers – must be improved. This should include improving turnaround times (which currently stand at 85 days) and make it easier for Access to Work claims to follow disabled people as they move jobs.⁵¹ It is plausible that improving the administration of Access to Work might work to reduce costs: we heard that employers often claim for the maximum possible amount of support through Access to Work to avoid having to go through the application process again in the future. As one representative put it:

⁵⁰ Parliamentary and Health Service Ombudsman, *A report of investigations into complaints about Access to Work*, October 2017.

⁵¹ www.disabilitynewsservice.com/access-to-work-delays-shoot-up-just-as-government-is-trying-to-address-disability-employment/, accessed 21 July 2025.

“When I first started in this profession I had an account manager called Gary,⁵² and you had a really sensible conversation and we’d come to a position where we knew exactly what each individual needed, and actually if they didn’t need that much we would come back and go, “Gary, we didn’t need all of that”. Whereas we’re now in a position where people go for the absolute maximum of everything they might need, because the idea of ever having to go through that [Access to Work] process again is so horrific, that I will go for every bit of equipment I can possibly get, and then it might sit in a drawer.... I’m not suggesting there isn’t any fraud, but for lots of people I work with, it’s not because they’re trying to do the system out of money, it’s just not a pleasant process to go through.”

- Finally, it is important – especially as Access to Work costs continue to grow – that the Government works to provide a much stronger evidence base on Access to Work’s impacts (at present, there is little to no evidence on the impact of Access to Work, making it impossible to assess whether or not it represents good ‘value for money’). While getting robust evidence is difficult, it is not impossible; for example, the Government should pilot investments to reduce long Access to Work waiting times and evaluate their impact on hiring and retention, including variation between small and large businesses, as well as doing broader research into the impact that receiving Access to Work support has on disabled people’s experiences of work and duration of employment.⁵³
- Overall, we believe there is a strong case for reforming – not cutting – the Access to Work scheme. A modified version that supports costs beyond reasonable adjustments would benefit both disabled workers and their employers. There may be merit in developing a broader employment support service – as was alluded to in the Pathways to Work Green Paper⁵⁴, and may be explored further in the Keep Britain Working review⁵⁵ – but this should not come at the expense of cutting funding for Access to Work. As one employer representative put it during a recent roundtable discussion:

“I think it [Access to Work] is probably the only government scheme where spontaneously members have come back to me to say this is a very good government scheme.”

⁵² Names changed to preserve anonymity

⁵³ A DWP-commissioned report from 2018 argued that evaluating the impact of Access to Work would be difficult, partly because of data issues (so would require an expensive bespoke longitudinal survey), and partly because of design issues (they couldn’t think of a counterfactual, so suggested just having a matched control group, though it was tricky to design); see: K Ashworth & S Salis. *Feasibility of evaluating the impact of the access to work programme*, DWP Research Report 968, Nov 2018.

⁵⁴ DWP, *Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper*, March 2025.

⁵⁵ www.gov.uk/government/publications/keep-britain-working-terms-of-reference, accessed 14 July 2025.

2. Employment and pay gap *reporting* can help drive change, but should not be turned into crude quotas

The previous Government's main attempt to encourage better employer practice was Disability Confident, a scheme that employers can sign up to as a way of signalling that they are committed to hiring disabled people.⁵⁶ Employers are expected to progress through three levels: Level 1 (where they agree to commitments around recruitment and adjustments), Level 2 (where they conduct self-assessments), and Level 3 (where their self-assessments are validated by another organisation). Over 19,000 employers have signed up to the scheme, which is estimated to cover 11 million workers.⁵⁷

However, an independent study of the effectiveness of Disability Confident concluded that it was largely a failure.⁵⁸ As shown in Figure 11, private sector employers that signed up for Disability Confident were barely more likely than other employers to have disabled staff (only in Level 2 employers was there a higher number of disabled employees, and this effect was relatively small). There were more signs of improvement in public sector Disability Confident employers, but even here, the difference was only found for Level 3 employers, of which there are few (only 700 out of the 19,000 employers). The researchers also found no evidence that disabled employees had better experiences at work in Disability Confident workplaces.

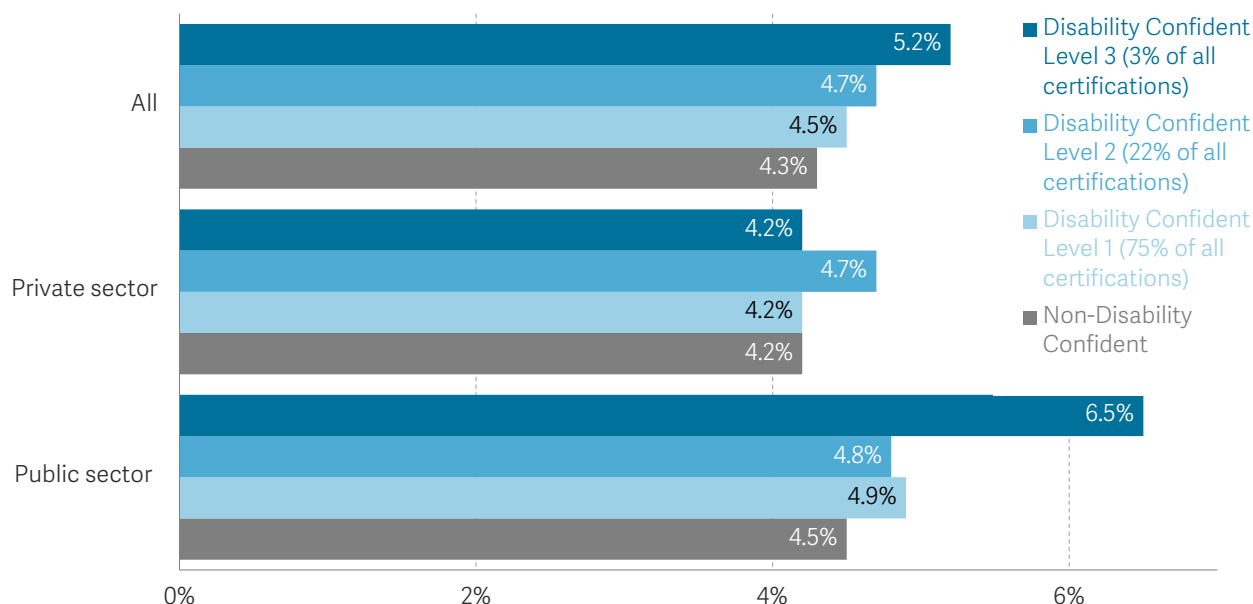
⁵⁶ See: www.gov.uk/government/collections/disability-confident-campaign, access 18 July 2025.

⁵⁷ The current list of Disability Confident organisations is available at <https://www.gov.uk/government/publications/disability-confident-employers-that-have-signed-up>

⁵⁸ K Hoque & N Bacon, *Does The Government's Disability Confident Scheme Improve Disability Employment Outcomes?*, 2023; and K Hoque, N Bacon & D Allen, *Do employers' equality certifications improve equality outcomes? An assessment of the United Kingdom's Two Ticks and Disability Confident schemes*, *British Journal of Industrial Relations*, 62: 4, 2024.

FIGURE 11: The Disability Confident scheme had barely any link to private sector companies employing more disabled people

Proportion of the workforce that is disabled, by Disability Confident status: UK, 2021-2023



NOTES: The differences shown in the chart are statistically significant, for Level 2 private sector employers and Level 3 public sector employers, compared to non-Disability Confident employers, both in unadjusted comparisons and when controlling for industry, occupation, whether this is a management role, age, job tenure, ethnicity, gender and sexual orientation. None of the other differences are statistically significant. SOURCE: numbers taken from Table 1 of: K Hoque & N Bacon, Does The Government's Disability Confident Scheme Improve Disability Employment Outcomes?, 2023. This is based on 127,890 respondents to WorkL employee experience surveys 2021-2023. The proportions of employers at each Disability Confident level at the end of 2023 (shown in the legend) is taken from: K Hoque, N Bacon & D Allen, Do employers' equality certifications improve equality outcomes? An assessment of the United Kingdom's Two Ticks and Disability Confident schemes, British Journal of Industrial Relations, 62: 4, 2024.

According to the people we spoke to, Disability Confident failed because of its lack of accountability: motivated senior executives could instigate disability inclusion policies, but with too little bite to ensure that these affected practice on the ground. This is particularly the case for Disability Confident Level 1 or 2. On paper, employers at Level 3 are meant to show they are considering performance metrics around recruitment, retention and progression of disabled employees, but it seems as if the enforcement of this accreditation was weak. We spoke to one organisation that did Disability Confident validation who said:

"For Disability Confident, I probably get about two employers a month that come to me, and when I tell them what they're going to have to do for evidence, they go elsewhere. And I then see them appear on the list [of Disability Confident employers], and I think, 'Oh, you've just gone to somebody who's essentially ratified you [even though] you're not doing very much'"

Successful disability inclusion needs to ensure that employers are held accountable for their actions. In other words, they cannot simply talk warm words and produce a glossy brochure; instead, they need to show that they are taking the practical steps to make inclusion a reality. Many organisations – including the TUC,⁵⁹ the signatories of the Disability Employment Charter (a set of principles for action endorsed by 250 organisations, including disability charities and major employers), and many of the employers and other policy stakeholders we spoke to – therefore see mandatory employment and pay gap reporting as essential in driving accountability. The Government agrees, and has recently consulted on whether to require large employers to report disability employment and pay gaps, based on employees' self-reported disability in anonymous surveys run by employers themselves.⁶⁰ We also think that this greater transparency will drive positive change.

However, the Government should be careful not to turn this reporting exercise into a strict quota. Disability measures are more complex than those relating to gender or ethnicity (as we saw when discussing the DEG above). Indeed, it is possible that workplaces that improve their employment practices will end up having fewer people reporting that they have an activity-limiting health condition, because workers will not face as many barriers and therefore do not have to classify their experiences as a health condition in order to get what they need. This is not merely a theoretical possibility; the Business Disability Forum have found that:

“Organisations that had opened up their support and workplace adjustments support to any employee who wanted to work in a different way found that the number of employees saying they have a disability fell... Disabled employees who worked in organisations where they felt included and had all the adjustments they needed also said they “haven’t needed to” say they have a disability.”⁶¹

We should not overstate the barriers that prevent employers from doing mandatory reporting; even a decade ago, 20 per cent of employers already set targets for the number of disabled people in their organisation, and there has been support for mandatory disability reporting from employer bodies such as the Institute of Directors and CIPD.⁶² But if the incentives around these targets are sharpened into a check-box quota, then there is a risk that these problems will become more acute.

⁵⁹ Q Roache, *Disabled workers' access to reasonable adjustment*, TUC, May 2025.

⁶⁰ The consultation ran from 18 March to 10 June 2025, and the Government has not yet published its response.

⁶¹ Business Disability Forum, *Mandatory disability pay gap reporting: Unintended consequences found*, March 2025.

⁶² CIPD, *CIPD responds to ethnicity and disability pay gap reporting consultation and calls for evidence*, July 2025; CIPD, *The case for disability workforce reporting*, October 2023; Institute of Directors & Disability@Work, *Progress Through Transparency: The case for mandatory disability employment and pay gap reporting*, January 2025. The statistic on the number of employers setting targets in 2015 is taken from G Selvanera & K Whippy, *State of the Nation: Retaining and developing employees with disabilities*, Business Disability Forum, June 2015.

We also know from international evidence that there can be problems with disability quota systems. That is not to deny that there is evidence from several European countries that disability quotas can increase the employment of disabled people.⁶³ However, not all quotas have positive effects,⁶⁴ partly because some employers prefer to pay the fine than meet the quota; as one employer from a multinational company told us, “Lots of companies pay these fines and incorporate it into their budgets without doing anything about it.” It is also extremely difficult to design quotas that are fair, given the huge variation in employers’ ability to offer suitable jobs, as we heard from managers we interviewed. For example, one said:

“You cannot tell an employer, let’s say for example, an employer whose point of business is very manual, and then you force them to say they must employ at least 50 disabled people. At the end of the day, the productivity is not going to be the same. So it all depends on the sectors, really.”

