IF YOU'RE POOR AND SICK AND HAVE PAID YOUR NATIONAL INSURANCE CONTRIBUTIONS YOU'LL BE LEADING THE BATTLE TO REDUCE THE DEFICIT

Steve Griffiths

A DWP Impact Assessment of the Coalitionôs plans to restrict contribution-based payment of benefits to people who are unable to work due to long-term sickness or disability reveals that the Government intends to reduce national insurance benefits for many of the most vulnerable members of our society, even though there is no indication that their health is recovering or that they are capable of work.[1]

The impact assessment is couched in partisan language inappropriate for a Government department.

It begins by belittling the concept of National Insurance contribution, which has been from the beginning essentially an insurance premium to guard against ill health:

'People can presently qualify for years of benefit up to state pension age on the basis of a small amount of National Insurance paid'.

It follows this with what appears to be a deliberate misunderstanding of the Welfare Reform Act of 2007:

'It was never intended that ESA for those in the Work Related Activity Group (WRAG) should be paid for an unlimited period to people who, by definition, are expected to move towards the workplace with help and support'.

They may be óexpected to move towards the workplace with help and supportô, but the Welfare Reform Act 2007 states that if you have qualified for ESA, it is on the grounds that someone who *'has limited capability for work if—*
(a)his capability for work is limited by his physical or mental condition, and
(b)the limitation is such that it is not reasonable to require him to work'

If it is indeed ónot reasonable to require him to workôï and that applies to everyone who meets this criterion for ESA, including people in the Work Related Activity Group (WRAG) ï then any decision to remove the individual from ESA is not reasonable. The Impact Assessment ignores the fundamental definition of ESA. One may be óexpectedôto move towards the workplace, if one is fit for work, but it is a misrepresentation to suppress the health-related nature of that definition.

In other words, there is no basis for claiming that people should cease to receive a benefit when they still meet the criteria for it ï or to justify the claim by referring to an óintentionôwhich is in conflict with key wording in the primary legislation.

We are left with the underlying purpose of the proposal, to reduce national insurance entitlement to óhelp the UKôs challenging fiscal positionô, and the proposalôs first policy

objective, ó Embedding a culture that ESA is a temporary benefit for the majority of claimantsô This appears to be a gesture rather than a policy, and it has shallow roots.

A Politicised Civil Service: Biased Assumptions of the Impact Assessment

A close reading of the Impact Assessment reveals biased and poorly informed assumptions and conclusions.

Loss of benefit and impact on health

The assessment claims that ó there may also be some positive health benefits as a result of customers going into workô

This may be so to a limited extent. But the common assumption that it is established that ó(all) work is good for youô, the basis for the whole thrust of welfare reform policy, is undermined by a large body of research. As the Marmot Review summarised:

'Technological advances and economic growth in the context of globalised markets have resulted in new types of tasks (for example, information processing, personal services and service centres) leading to a demand for greater flexibility of employment arrangements and contracts, often combined with less job stability and security, more intensive work and longer hours. Related adversities include conflicts within workplace hierarchies, restricted participation of employees in decision-making, and covert or overt discriminatory practices.... These factors are most prevalent among the most deprived workers, specifically those in 'precarious jobs' that are defined by a lack of safety at work, by exposure to multiple stressors including strenuous tasks which the worker has little control over, low wages and high job instability. There is ample evidence on the adverse effects on health and wellbeing produced by these conditions. A range of research relates issues such as job security, job satisfaction and supervisor and peer support to various psychological and physical health impacts, such as general ill health, depression, cardiovascular disease, coronary heart disease and musculoskeletal disorders'.[2]

Add to this the research showing that as many as 35% of those disallowed Incapacity Benefit in earlier ó reformô returned later to sickness and disability benefits,[3] other evidence of continuing ill health, and the documented impact of the reforms themselves and the publicity surrounding them on the mental health of many[4], and the claim is left threadbare.

Then there is the relationship between low income and poor health and mortality. Just this measure, apart from the much greater impact of other welfare reform measures, will result in 280,000 people losing all benefit while still meeting the health-related criteria for it. Their loss is around £4600 a year. Another 220,000 will lose £1100 a year, and a further 200,000 will lose £600 a year. That is a substantial loss when there is a conclusive body of evidence linking low income and economic status to mortality ï and illness.[5]

This author has found a significantly higher association between levels of emergency hospital admissions and levels of incapacity benefit claims in local authority areas, when compared with the link between unemployment and emergency admissions.[6] This means that incapacity benefit (now ESA) claimants are an essentially different group from the unemployed: they have high health needs, they are not freeloaders as they have been depicted, nor are they ôthe hidden unemployedô. Their health needs have been belittled and denied, which has in turn had a negative impact on their health, as major mental health charities have complained. Given that half a million people have already been wrongly disallowed incapacity benefit since the tightening of provision began in 1995,[7] a number due to rise steeply through the reassessment of over a million incapacity benefit claimants using a widely discredited assessment administered by a company with a financial interest in reducing state provision so that it can sell more income protection policies,[8] this is a contribution to an unfolding domestic humanitarian disaster.

The brief answer ónoôin the DWP Impact Assessment to the question of whether the cut will have an impact on ôhealth and wellbeingôis thus blatantly untrue.

Benefit cuts to taxpayers and contributors

The Impact Assessment claims that ôA benefit of the policy is that the projected savings will be a benefit to the taxpayerô. But people who have paid national insurance contributions in good faith are tax payers too. The losers from this measure, many of them with significant health needs and among the poorest in the population, will themselves be paying less tax through lost income ï a tax loss of £300 million. It is a false insinuation to imply that national insurance benefit recipients are not taxpayers, as retirement pensioners know well.

Twisted incentives

The Impact Assessment estimates that nearly three-quarters of those losing the amount of their contributory benefit altogether will do so because they have partners who work, still paying their national insurance contributions as the benefit claimants have done. The Assessment notes a risk:

Overall, those with the most incentive to give up work are partners earning less than £150 per week, as their net income could potentially only be a few pounds less if they gave up work. Indicative analysis shows that 10% of all partners are in this position.

A charming detail of these estimates is that 3% of the losers of the entire amount of the benefit will do so because their partnerôs retirement pension will in future be set against it.

Cutting back the national insurance principle: a redistributive measure

As is frequently remarked, the national insurance principle enables the whole community to benefit in a time of incapacity to work. Indeed, it is estimated that 2% of

the people who lose from this measure will be in the top 10% of the income distribution, as is their right as a return on the national insurance investment. But 51% of the losers will be in the bottom 30% of income; and 82% in the bottom 60%. This is a redistribution in order to meet the deficit.

The continuing denial of health-related evidence, and the role of healthcare, in the reform of a benefit that was conceived as social protection for people with poor health or disabilities is a glaring intellectual and moral flaw in the Government's headlong trashing of this major area of social policy.

It would be more appropriate to assess the probable scale of redistribution of DWP spending to the NHS.

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1 http://www.dwp.gov.uk/docs/esa-time-limit-wr2011-ia.pdf
2 http://www.marmotreview.org/AssetLibrary/pdfs/Reports/FairSocietyHealthyLives.pdf
3 http://www.informedcompassion.com/compass%20long%20version%20thinkpiece%202910.pdf
4 http://www.guardian.co.uk/society/2011/may/31/incapacity-benefit-cuts-mental-health
5 Marmot, op.cit.
6 See footnote 3.
7 http://www.lwbooks.co.uk/journals/soundings/articles/s47griffiths.pdf
8 http://www.guardian.co.uk/worklifeuk/work-life-employment-poll-results?INTCMP=SRCH