(Manager, finance, large business)

Furthermore many disabled people find these quotas stigmatising (as we discussed under unintended consequences above). The ambiguous effects of quotas were exemplified in one of the employers that we spoke to, which was threatened with a fine in one of their EU offices. They deflected this, but not by recruiting more disabled staff; they simply asked existing staff to voluntarily disclose a disability. Yet they also said that the clear accountability inherent in the quota had helped galvanise genuine efforts to increase disability inclusion. The challenge is to drive accountability without driving stigma or tick-box compliance.

We therefore welcome the Government’s consultation on mandatory reporting, and recommend they build on this via a Disability Confident scheme with teeth. Ideas for the ‘teeth’ include genuinely independent verification, and either increased incentives for good performers or the risk of losing Disability Confident status for poor performers). But reporting should not become a crude target. Instead, as the Government considered in its consultation, employers should provide action plans about how disability data is being used to drive inclusion in each of their labour processes at a granular level.⁶⁵ Mandatory reporting then becomes a “catalyst for change” that “almost forces action to be taken” (as it was described by a DEI lead at a large private-sector employer).

⁶³ This includes evidence from Austria (R Lalive et al., *Do financial incentives affect firms’ demand for disabled workers?*, Journal of the European Economic Association 11:25-58, February 2013) and Hungary (J Kreko & A Telgedy, *The effects of a disability employment quota when compliance is cheaper than defiance*, *Economica*, 92, January 2025).

⁶⁴ Quotas that do not appear to have impacted on employment of disabled people include quotas in France (T Barnay et al., *An evaluation of the 1987 French disabled workers act: better paying than hiring*, *European Journal of Health Economics*, 20, December 2018) and South Korea (Z Nazarov et al., *Employment quota system and labour market outcomes of individuals with disabilities: empirical evidence from South Korea*, *Fiscal Studies*, 36, February 2015).

⁶⁵ Q Roache, *Disabled workers’ access to reasonable adjustment*, TUC, May 2025. See also the discussion of narrative accounts in: *Written evidence from Disability@Work to the Work and Pensions Select Committee inquiry into Disability Employment*, April 2024.

Yet because reporting cannot be used as a binding target, there are clearly limits to how strong these incentives can be, and this underscores that further targeted action on employer incentives is also needed.

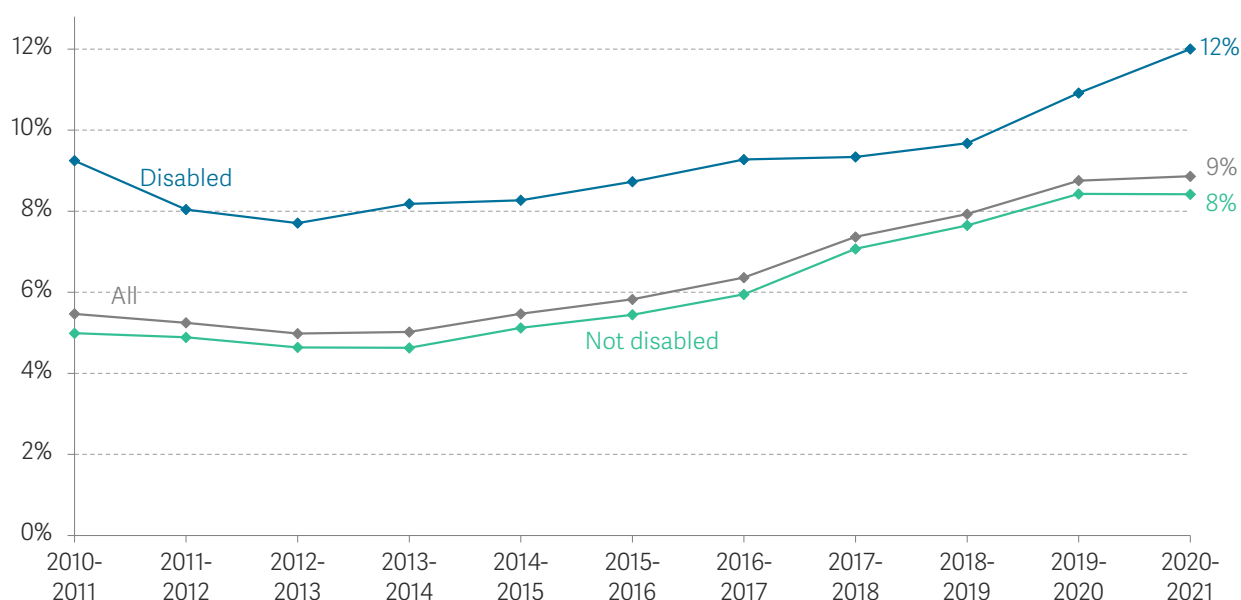
3. The biggest impacts will come from incentivising employers to reintegrate existing workers, and we recommend doing this through a new 'Right to Reintegration'

If we want to shift the dial when it comes to reducing economic inactivity due to ill health and boosting disability employment, improving retention is likely to be more effective than improving recruitment.

Unsurprisingly, the rate at which disabled staff leave work each year has consistently been above the job-exit rate for non-disabled workers (12 per cent, rather than 8 per cent, as shown in Figure 12). More worryingly, these flows out of work have been rising over time.

FIGURE 12: One-in-eight disabled employees leave work each year, and this has been rising over time

Proportion of workers aged 16-64 who exit work between one survey wave and the next, by disability status: UK



NOTES: Data presented as a two-year rolling average combining the wave shown and the next wave.

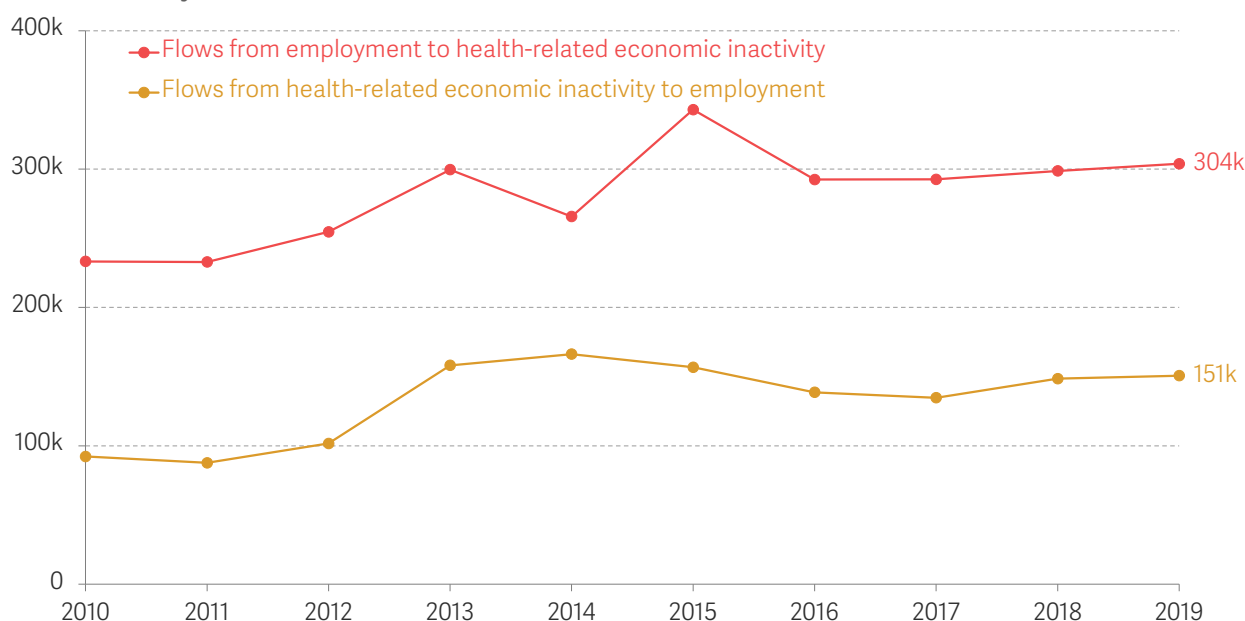
SOURCE: Analysis of ISE, Understanding Society.

And the numbers of disabled leaving work are far greater than the numbers of disabled people re-entering it: each year, twice as many people flow from work into inactivity

due to ill health (around 300,000 in the latest year) than who flow from inactivity due to ill health into work (around 150,000).⁶⁶ This is shown in Figure 13.

FIGURE 13: Each year, more than twice as many people move from employment to health-related inactivity compared to moving the other way

Number of adults aged 16-64 who flow from employment into health-related economic inactivity, and vice versa: UK



NOTES: Annual data is the sum of the number of people who make flows across each four quarters of the year. Health-related economic inactivity includes those who report long-term and short-term ill health. SOURCE: Analysis of ONS, Labour Force Survey Two-Quarter Longitudinal Datasets.

There are already strong legal obligations on employers arising from the Equalities Act 2010 (and before that, from the Disability Discrimination Act 1995) and the body of case law that has developed around these. Employers can dismiss workers on the grounds of 'capability', but they need to ensure that they can objectively justify this (rather than unjustifiably treating someone unfavourably in ways linked to their disability), and that they have considered the reasonable adjustments that would enable someone to return to work (including in a different job in their organisation).⁶⁷ As we saw in the previous chapter, in 2023-24 there were 15,361 people who took the first step towards taking their employer to an employment tribunal on the grounds of disability discrimination, and

⁶⁶ For a thorough discussion on disabled people's flows into and out of work, see: L Gardiner & D Gaffney, *Retention deficit: A new approach to boosting employment for people with health problems and disabilities*, Resolution Foundation, June 2016. It is also worth noting that most of the people who move from health-related inactivity to employment are those who are economically inactive due to short-term sickness. Flows into employment among those who are out of work due to long-term sickness – especially those who have been out of work for two years or more – are very low. See Figure 17 in: L Murphy & G Thwaites, *Post-pandemic participation: Exploring labour force participation in the UK, from the Covid-19 pandemic to the decade ahead*, Resolution Foundation, February 2023.

⁶⁷ For simple introductions to the legal obligations on employers, see <https://www.acas.org.uk/capability-procedures>; <https://www.disabilityjustice.org.uk/learn-more-and-take-action/your-rights-at-work/>; <https://www.equalityhumanrights.com/equality/equality-act-2010/dismissal-redundancy-and-retirement/avoiding-unlawful-discrimination-0>. To see how this is described by employment lawyers, see: <https://www.davidsonmorris.com/capability-dismissal/>.

employers had to pay at least £5.5 million in compensation (ignoring cases that were settled before reached a hearing).

Yet as it stands, employers are not doing enough to retain existing workers. Despite the legal requirement to make reasonable adjustments, less than half of disabled workers who request a reasonable adjustment have this granted in full, and workers are waiting a long time even for those adjustments that they get;⁶⁸ in the Government's own words, "significant numbers of employers remain unaware of their legal responsibilities or, if they are aware, of how to fulfil them".⁶⁹ Discrimination also remains a pressing issue, with 15 per cent of disabled people reporting workplace discrimination relating to their disability in 2022.⁷⁰ And we heard from many employers, policy experts and disabled people themselves that more could be done by employers; as we described in the previous chapter, in the context of these legal obligations, employers too often put considerable effort into box-ticking HR practices that mitigate legal risk rather than helping workers.

There are many ways of incentivising employers to do more with their existing workers. The Netherlands is a particularly good example: after introducing the sharpest employer incentives across the OECD in 2002 and 2004, they saw a massive reduction in incapacity benefits inflows and some increases in employment (see Box 2). The Netherlands used many different types of employer incentives, some of which are also used in other countries:

- *Increasing the length of sick pay that employers are liable for.* Several policymakers have hoped that the more sick pay employers are liable for, the more they are incentivised to prevent sickness absence and to help workers return-to-work quickly. The Netherlands is the country that has gone furthest in this direction (again, see Box 2), but this was also partly Margaret Thatcher's logic for moving the responsibility for sick pay onto employers over the 1980s.⁷¹ The power of this incentive has, however, been more muted in the UK, probably because of the low level of sick pay and the relative ease of dismissing workers who are sick.
- *Penalising employers that do not do enough to reintegrate workers.* This is widely regarded as the most successful part of the Dutch approach, and is described further in Box 2. Apart from the Netherlands, countries tend to choose between either making employers liable for greater lengths or levels of sick pay, or obliging them to take specific steps to reintegrate workers.⁷²

⁶⁸ The figures from two different sources are very similar here: see Q Roache, *Disabled workers' access to reasonable adjustment*, TUC, May 2025; and Business Disability Forum, *The Great Big Workplace Adjustments Survey 2023*, June 2023.

⁶⁹ DWP, *Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper*, March 2025.

⁷⁰ H Slaughter, *Policing prejudice: Enforcing anti-discrimination laws in the workplace*, Resolution Foundation, November 2022.

⁷¹ G Millward, *Sick Note: A History of the British Welfare State*, August 2022. For a short summary that relates this to present-day debates, see his written evidence to the Work and Pensions Committee inquiry into SSP, January 2024.

⁷² S Ose et al., *Follow-up regimes for sick-listed employees: A comparison of nine north-western European countries*, Health Policy, 126, July 2022.

- *Penalising employers for the number of ex-employees that move onto incapacity benefits* (known as ‘experience rating’). Again, this is part of the toolbox used in the Netherlands, but it is also used in Finland. A series of evaluations mostly show that this reduces inflows into incapacity benefits, although it may also lead to financial problems for small firms.⁷³

BOX 2: How the Netherlands incentivised employers to do more

The Netherlands is the country in which employer incentives to reintegrate disabled people have gone the furthest. This has occurred step-by-step from the early 1990s, in response to Government, employers, trade unions and others all agreeing that they must tackle the highest level of incapacity benefit claims in the world. The most famous reform is the Gatekeeper Protocol 2002, which made employers liable for the first two years of sick pay (at 70 per cent of the previous salary), with a further liability of a year’s sick pay if they did not make sufficient attempts to reintegrate the worker. This comes alongside obligations on workers themselves to take advantage of these reintegration efforts.

The obligations on employers are considerable. The social insurance agency UWV sets out in detail the elements of return-to-work plans,

including an evaluation with an occupational health doctor/service at 6 weeks, an evaluation after 1 year, and exploring options for alternative work in the same company or even in other companies within the same supply chain.⁷⁴ In 2024, UWV reviewed more than 48,000 reintegration reports, and implemented more than 4,000 sanctions (8.3 per cent), split between sanctions for not submitting the paperwork properly/on time and sanctions for making insufficient reintegration efforts.⁷⁵ Larger employers were much more likely to be sanctioned than smaller ones.⁷⁶ If this was scaled-up to the size of the UK, it would be equivalent to assessing 185,000 reports and implementing 15,000 employer sanctions.

As Figure 14 shows, there was a very sharp drop in disability pension inflows after the introduction of the

⁷³ Evaluations that show positive effects of experience rating include N de Groot & P Koning, *Assessing the effects of disability insurance experience rating: The case of the Netherlands*, Labour Economics, 41, August 2015; and: T Kyryä & J Tuomala, *The effects of employers’ disability and unemployment insurance costs on benefit inflows*, Labour Economics, 85, September 2023. However, a separate paper by the same Dutch team finds that experience rating increased firm bankruptcy among small firms; see: N de Groot & P Koning, *A burden too big to bear? The effect of experience-rated disability insurance premiums on firm bankruptcies and employment*, Scandinavian Journal of Economics, 124, November 2021.

⁷⁴ UWV helpfully explain this process in English.

⁷⁵ p8 of UWV, *Kwantitatieve informatie 2024*, April 2025.

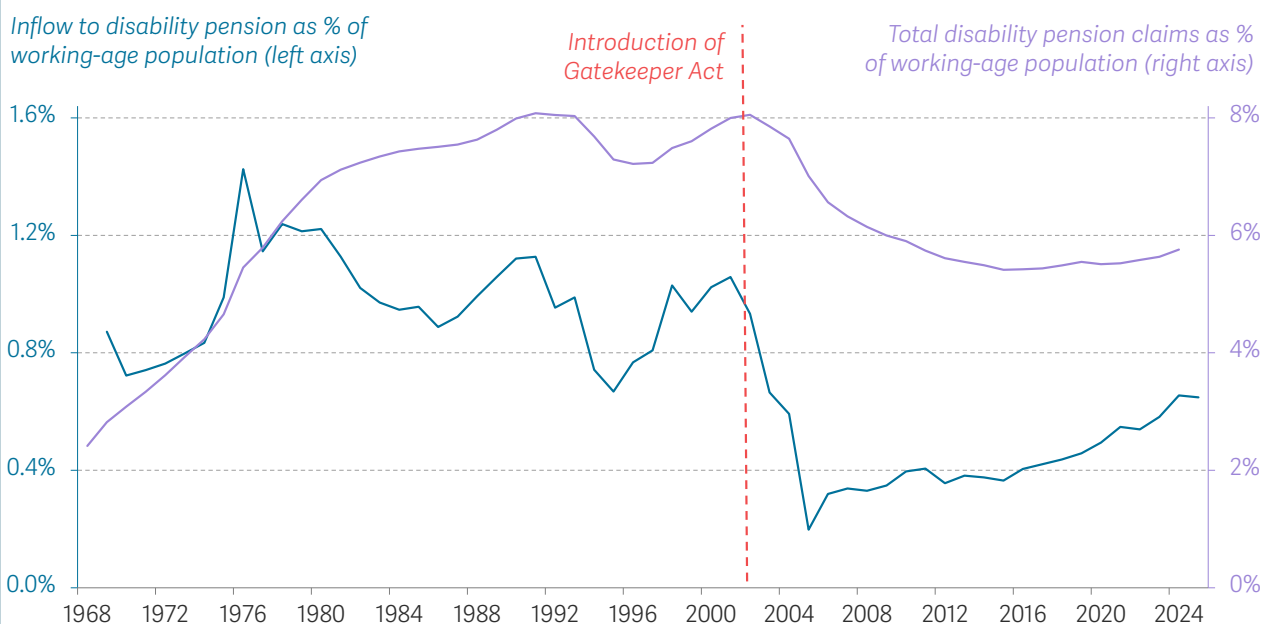
⁷⁶ In some years, small employers were less than half as likely to be sanctioned – see I Eekhoudt et al., *Welke werkgevers krijgen een loonsanctie? Uitkomsten van het toetsen van re-integratie-inspanningen door het UWV* [Which employers receive a wage sanction? Results of the assessment of reintegration efforts by the UWV], Tijdschrift voor Arbeidsvraagstukken 36, 2020.

Gatekeeper Act, equivalent to UK

incapacity benefit inflows dropping from 470,000 to 160,000 per year.⁷⁷

FIGURE 14: The Gatekeeper Act in the Netherlands radically reduced inflows into disability pensions

Disability pension inflows and claims rates as a share of the total population aged 20-65: Netherlands



NOTES: Figure focuses on disability pensions (WAO/WIA), but there are also further incapacity benefits in the Netherlands including WAZ and the benefit for young people, 'Wajong'. Trends in all incapacity claims are similar to the WAO/WIA trend shown in the chart, except the decline from 2002 was slightly smaller (from 9.9% 2002 to 8.1% in 2012, rather than 8.1% to 5.4% for WAO/WIA), due to rises in Wajong claims (particularly 2007-14) – data from opendata.cbs.nl.

SOURCE: Data provided by Jan-Maarten van Sonsbeek and Pierre Koning based on UWV data. Working-age population taken from CBS data.

These impacts came from several reforms happening at the same time in the early 2000s, but econometric analysis shows that the employer obligations within the Gatekeeper Protocol were responsible for at least a quarter of these reductions in disability

pension inflows,⁷⁸ and crucially also raised employment.⁷⁹

Incentives on this scale sometimes lead to unintended consequences; in the Dutch case, it seems that workers in poor health have been diverted onto temporary or flexible contracts. In 2014, a further reform –

⁷⁷ UK incapacity benefit inflows for 2023-24 taken from OBR, *Welfare Trends Report – October 2024*

⁷⁸ J-M van Sonsbeek & R Gradus, *Estimating the effects of recent disability reforms in the Netherlands*, Oxford Economic Papers, 65, October 2013; and: P. Koning & M Lindeboom, *The Rise and Fall of Disability Insurance Enrollment in the Netherlands*, Journal of Economic Perspectives, 29, Spring 2015.

⁷⁹ P Hulleger & P Koning, *How disability insurance reforms change the consequences of health shocks on income and employment*, Journal of Health Economics, 62, November 2018.

the Modernization Sickness Benefits Act – therefore increased the charges on employers if their former temporary employees claimed incapacity benefits (this is known as ‘experience rating’; see above), which has successfully improved reintegration efforts for this

group.⁸⁰ There are currently proposals to slightly lessen the obligations on SMEs in the second year of sickness, but nevertheless, the scale and sustainability of these incentives on employers is without parallel across the OECD.

We think the case is very strong for the Government to provide stronger incentives for employers to reintegrate workers, but this needs to be in a form that is suitable for the UK, rather than attempting to copy the Dutch model. For example, it is probably neither politically or economically feasible to make employers liable for a further year’s sick pay if they make insufficient reintegration efforts, although shorter extensions of sick pay obligations might be feasible.⁸¹ Several people have suggested introducing a ‘Right to Return’ for workers in the first year of sickness absence,⁸² but this is trickier to implement than for maternity pay because the length of sickness is unpredictable, and, given the considerable existing obligations in the UK described above, this might lead to unhelpful muddiness in employers’ obligations after the first year.

We therefore recommend that the Government introduces a ‘Right to Reintegration’ for workers on sick leave, where employers cannot dismiss workers unless they demonstrate that they have made sufficient reintegration efforts. This would clarify and strengthen existing legal protections: it would provide a much stronger message to workers about what they are entitled to, clarify expectations to employers (e.g. around reasonable adjustments vs. Access to Work), and extend these rights further (e.g. in requiring early intervention from line managers and greater efforts at job carving if the existing job role is no longer appropriate).

But clarity and enforcement will be crucial here. As one employer we spoke to said:

“The legislation is already there, saying that we need to be doing that, and ...maybe it needs to be enforced, but we’ve already got that legislation in place. Equality Act 2010 and all that, the things that came before it that that became consolidated... It says that we shouldn’t discriminate: age, sex, disability, there’s a whole ten

⁸⁰ OECD, *Disability, Work and Inclusion: Mainstreaming in All Policies and Practices*, 2022.

⁸¹ This is briefly recommended by a recent Work Foundation report: A Budak et al., *Stemming the tide: Healthier jobs to tackle economic inactivity*, December 2024.

⁸² A right to return exists in Spain, although in the context of a different employment law system in which there is a category of ‘suspended employment’. For examples of people calling for a right to return, see: L Gardiner & D Gaffney, *Retention deficit: A new approach to boosting employment for people with health problems and disabilities*, Resolution Foundation, June 2016; P Gregg, *Employment, economic inactivity and incapacity: past lessons and implications for future policy: A thought paper written for the Commission for Healthier Working Lives*, Health Foundation, September 2024.

protected characteristics. So it's there and saying we shouldn't do it. It's just about making sure that people put it into practice. "

(Manager, care, large business)

The Right to Reintegration could potentially be enforced by employment tribunals, but the Government should also consider more proactive enforcement mechanisms. One possibility is for the EHRC⁸³ to be resourced so that it can both be more involved in employment tribunal cases, and do targeted enforcement of workers' rights, as the TUC and the Resolution Foundation have previously called for (summarised in Box 3).⁸⁴ Alternatively, the forthcoming Mayfield Review will look at a possible system of work and health caseworkers: well-designed incentives could ensure that employers actually use these caseworkers, and it could even be these caseworkers that check whether employers have met their obligations, as suggested by the Health Foundation's recent Commission on Healthier Working Lives.⁸⁵

To reduce the risks of unintended consequences, the Government would need to put this within a wider framework that stops employers from avoiding employment rights by shifting workers onto precarious contracts (just as was needed in the Netherlands; see Box 2). Equally crucially, we have seen that there is a risk of box-ticking in the face of legal risks. As well as careful specification of the Right to Reintegration, employers would need to receive much more support in what best practice looks like (and how to concretely implement it), so that it is easier for current poor performers to genuinely engage rather than to try to game the system, while helping current high performers to redirect their existing wellbeing spend to more productive uses. The aim is not to put additional strain on (good) employers: we heard loud and clear from employers that holding onto existing employees makes business sense, and our aim is to nudge employers towards doing things that may take time and effort but will ultimately benefit them as well as disabled workers.

⁸³ Another approach would be to link this to the HSE's role in preventing work-related stress (see Recommendation 5 below). The CIPD have suggested that either the EHRC or HSE could have this role. See: CIPD, [Revamping Labour Market Enforcement in the UK](#), October 2020.

⁸⁴ Q Roache, [Disabled workers' access to reasonable adjustment](#), TUC, May 2025.

⁸⁵ The Health Foundation Commission ([Action for healthier working lives: Final report of the Commission for Healthier Working Lives](#), March 2025) recommended that the Government considers different options to improve retention, including strengthening existing protections and "mandating employer engagement with an independent caseworker before dismissing a worker within the first year of a long-term sickness absence", which would involve checking that all reasonable adjustments and job redesign options had been fully considered.

BOX 3: Improving the enforcement of anti-discrimination laws in the workplace

We argued in the text that any clarity and enforcement will be crucial to any new right to reintegration. Our concerns here echo an earlier Resolution Foundation report about anti-discrimination laws.⁸⁶ That report recommended that the Employment Tribunal system should be improved, as the process of bringing a case is stressful and favours higher-earners (despite lower-earners being more likely to face discrimination). It recommended more financial help (especially for low-paid workers); allowing workers six months after discrimination takes place to take a claim to court as opposed to the current three; and clearing the backlog of cases (which has increased further since the report was written).

Second, it recommended bolstering the EHRC's role. Even if the tribunal system is improved, many workers – particularly low-paid workers – are unlikely to take a case to court, so state enforcement is critical. However, although the EHRC is the body tasked with this role, it not only

lacks the ability to impose fines, but its budget was cut by four-fifths from 2008-9 to 2021-22. The report recommended that the Government should (i) pass legislation to give the EHRC stronger powers such as financial penalties when it finds non-compliance, and the ability to proactively inspect businesses where it suspects discrimination; (ii) resource the EHRC to investigate more cases of workplace discrimination; and (iii) better join-up the EHRC and other enforcement bodies (including the Fair Work Agency and HSE), in place of the current situation where the EHRC is barred from sharing any information.

However, while the report recommended that most labour market enforcement responsibilities should be coordinated in a single body, the report also recommended keeping responsibility for health and safety and workplace discrimination in their own separate bodies, due to the need for specialist inspectors for the former and discretionary adjudication in the latter.⁸⁷

⁸⁶ H Slaughter, *Policing prejudice: Enforcing anti-discrimination laws in the workplace*, Resolution Foundation, November 2022.

⁸⁷ L Judge & H Slaughter, *Enforce for good: Effectively enforcing labour market rights in the 2020s and beyond*, April 2023.

4. Action on reintegration needs to be complemented by a new 'Return-to-Work Recruitment Incentive'

We argued above that retention incentives are likely to make the biggest impact on disability employment, but they should be complemented by incentives to support the recruitment of workers with health conditions and disabilities.

In part, this is because well-designed recruitment incentives can directly respond to a specific market failure: that employers may be risk-averse when it comes to employing disabled workers, and when they do hire disabled staff, they may be resistant to offering them flexible working arrangements early on.⁸⁸ This is something we heard directly from managers in interviews; many were open to offering flexible working patterns to existing staff – who had proven their capability, or passed their probation period – but they were often more hesitant about offering such flexibility to new starters. As one employer said:

“After probation they would have these benefits; beforehand, they wouldn’t have them. I assume after probation that their performance would be good, right.”

(Manager, construction, small business)

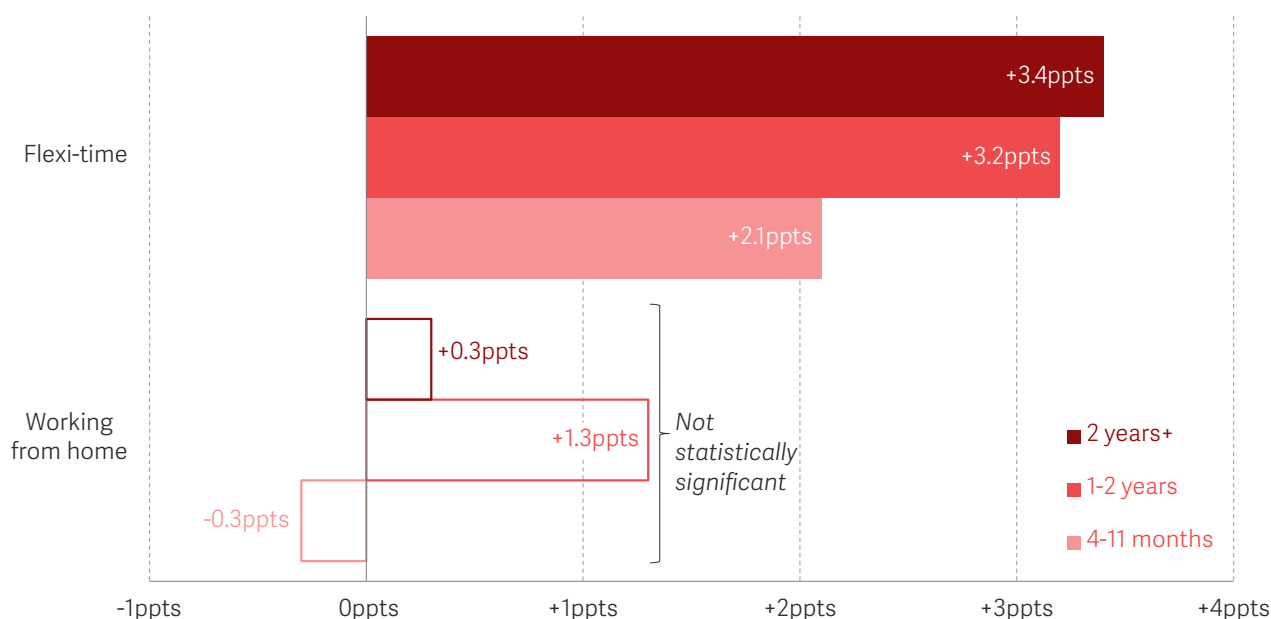
This sentiment is borne out by the data. After controlling for other factors such as someone’s occupation, we find that flexi-time (when workers are required to work a certain number of hours but can log these flexibly) is more likely to be offered to long-standing employees than new starters.⁸⁹ More precisely, while 9.4 per cent of those who have been in their job up to 3 months work flexi-time, this rises to 12.9 per cent of those who have been in their job for two years or more. However, of the forms of flexibility that are asked about in the Labour Force Survey, it is only flexi-time where we find this effect: for working from home, for example, there is no difference (see Figure 15).

⁸⁸ This theme – that flexibility is more often granted to existing employees than new hires – is explored in detail in: C Hale, K Hoque & B Baumberg Geiger, *The 39 Steps: Realising the potential of Flex Plus working for disability inclusion*, ESRC Centre for Society and Mental Health, March 2025. We have also heard this directly from workers in previous Resolution Foundation qualitative research, with one worker lamenting that “They’re [employers] flexible once you’ve earned your stay there.” See: L Murphy, *Constrained choices: Understanding the prevalence of part-time work among low-paid workers in the UK*, Resolution Foundation, November 2022

⁸⁹ More precisely, the LFS asks about “flexitime (flexible working hours)”, and then adds a note to the interviewer, “Variable start and finish times, by themselves, are not enough to be considered a flexitime system: there must also be a formal accounting period.”

FIGURE 15: Long-standing employees are more likely than new starts to work flexi-time

Effect of job tenure on flexible working (after accounting for other factors), 2024-25, UK



NOTES: Controls for detailed occupational group, region, and age group (11-banded) interacted with gender. (Further sensitivity analyses using the quarterly LFS that control for family type and restrict the sample to employees in permanent jobs show effectively identical results, while excluding proxy interviews makes the effects slightly stronger). Analysis uses linear probability model on the population aged 16-64; sample size 58,427-58,500.

SOURCE: Analysis of Annual Population Survey April 2024 - March 2025.

But recruitment incentives are also needed because of evidence that stronger retention obligations can unintentionally discourage new hiring. For example, there is some evidence that the introduction of equalities legislation (both the Americans with Disabilities Act and the UK Disability Discrimination Act) had no or even a negative overall impact on the employment of disabled people, most likely because the additional protections given to existing disabled workers made employers more hesitant to hire new applicants with disabilities.⁹⁰ Similarly, while maternity policy has been successful in boosting retention, some employers admit that it has made them wary about hiring women in mid-adulthood. For example, in 2018 the EHRC found that over a third (36 per cent) of private sector employers agreed that it is reasonable to ask women about their plans to have children in the future during recruitment.⁹¹

This suggests that, if a Right to Reintegration (as outlined in the previous section) came into effect, there is a risk that some employers might respond by hiring fewer disabled staff (or staff who they thought might develop health issues) to minimise potential

⁹⁰ For a recent review of studies on disability discrimination legislation, see D Derbyshire et al., *Employer-focused interventions targeting disability employment: A systematic review*, *Social Science & Medicine*, 347, March 2024. Similarly, in the Netherlands, the Gatekeeper Act led employers to try to use temporary and flexible contracts for new hires with poor health (see Box 2).

⁹¹ EHRC, *Pregnancy and maternity discrimination research findings*, May 2018.

future costs. If we want to reduce employers' risk aversion and encourage them to offer more employment opportunities to disabled people who have had extended periods out of the labour market, as well as retaining their existing disabled employees, then complementary action will be needed to support this.

The most common response internationally is to use a straightforward quota system, where employers are encouraged to take on a certain proportion of disabled staff. But our view is that such a system would risk creating more problems than it solves, as we discussed in more detail when explaining why we do not think reporting requirements should become a crude quota.

Instead, we propose a different type of recruitment incentive that is targeted on disabled people who have been out of work and claiming incapacity benefits (currently this would be the health element of Universal Credit or contributory Employment and Support Allowance (ESA)) for six months or more.⁹² This reduces the risk of perverse incentives around disability reporting, and also targets support on a group of disabled people facing considerable labour market disadvantage. To avoid stigma, the aim of such an incentive would be to reduce the uncertainty involved in hiring a new disabled member of staff, including the uncertain impact of offering flexible work to a new hire who does not have a proven track history – not for compensating employers on an ongoing basis for the (real or perceived) lower productivity of disabled workers.

Looking internationally, there are many different possible designs for recruitment incentives focused on this group (see Box 4). The research evidence suggests that these incentives can positively influence employment rates among disabled people, but do not necessarily do so; the design matters, and there are no clear guides for which types of incentives will have the most positive impacts in which circumstances.

BOX 4: International lessons on cash incentives to employers

Many governments, including in the UK, have offered cash incentives to get employers to recruit more disabled

people. These have taken a wide variety of forms:

⁹² Similarly targeting of incentives on incapacity benefit claimants has also been proposed by Disability Policy Centre, [Plugging the 'Fiscal Black Hole': How Investing in Disabled People and Carers can solve the UK's Economic Challenges](#), October 2024; and L Sayce, [Switching Focus: Whose responsibility to improve disabled people's employment and pay](#), LSE, November 2018. The exact parameters of this recruitment incentive should be designed carefully. For example, we propose eligibility is based on six months of incapacity benefit receipt to reduce deadweight cost (given that workers with only short spells out of work are likely to be able to find suitable employment without this additional incentive to employers) – but it will be worth monitoring to ensure that this does have the adverse effect of encouraging people to remain on incapacity benefits for at least six months. The overall impact on incapacity benefit caseloads should also be monitored, but in our view, it is unlikely that such a recruitment incentive would place material upwards pressure on incapacity benefit spending.

- In Denmark in the early 2010s, employers could receive permanent wage subsidies of 50-67 per cent for employing people with disabilities in a 'Flexjob', for either recruiting new workers or transferring existing workers into Flexjobs.⁹³ The high numbers of Flexjobs and concerns about poor implementation led to reforms in 2013,⁹⁴ but the numbers have continued to rise, now accounting for 2.5 per cent of all working-age people (see Chapter 3).
- In the Netherlands, as well as the strong retention incentives described in Box 2, the Government offers employers a number of different recruitment incentives or wage subsidies. This includes reimbursing sick pay, particularly for young disabled claimants, and paying a subsidy to compensate for what the social insurance agency assesses to be the gap between lower productivity and the minimum wage.⁹⁵
- In Spain, employers can receive subsidies of at least 3,000 for each disabled worker they hire, as well as a 70 per cent or 90 per cent deduction

in Social Security contributions (dependent on age).⁹⁶

- And we have even seen incentives used relatively recently in the UK, where employers were offered payments of up to £2,275 for recruiting young disabled people through Work Choice.⁹⁷

We could give many more examples of this sort; incentives for employing disabled people are extremely common internationally, using a wide variety of designs and parameters.

Beyond direct cash incentives, governments can also use 'work trials', 'supported internships', and 'work placements'. These exist in many other European countries,⁹⁸ and in the UK have recently been recommended by Paul Gregg and the Federation of Small Businesses among others.⁹⁹ While not the focus of our report, these are also potentially worth exploring further.

But do these incentives work? There are three types of study that have looked at the effectiveness of wage subsidies. First, some recent studies use a vignette approach to see how

⁹³ OECD, *Sick on the Job?: Myths and Realities about Mental Health and Work*, 2012

⁹⁴ OECD, *Fit Mind, Fit Job: From Evidence to Practice in Mental Health and Work*, 2015

⁹⁵ See R van Berkel, *From Dutch disease to Dutch fitness? Two decades of disability crisis in the Netherlands*, in C Lindsay & D Houston, *Disability Benefits, Welfare Reform and Employment Policy*, 2013; OECD, *Disability, Work and Inclusion: Mainstreaming in All Policies and Practices*, 2022; and UWV's English-language explanations of financial support schemes

⁹⁶ R Castro Núñez, V Martín Barroso & R Santero Sánchez, *Wage Cost-Reducing Policies and Employment Stability for People With Disabilities in the Spanish Labor Market*, *Journal of Disability Policy Studies*, 30, May 2019.

⁹⁷ A Purvis et al., *Evaluation of the Work Choice Specialist Disability Employment Programme*, July 2013.

⁹⁸ E.g. the Netherlands offers two-month trial placements for some disabled claimants ('proefplaatsing') - see UWV

⁹⁹ Paul Gregg recommends flexible 'work experience placements or work trials' of 6-12 months funded by outcome-related payments, in *Employment, economic inactivity and incapacity: past lessons and implications for future policy*. For the Health Foundation Commission for Healthier Working Lives, Sep 2024. The FSB recommended a 'Health Kickstart' employment scheme to allow trial periods for disabled workers in *their response to the Mayfield Review*, June 2025.

incentives affect hiring decisions; that is, they present employers with hypothetical job candidates and ask if they would hire them, randomly varying whether or not they mention that a subsidy is available. Such studies find (at best) small effects of incentives,¹⁰⁰ but it is not clear how well these reflect real-world decisions. Second, some studies compare people receiving incentives to similar people that are not. These tend to show very positive effects,¹⁰¹ but even when rigorously conducted, there is always a chance that those taking advantage

of incentives are more likely to work for other reasons. Finally, the strongest studies are those that look at natural experiments. The most promising results come from a Spanish policy of deducting social security contributions for firms that hired disabled women, which resulted in an extra 7,100 women finding a job at a cost of €1,549 per worker per year.¹⁰² However a different policy in Spain had more mixed results,¹⁰³ while a tweak to the Danish Flexjobs scheme found that lower incentives seemed to result in higher deadweight costs.¹⁰⁴

We recommend considering two ways of implementing a new ‘Return-to-Work Recruitment Incentive’, one of which is a subsidy to employers and the other is effectively a tax. Clearly the public finances are under considerable pressure. At the same time, employers are facing rising costs due to higher National Insurance contributions and a rising minimum wage – and with further pressures on the way as the Employment Rights Bill makes its way through parliament – and it may not be appropriate to put further costs on businesses.¹⁰⁵ Unsurprisingly, the managers we spoke to in our interviews agreed, with some referencing the “latest changes” to the minimum wage and National Insurance from the Government, and lamenting that “these days, every single company is looking

¹⁰⁰ The study showing the strongest effect focused on a single vignette of a wheelchair user among Danish managers (D Shamshiri-Petersen & C Krogh, *Disability disqualifies: a vignette experiment of Danish employers’ intentions to hire applicants with physical disabilities*, *Scandinavian Journal of Disability Research*, 22, July 2020). There are also two studies showing null effects, although given the small sample sizes it might be that the studies are underpowered to find small impacts (S Baert, *Wage subsidies and hiring chances for the disabled: some causal evidence*, *The European Journal of Health Economics* 17, December 2014; E Deuchert & L Kauer, *Hiring subsidies for people with a disability - Evidence from a small scale social field experiment*, *International Labour Review*, 156, December 2014).

¹⁰¹ These studies include R Castro Núñez, V Martín Barroso & R Santero Sánchez, *Wage Cost-Reducing Policies and Employment Stability for People With Disabilities in the Spanish Labor Market*, *Journal of Disability Policy Studies*, 30, May 2019; and G Waghorn et al., *The Influence of Wage Subsidies on the Open Employment of People with Disabilities*, *Journal of Rehabilitation* 85, October 2019. More mixed results are found in: N Angelov & M Eliason, *Wage subsidies targeted to jobseekers with disabilities: subsequent employment and disability retirement*, *IZA J Labor Policy* 7, 2018, who show higher employment rates (including subsidised work) but also locking-in effects of workers in subsidised employment.

¹⁰² J Vall Castello, *Promoting employment of disabled women in Spain: Evaluating a policy*, *Labour Economics*, 19, January 2012

¹⁰³ This gave lump-sum payments to employers for hiring disabled people. This perhaps increased transitions to employment among older disabled people, but (due to further conditions around employment protection) seem to have pushed people away from permanent jobs and towards incapacity benefits; see: S Jiménez-Martín, A Juanmartí Mestres & J Vall Castelló, *Hiring subsidies for people with a disability: do they work?*, *Eur J Health Econ*, 20, 2019.

¹⁰⁴ This showed that lowered incentives to Government agencies reduced FlexJobs hiring (and the hiring that remained was skewed towards giving FlexJobs to existing workers, where deadweight costs are more likely); see: N Datta Gupta, M Larsen. & L Thomsen, *Do wage subsidies for disabled workers reduce their non-employment? - evidence from the Danish Flexjob scheme*, *IZA J Labor Policy*, 4, 2015

¹⁰⁵ See: N Cominetti & G Thwaites, *Minimum wage, maximum pressure? The impact of 2025’s minimum wage and employer NICs increases*, *Resolution Foundation*, March 2025; N Cominetti & C McCurdy, *Low Pay Britain 2025: Where next for the Government’s employment reforms?*, *Resolution Foundation*, July 2025.

at cost.” It is therefore useful to consider two delivery models, depending on the balance between these that the Government wants to achieve:

- First, in a model where costs are borne primarily by the Government, there could be a staggered payment to employers that shares the gains of reduced spending on incapacity benefits when an employer takes on someone who was previously out of work due to ill health.¹⁰⁶
- Second, in a model where costs are primarily borne by employers, there could be a ‘disability employment levy’, which could be spent on various costs associated with employing disabled people who are currently out of work and receiving incapacity benefits (including paying wages, sick pay, and disability inclusion practices) on a ‘use it or lose it’ basis, learning from the design of the Apprenticeship Levy.¹⁰⁷

Given that the Government is trialling different forms of employer engagement (as part of the WorkWell pilots, Get Britain Working trailblazers, and the NHS accelerators¹⁰⁸), it might be possible to test the feasibility and impacts of different incentive models.

Whatever the final design of this ‘Return-to-Work Recruitment Incentive’, careful implementation and ongoing monitoring will be essential to minimise the risk of creating unintended adverse incentives and deadweight costs. It will be particularly important to pilot the approach and put safeguards in place to prevent employers from gaming the system. But if designed and implemented carefully, a recruitment incentive – combined with the incentives on reimbursement, reporting and reintegration mentioned earlier in this section – has the potential to make a real difference to disabled people’s chances of finding good employment.

By introducing carefully designed employer incentives across the four Rs of reimbursement, reporting, reintegration, and recruitment, the Government can make real progress on improving disabled people’s chances of finding and remaining in work. But these narrowly-focused employer incentives should be accompanied by wider actions to ensure that people with health conditions and disabilities can access suitable work – we explore these in the next section.

¹⁰⁶ A wide variety of other people have recommended similar incentives where government bears the cost, but is repaid in benefits and wider savings – see Disability Policy Centre, [Plugging the ‘Fiscal Black Hole’: How Investing in Disabled People and Carers can solve the UK’s Economic Challenges](#), October 2024; L Sayce, [Switching Focus: Whose responsibility to improve disabled people’s employment and pay](#), LSE, November 2018; A Budak et al., [Stemming the tide: Healthier jobs to tackle economic inactivity](#), Work Foundation, December 2024; and Federation of Small Businesses, [Keep Britain Working: consultation response](#), June 2025.

¹⁰⁷ The OECD has made parallel recommendations to broaden the scope of the apprenticeship levy within the scope of skills policy; see: OECD, [Promoting Better Career Mobility for Longer Working Lives in the United Kingdom](#), December 2024.

¹⁰⁸ See DWP, [Biggest employment reforms in a generation unveiled to Get Britain Working again](#), November 2024; and: [WorkWell Pilots Evaluation Feasibility Study](#), DWP research report 1100, June 2025.

Section 5

Employer incentives should be accompanied by wider actions to ensure that people with health conditions and disabilities can access suitable work

Alongside the four targeted policy recommendations, action will be needed in two other areas vital to improving disabled people's employment: support for part-time work and better, more inclusive working environments.

Disabled workers are more likely than non-disabled workers to be in part-time roles, often due to health-related limitations. International comparisons show countries with higher employment rates often have more part-time work, but part-time jobs tend to offer lower pay, security, and training opportunities. Policymakers should carefully promote part-time work for disabled people while balancing economic trade-offs.

Workplaces need to be more inclusive for all, not relying solely on individual adjustments. Trends show increasing work intensity and declining worker control, which negatively affect health and disability employment. Improvements such as sectoral standards and greater investment in the Health & Safety Executive (HSE) to reduce work-related stress could enhance job quality and inclusion.

Overall, combining targeted employer incentives with broader labour market reforms can shift the dial when it comes to improving the inclusion of disabled people in the labour market.

In the previous section, we set out recommendations focused on four priority areas for action for employer incentives: reimbursement, reporting, reintegration and recruitment.

But we recognise that these employer incentives are not enough on their own: wider improvements to the world of work are important too. In this section, we mention two areas which we think are vital to ensuring that disabled people can access suitable

employment: supporting part-time work, and creating better, more inclusive working environments. Of course, these areas are about more than just disability employment – they are connected to many wider aspects of the labour market and economy. We therefore present new evidence on these two areas and set out how policy makers should be approaching reform.

There is no silver bullet to improving the inclusion of disabled people in the labour market – but we believe the combination of targeted employer incentives alongside these wider improvements will shift the dial.

5. We need to do more to support part-time work where people would struggle to work full time

If the Government wants to achieve its aims of getting more disabled people into work and reaching an overall employment rate of 80 per cent, it will almost certainly have to increase the number of people in part-time work.

The backdrop is clear: disabled people are much more likely than non-disabled people to work part time. In 2023-24, almost a third (32 per cent) of working disabled people were in part-time work, compared to a fifth (22 per cent) of non-disabled workers.¹⁰⁹ This is unsurprising: part-time work is often an appropriate way for disabled people to work while also managing their health conditions, and this is especially true of the considerable numbers of people with energy-limiting conditions with symptoms such as pain or fatigue.¹¹⁰

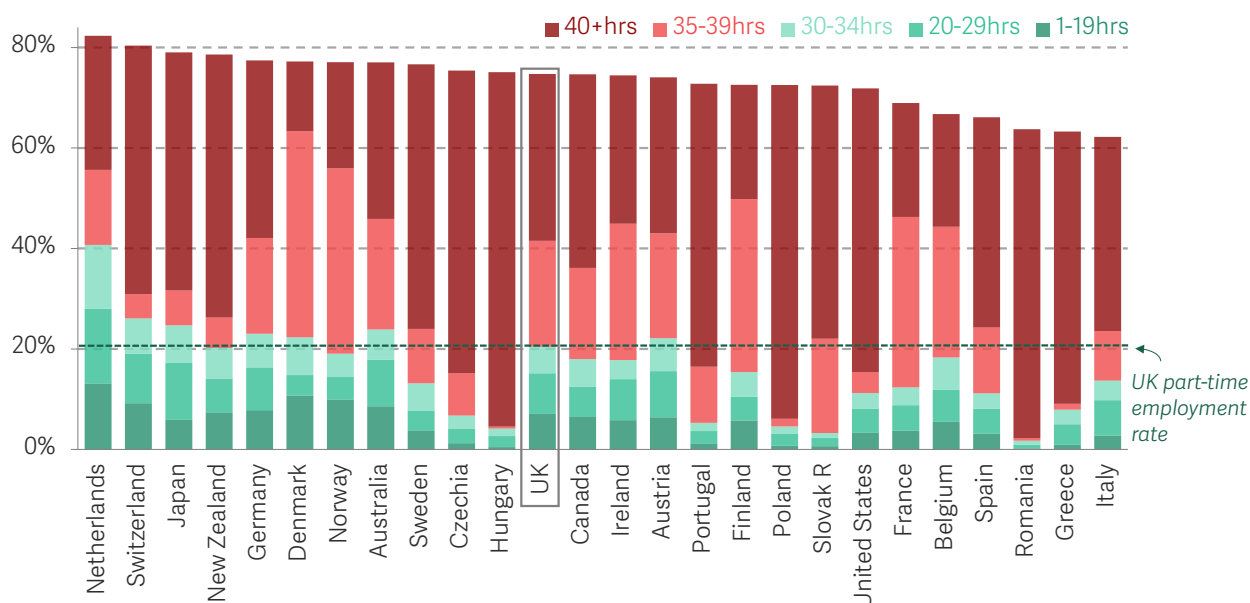
More generally, when we look across a range of OECD countries, we find that countries with high overall employment rates tend to have higher rates of part-time employment. Among the 11 major OECD countries with overall employment rates higher than in the UK, six also have higher part-time employment rates: Australia, Denmark, Germany, Japan, Switzerland and the Netherlands, where an astonishing 40.7 per cent of the working-age population are in part-time work (compared to 20.4 per cent in the UK) and the overall employment rate stands at a striking 82.3 per cent. This is shown in Figure 16.

¹⁰⁹ DWP, *The employment of disabled people 2024*, June 2025.

¹¹⁰ C Hale, K Hoque & B Geiger, *The 39 Steps: Realising the potential of Flex Plus working for disability inclusion*, ESRC Centre for Society and Mental Health, March 2025.

FIGURE 16: Employment rate in working-age population, split by hours of work

Employment rate among the working-age population, by weekly hours of work in main job: selected OECD countries, 2024



NOTES: The data covers usual weekly hours worked in main job, employment rate among working-age population and historical population data. US hours data is for employees only (as no comparable data is available for self-employed people) but is here applied to the employment rate for the workforce as a whole.

SOURCE: Analysis of OECD data, based on national Labour Force Surveys for people aged 15-64.

But we need to be careful when it comes to supporting and encouraging part-time work. For workers, entering part-time work usually means lower take-home pay than entering full-time work. Across the OECD, part-time workers have a higher poverty risk than full-time workers,¹¹¹ and lower job security, progression opportunities and access to training, on average, than their full-time counterparts.¹¹²

For the economy as a whole, the risk is that by encouraging more part-time work, we could end up reducing total labour supply, which is ultimately what matters for growth. (This is because by encouraging those who are currently out of work to enter part-time employment, some full-time workers may follow suit and reduce their working hours.) This risk is real, and should be properly acknowledged by policy makers working towards the 80 per cent employment rate target. Just as Figure 16 showed that high employment rates often come alongside high rates of part time work, when we look across OECD countries for 2023, those countries with the highest employment rates are not always the countries with the highest total hours worked per capita. For example, when we look at the Netherlands (a country whose employment rate exceeds our 80 per cent

¹¹¹ Eurostat, [In-work at-risk-of-poverty rate by full-/part-time work](#), accessed 18 July 2025.

¹¹² See, for example: I Bucelli & A McKnight, [Child Poverty Solutions for Finland: A review of international policies in selected countries](#), ITLA, March 2023; and: H Hoynes, R Joyce & T Waters, [Benefits and tax credits](#), Oxford Open Economics, Volume 3, Issue Supplement_1, 2024.

employment rate, at 82.4 per cent), the average total hours worked per person of working-age stands at 1,165, only slightly above the level in the UK (1,144). Meanwhile, some of the countries who have higher total hours worked per person than the UK (such as Portugal, Poland and the US) actually have lower employment rates than the UK.¹¹³

Given the trade-offs involved in pursuing more part-time work to bring more disabled people into the labour market, we recommend careful policy development in this area, based on a twin-track approach.

First, it makes sense to increase the availability of part-time work in a way that is targeted towards disabled people. There is evidence that this can be successful from a number of international examples, which have demonstrated positive employment impacts from partial sick leave or graded return-to-work interventions for people with health conditions and disabilities.¹¹⁴ In the UK, this could mean clarifying that employers are expected to offer part-time work as a reasonable adjustment and supporting them to do this (see Recommendation 3 above), and also ensuring that out-of-work incapacity benefit recipients feel more confident in moving into appropriate part-time work. In some ways, the Universal Credit system is well-equipped to facilitate this, since people can continuously receive this benefit if they transition between being out of work, in part-time work or in full-time work. But in practice, some in-work disabled claimants report being pressured to take on more hours of work, and more broadly we have heard reports of out-of-work claimants being fearful of this 'in-work conditionality'.¹¹⁵

Improving this aspect of the welfare system is especially timely now, as the Government is hoping to scrap the Work Capability Assessment (WCA) used to determine conditionality expectations for those with health conditions and disabilities.¹¹⁶ When designing this new system of conditionality, the Government should strengthen the work allowances that currently exist within Universal Credit for people with health conditions and disabilities and make sure that these continue to exist in the post-WCA world.¹¹⁷ And it should also design a more effective in-work conditionality system, where those who can move from part-time to full-time work are supported to do so, but where disabled people who cannot work full time are able to enter and stay in part-time work without the fear of being pressured to up their hours.

¹¹³ This combines OECD [data on annual hours worked per worker](#) with [data on the employment rate](#), so that the annual hours are expressed per working-age adult, rather than per worker.

¹¹⁴ This includes successful examples from Denmark, Finland and the Netherlands. Two recent reviews of the literature find that part-time sick leave and graded return-to-work tend to increase employment rates; see: OECD, [Disability, Work and Inclusion: Mainstreaming in All Policies and Practices](#), October 2022; D Derbyshire et al., [Employer-focused interventions targeting disability employment: A systematic review](#), Social Science & Medicine 347, March 2024. However, the OECD review also cautions that part-time disability benefits (on a more permanent basis) might have more ambiguous labour market impacts, although the direct evidence here is more limited.

¹¹⁵ B Geiger et al., [Benefits Conditionality in the United Kingdom: Is It Common, and Is It Perceived to Be Reasonable?](#), Social Policy & Administration, February 2025.

¹¹⁶ DWP, [Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper](#), March 2025.

¹¹⁷ Other have argued about the importance of strengthening work allowances; see, for example: C Wheeler, [Give struggling 16-year-olds state-paid jobs, says key adviser](#), The Times, July 2025.

Second, the Government should consider whether broader efforts to support part-time work are needed. Recent changes to employer National Insurance contributions (NICs) have raised labour costs for part-time workers more than full-time workers. Taking together the minimum wage increase and the large change in NICs introduced in April 2025, the overall increase in labour costs for an adult working part time on the minimum wage was 14.2 per cent, compared to a rise of 10.2 per cent for a full-time minimum wage earner.¹¹⁸ And more generally, our population is getting older and sicker, which affects not just people with health conditions and disabilities but also those who care for them.¹¹⁹ This means a growing demand for accessible, good-quality part-time jobs that include training and progression opportunities.

6. There should be a clear ambition to create better working environments for all workers

There are legal obligations on employers to make reasonable adjustments for individual people's health conditions and disabilities, but there are limits to how far we should rely on treating disabled workers differently to other workers. This is partly because some people do not want to disclose their disability to their employer: for example, a recent survey estimated that 20 per cent of disabled workers had not told their employer they were disabled, often because they were worried about negative repercussions.¹²⁰ But it is also because of the difficulties of making exceptions to an established way of working: co-workers are sometimes resentful if their colleagues receive better working conditions, and it can be practically difficult to arrange work flexibly within a wider system that does not allow for it.¹²¹

So, as well as improving the way that disabled workers are treated, a significant improvement in the employment rate of disabled people will require a workplace that works better for everyone. This would also have wider benefits, including reducing the pressure on people to medicalise their experiences in order to get what they need at work; improving population health (as poor working conditions are a well-established risk-factor for ill health); and helping people with other constraints on the paid work they can do, such as caring responsibilities, to get and stay in work.

However, over the past 25-30 years we have, arguably, been creating a workplace that works worse for everyone, at least in some ways. Two trends, shown in Figure 17, are

¹¹⁸ N Cominetti & G Thwaites, Minimum wage, maximum pressure? The impact of 2025's minimum wage and employer NICs increases, Resolution Foundation, March 2025. See also: S Ray-Chaudhuri & X Xu, Combined impact of minimum wage and tax increases may reduce opportunities for young people, Institute for Fiscal Studies, April 2025;

¹¹⁹ See Figure 10 of H Slaughter & I Stone, Don't forget about us: How disabilities and caring responsibilities affect low-to-middle income Britain, Resolution Foundation, July 2025.

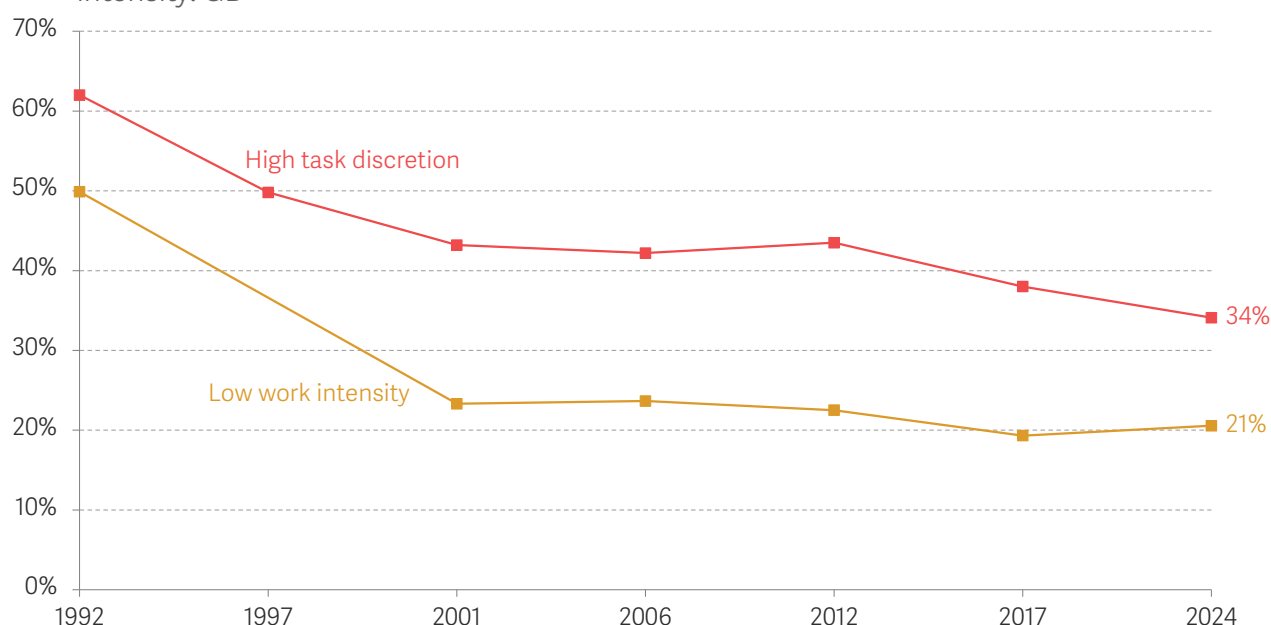
¹²⁰ Q Roache, Disabled workers' access to reasonable adjustment, TUC, May 2025.

¹²¹ C Hale, K Hoque & B Geiger, The 39 Steps: Realising the potential of Flex Plus working for disability inclusion, ESRC Centre for Society and Mental Health, March 2025.

particularly concerning. First, we have seen sharp rises in work intensity between 1992 and 2017 (only partly offset by a small fall in 2024). Even more worryingly, workers' control over how they do their job has fallen to its lowest level on record – with only 34 per cent of workers having high task discretion in 2024, almost half the 62 per cent who had it in 1992 – something that is concerning given the links between workplace control and health,¹²² disabled people's ability to work,¹²³ and incapacity benefits receipt.¹²⁴ Indeed, if job control had not declined between 1992 and 2006, UK incapacity benefit onflows would be between one-sixth and one-quarter lower.¹²⁵

FIGURE 17: Jobs are less likely to involve high control and low intensity in 2024 than 1992

Proportion of employees aged 20-60 reporting high task discretion and low work intensity: GB



NOTES: We follow the definition of 'high task discretion' used by the Skills and Employment Survey team. High task discretion therefore means workers reported a great deal of personal influence over four different aspects of their job: how hard they work, deciding what tasks they are to do, how the tasks are done, and the quality standards to which they work. (The scale responses were rounded, so workers who said they had 'a fair amount' of influence over one of these factors were still counted as having high task discretion if they said they had 'a great deal' of influence over the other three aspects.) 'Low work intensity' is defined as people saying that their work never or almost never involves working at very high speed.

SOURCE: Skills and Employment Survey (figures for low work intensity kindly supplied by the SES study authors; figures for high task discretion taken from D Gallie et al., What is Happening to Participation at Work?: First Findings from the Skills and Employment Survey 2024, April 2025).

¹²² T Wilson, M Sharma & J Gifford, *Exploring the interactions between job quality, industries and health A report for the Commission for Healthier Working Lives*, 2024.

¹²³ A Budak et al., *Stemming the tide: Healthier jobs to tackle economic inactivity*, Work Foundation, December 2024; B Baumberg, *From Impairment to Incapacity - Educational Inequalities in Disabled People's Ability to Work*, Social Policy & Administration, 49, March 2015.

¹²⁴ See section 3.2 of B Baumberg, *The role of increasing job strain in deteriorating fitness-for-work and rising incapacity benefit receipt*, LSE PhD thesis, September 2011.

¹²⁵ B Baumberg, *Fit-for-work - or work fit for disabled people? The role of changing job demands and control in incapacity claims*, Journal of Social Policy 43(2), January 2014.

There are also suggestions that we saw a sharp decline in ‘light work’ in the 1980s, although this predates the robust data above. ‘Light work’ refers to jobs that were very low-intensity (albeit often badly paid) and often reserved for older workers with health conditions – jobs such as cleaning (which has intensified considerably, and is rarely ‘light work’ today) and lift attendants or cinema ushers (jobs which have mostly disappeared). Benefits agency staff 25 years ago bemoaned the fact that “there’s no such thing as light work any more”,¹²⁶ while Paul Gregg – head of the Government’s Labour Market Advisory Group – has recently said that compared to the early 1980s, “the use of workers on light duties and with frequent absences is far less tolerated.”¹²⁷

However, to date there is almost no direct evidence of this the decline in light work. To provide an empirical test, we have therefore combined the ongoing Skills and Employment Survey with an earlier survey from 1986, and created a proxy measure of light work by looking at jobs where people’s work effort is not determined by appraisals, colleagues, their boss, clients or customers.¹²⁸ As Figure 18 shows, we see a sharp decline in our proxy measure of light work between 1986 and 1992, from 41 per cent to 21 per cent of jobs (with a smaller decline from 1992-1997 to 16 per cent, with light work remaining at a similar level – 15 per cent – in 2017). This is not just about some occupations disappearing per se; even within occupations like cleaning, shop salespersons and care work, we can see a decline in light work.

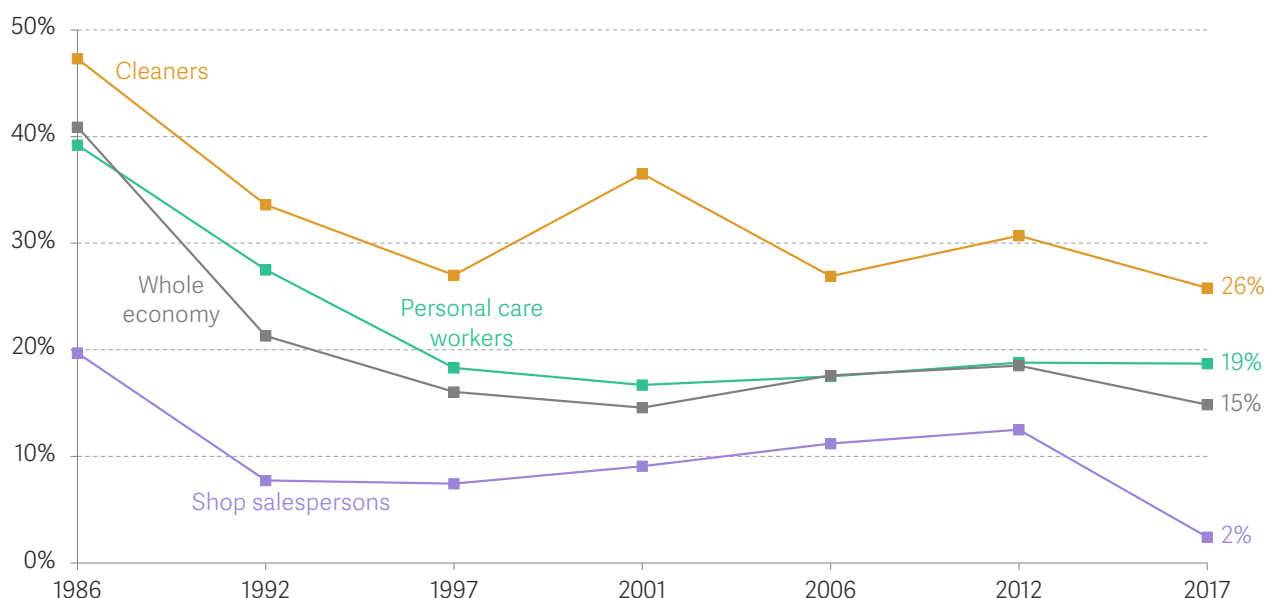
¹²⁶ A Hedges & W Sykes, *Moving between sickness and work*, DWP Research Report No 151, 2001. See also B Baumberg, *The deeper reason so many people are health-related inactive*, September 2024.

¹²⁷ P Gregg, *Employment, economic inactivity and incapacity: past lessons and implications for future policy: A thought paper written for the Commission for Healthier Working Lives*, Health Foundation, September 2024.

¹²⁸ We have to use this proxy for light work because the direct questions of work intensity were only asked from 1992. When we check in 1992, we find that this proxy measure has a moderate relationship with people saying that they never or almost never have to work hard: 16.7 per cent of these jobs are light work where people’s work effort is not determined by appraisals, colleagues, boss, or clients/customers, compared to 9.1 per cent of other jobs. However, this means there is more uncertainty when looking at the 1980s here than the more recent trends. For a discussion of using SCEL and SES to analyse change over time, see: F Green et al., *Are British Workers Getting More Skilled?*, in L Borghans & A de Grip (eds), *The Over-Educated Worker? The Economics of Skill Utilisation*, Edward Elgar, 2000.

FIGURE 18: We have seen a decline in 'light work', particularly in the 1980s

Proportion of employees aged 20-60 reporting that effort is not determined by any of appraisals, colleagues, boss, clients or customers, in whole economy and selected occupations: GB



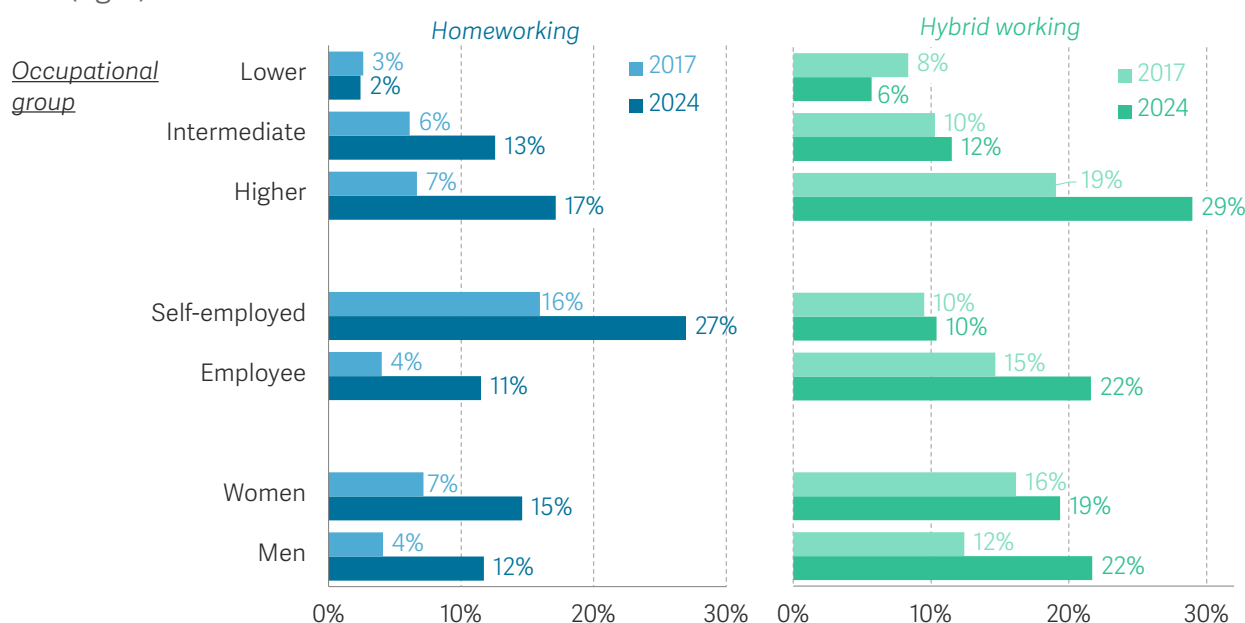
NOTES: The data for 1986 (also known as the Social Change and Economic Life Initiative, SCEL) is based on a random sample within seven purposively selected areas, rather than across the whole country, but the SES team have previously argued that SCEL is representative enough to underpin analyses of change. In sensitivity analyses when we (i) restrict the analyses of change to the five government regions covered in all datasets (excluding London), and (ii) also control for region, occupation (at a detailed level), and age-interlocked-with-sex, we see effectively identical trends to those shown in this figure. SOURCE: Analysis of Skills and Employment Survey.

Changes to the nature of work have not all been bad, however, and in other ways it has become easier for people with health problems and disabilities to work, particularly since the Covid-19 pandemic. For example, Figure 19 shows the pandemic accelerated what had been a gradual rise in homeworking and hybrid working (these are up from 5 to 13 per cent and 14 to 21 per cent of employees respectively between 2017 and 2024), which has particularly helped disabled people to enter work.¹²⁹ Even today, though, full homeworking is relatively rare, available to less than one-in-seven workers, and homeworking or remote work, like the other forms of flexibility shown above in Figure 7, are much less likely to be available to those in lower occupational groups.

¹²⁹ N Bloom, G Dahl & D Rooth, *Working from home boosted growth by expanding disability employment*, VoxEU, May 2025.

FIGURE 19: Homeworking and hybrid work have become much more common, but are still relatively rare, particularly among lower occupational groups

Proportion of workers aged 20-65 who are homeworkers (left) and hybrid workers (right): UK



SOURCE: Analysis of Skills and Employment Survey; A Felstead et al., *Is the Office Dying? Findings from the Skills and Employment Survey 2024*, WISERD, April 2025.

Labour market trends like the ones described above suggest two lessons for policy makers. The first is the need for action to counteract the trends for work to be harder for people with health conditions and disabilities. More fundamentally, though, this analysis shows us that working conditions can change dramatically over relatively short time periods. Yet improving the quality of work is challenging, and a wider agenda than we can do justice to here. For example, a higher quality of line management should clearly be an aim, but is not an easy target for government intervention.¹³⁰ Moreover, decisions that affect the quality of work need to take into account a wider range of factors than just disability inclusion, as they have consequences for the economy in general.

Further consideration of how to improve the amount of good work in the British economy is contained in the Resolution Foundation's *Economy 2030 Inquiry*, which recommend a series of actions on low pay, Statutory Sick Pay, a single labour market enforcement body, enhancements to the role of trade unions, and investments in skills.¹³¹ Several reforms in this area are now being taken forward through the Government's Employment Rights Bill, part of its 'Plan to Make Work Pay'. However, it is crucial to keep on tying these wider issues to the employment of people with health conditions and disabilities. Moreover,

¹³⁰ See, for example: C McCurdy & L Murphy, *We've only just begun: Action to improve young people's mental health, education and employment*, Resolution Foundation, February 2024.

¹³¹ See: Chapter 6 of Resolution Foundation & Centre for Economic Performance, LSE, *Ending Stagnation: A New Economic Strategy for Britain*, Resolution Foundation, December 2023

there were two specific areas where we found support among several employers and wider policy stakeholders.

Creating sectoral standards. The Economy 2030 Inquiry proposed a form of sectoral agreement ('Good Work Agreements') as one way of dealing with concentrations of labour market issues in problem sectors,¹³² and the Government is now taking forward plans for a sectoral agreement in adult social care.¹³³ But beyond improving the quality of work more broadly, sectoral standards could also have a further role here in helping employers go further on disability inclusion. We have drawn attention to the way that employer incentives can lead to box-ticking exercises; by contrast, sectoral standards make it easier for employers to know how to respond to incentives in a positive way for their specific type of work. As a result of their potential positive impacts on disability inclusion and the quality of work more broadly, sectoral agreements were suggested by several of the people we spoke to. In the words of one employer representative:

"[Sector bodies] are something we're calling for more broadly, with a mind on the enormous changes that are coming through the Employment Rights Bill and around new rights for trade unions. [With] what Government wants to achieve in terms of unions and employers working together, there needs to be something really strong to underpin that, rather than just lots of new regulations, we're afraid there could be more conflict in workplaces. We did used to have Sector Skills Councils, we used to have much stronger institutions in different sectors and industries, and it's a very uneven picture now... I think [these bodies] can be really helpful, as there are particular issues affecting particular sectors, and for them to develop some collective exchange and understanding and ways of working... and engaging with all the different players and actors, relating to Government as well... it can be really helpful from a number of different angles."

There is considerable potential for sectoral initiatives to improve the quality of work and improve disability-specific inclusion, including sectoral standards on flexible working and disability inclusion, linked to pilots of 'FlexPlus' working.¹³⁴ Along the same lines, the Health Foundation's Commission on Healthier Working Lives suggested that sectoral agreements could help both with the general quality of work as well as disability

¹³² C McCurdy, H Slaughter & G Kelly, [Putting good work on the table: Reforming labour market institutions to improve pay and conditions](#), Resolution Foundation, September 2023.

¹³³ The Employment Rights Bill provides for the creation of the Adult Social Care Negotiating Body, but full details are subject to consultation and the Body will not be established until October 2026: Department for Business and Trade, [Implementing the Employment Rights Bill](#), July 2025.

¹³⁴ C Hale, K Hoque & B Baumberg Geiger, [The 39 Steps: Realising the potential of Flex Plus working for disability inclusion](#), Centre for Society and Mental Health, March 2025. See also pilots described on p12-14 of O Nermond et al., [Supporting workers' health and access to better work: Exploring the role for government, services and employers](#), Learning & Work Institute for the Health Foundation, March 2025.

inclusion.¹³⁵ Although formal sector agreements will not cover every sector, even for sectors without an agreement, better employer coordination could help achieve the same goals of sharing information and best practice. Again, though, these initiatives have implications that go beyond disability-specific issues, and should be considered by Government within a wider labour market strategy.

Investing in the Health & Safety Executive (HSE). Alongside its many other functions, the HSE has a key role in reducing work-related stress. Its ten-year plan 2022-32 says a core objective is to reduce the trend of increasing work-related ill health, which has led to actions such as the 'Working Minds' campaign that brings together the HSE and other key stakeholders, and some recent active investigations into organisations around failures to manage mental health risks.¹³⁶ We found support for the HSE's role from many of the people we spoke to, including many employers; as the British Disability Forum recently said, "the HSE has a huge supportive, equipping and educating role in working with employers to diminish work-related stress."¹³⁷

Yet real-terms spending on the HSE has fallen from £338 million in 2009-10 to £203 million in 2023-24 (a decline of 40 per cent),¹³⁸ over a period in which its responsibilities have grown considerably.¹³⁹ This is a much bigger cut than has been experienced by other parts of government: on average, non-protected departmental spending was cut by 18 per cent over this time period.¹⁴⁰ This means the HSE does not have enough resources to perform its role, with the latest HSE annual report admitting that there is a major risk of "failure to identify and implement effective measures to reduce work-related ill health".¹⁴¹ A recent FOI revealed that the HSE has issued zero enforcement notices regarding stress management in the past decade.¹⁴² In our conversations with employers and other stakeholders, these cuts were widely seen to have undermined the HSE's ability to reduce work-related stress. As a private-sector occupational health leader described it:

¹³⁵ The Health Foundation Commission (The Health Foundation, [Action for healthier working lives: Final report of the Commission for Healthier Working Lives](#), March 2025) recommended that the Government "convenes sector leaders and key partners to tackle sector-wide challenges and develop sector-specific workforce health codes of practice", focusing on both job design and on adapting work to be accessible for people with health conditions and disabilities. For more detail, see p12-18 of O Nermond et al., [Supporting workers' health and access to better work: Exploring the role for government, services and employers](#), Learning & Work Institute for the Health Foundation, March 2025.

¹³⁶ H Burton, [HSE commits to improving mental health as it sets out its plans for the next decade](#), Safety Management, August 2022; M Cohen, [Mental health and wellbeing failings are now the subject of HSE investigations](#), WTW, September 2024.

¹³⁷ A Matthews, [Oral evidence to the Work and Pensions Select Committee \(Q41\)](#), April 2025.

¹³⁸ Figures for comprehensive net expenditure (after accounting for operating income) taken from HSE annual reports, with the 2013-14 spend inflated to 2023-24 prices.

¹³⁹ Sarah Newton, HSE Chair, told the Work and Pensions Select Committee on 5 February 2025 that "the responsibilities of the Health and Safety Executive have considerably expanded since we were created 50 years ago, most recently taking on the Building Safety Regulator role... Post-Brexit we have taken on considerable responsibilities for the regulation of chemicals in the UK... We have a considerable role to play in the transition to net zero... To some degree we also work with DSIT, thinking of our science capability. We have a role—we are just one of the regulators—looking at the safe use of AI, for example." Work and Pensions Committee, [5 February 2025 - Health and Safety Executive - Oral evidence](#), UK Parliament, February 2025.

¹⁴⁰ Analysis of HMT spending data.

¹⁴¹ O Tusler & J Holbrook, [The Health and Safety Executive: a shift in focus from safety to work-related mental health?](#), Kennedys, July 2023.

¹⁴² HSE, [Freedom of Information Request Reference No: 202503389](#), 22 April 2025.

“The HSE published its risk management standards for stress about 20 years ago, an excellent bit of work, evidence-based, needs a bit of updating but it’s still generally pretty sound.¹⁴³ Alongside it, they produced a set of management competencies [that] have been largely ignored, but it’s good stuff and it’s all underpinned by good psychological research. But – my take on it – because the HSE has been starved of resources for 20 years now, anything that isn’t enforcement has largely disappeared from the HSE, and that role of education in creating in a safe and healthy workplace is something that no one has really been picked up.”

These issues go beyond the traditional confines of disability and employment policy, and there is a need for further discussion about the best way of strengthening the HSE’s role. This will require conversations between Government, the HSE itself, the EHRC (see also Recommendation 3 above), Acas, the new Fair Work Agency, employers’ organisations and wider experts. Changes should also reflect the HSE-commissioned research on how best to tackle work-related stress that is due to report later this year.¹⁴⁴ But a strengthened HSE role may well be a key lever through which workplace control, demands and other working conditions in the UK economy could be improved, with further investment in HSE being repaid through lower incapacity benefit claims and higher disability employment rates, as well as a healthier, fairer economy.

¹⁴³ For more detail on the HSE Management Standards, see: www.hse.gov.uk/stress/standards/overview.htm, accessed 21 July 2025.

¹⁴⁴ This research is called ‘Project OSCAR’; see: <https://www.affinityhealthatwork.com/oscar>.

Section 6

Summary of recommendations

This report has argued that boosting disability employment is not straightforward: it will involve improvements to the health system, benefits system and world of work. Action to incentivise and support employers is a vital piece of the puzzle, and should be focused on the four key areas set out in this report: reimbursement, reporting, reintegration and recruitment.

Our four key policy recommendations are:

- Improving Access to Work to help *reimburse* employers with costs that go beyond reasonable adjustments. This should focus on: (i) scrutinising claims more appropriately by moving it to a new arms-length body with more specialist occupational health expertise; (ii) providing much more clarity about what counts as an ‘unreasonable’ expense that can be claimed back; (iii) improving the user experience so that turnaround times are quicker and support easily follows disabled people as they move jobs; and (iv) creating a more solid evidence base by testing the impact of an improved system on outcomes such as job retention.
- Building on employment and pay gap *reporting* to help improve transparency and drive positive change. We therefore welcome the Government’s consultation on mandatory reporting, and suggest that they build on this – but only if employers are required to use this data to drive inclusion (for example, via a Disability Confident scheme with teeth), rather than simply setting a crude target.
- Introducing a ‘Right to Reintegration’ to incentivise employers to *reintegrate* existing disabled workers. Employers would be unable to dismiss workers unless they demonstrate that they have made sufficient efforts at reintegration, clarifying and strengthening existing legal protections.
- Encouraging the *recruitment* of new disabled workers via the creation of a targeted ‘Return-to-Work Recruitment Incentive’, focused on disabled people who have been claiming incapacity benefits for six months or more. There are two possible models for delivery: a model where costs are borne primarily by the Government (staggered payments to employers) and a model where costs are primarily borne by employers (a ‘disability employment levy’).

But these narrowly focused employer incentives should not come at the expense of striving to create a more inclusive labour market in general. Doing so must include:

- Supporting part-time work for those who would struggle to work full time; and,
- Having a clear ambition to create better working environments for all workers.

The policies set out in this report provide a practical route to progress, and would open the doors that currently prevent disabled people from being included in the world of work. And they share responsibility between the state, employers and workers: if we truly want to give disabled people a fair chance of finding and staying in work, we need joined-up action that recognises the vital role that each must play.

Annex 1 – Data citations

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We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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