

# **We are Spartacus**



**Emergency**



**STOP**

**The hidden economic and social cost of welfare reform**

January 2013

# The Hidden Economic and Social Cost of Welfare Reform

(A fully revised and updated version of Reversing from Recovery (2012))

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## Foreword

1.8 million people of working age in the UK currently receive Disability Living Allowance (DLA), a non-means tested benefit which helps individuals meet the extra costs, including mobility costs, which come with disability, regardless of employment status. The Welfare Reform Act 2012 provides for the Government to cut spending on the benefit by 20% by replacing DLA with PIP (Personal Independence Payment).

Once PIP has been fully implemented, in 2018, up to 428,000 **fewer** people will qualify for the enhanced mobility element which provides eligibility to lease cars using the Motability scheme<sup>1</sup>. This will have profound social and economic effects, including on the car industry.

Our report outlines how the eligibility criteria for PIP's enhanced mobility element will mean many hard working disabled people will no longer be able to work and almost all those affected will struggle to attend medical appointments, go shopping, parent their children, support their families and take part in daily life.

Vince Cable, Minister for Business, Innovation and Skills, stated in May last year that long term investment by the major car manufacturers will play an integral role in Britain's eventual recovery<sup>2</sup>. The evidence backs this; the latest new car registration figures show that the UK new car market is the second largest in the EU<sup>3</sup>. Given the current economic climate and the priority to stimulate growth, anything that affects new car sales must be a cause for concern.

It appears the Government has failed to carry out robust financial and social impact assessments, or alerted the car industry to the possibility of a substantial loss of new car sales rising to 49,950 annually by 2018.

Responding to a written question, Maria Miller, the former Minister for Disabled People, gave no indication the risk to the economy has been considered. Her answer showed the Department for Work and Pensions has been liaising with Motability on the effect of PIP on customer numbers, but not the car industry.<sup>4</sup>

This report assesses in stark detail the cumulative economic and social costs to disabled people, public services, businesses, the UK car industry and the Treasury based on this significant tightening of eligibility. The conservative estimate is a combined loss of up to £1bn of annual GDP plus a loss of tax revenues and increased costs to the public sector, once PIP is fully implemented in 2018.

## Can the UK's fragile economy afford to take these risks?

### Notes to Foreword:

<sup>1</sup> Personal Independence Payment: Reassessment and Impacts, 13 December 2012: <http://www.dwp.gov.uk/docs/PIP-reassessments-and-impacts.pdf>

<sup>2</sup> Vince Cable, Queen's Speech debate, 14 May 2012: <http://www.theyworkforyou.com/debates/?id=2012-05-14c.280.3>

<sup>3</sup> "November new car registrations confirm UK market as second largest in EU", SMMT 6 December 2012: <http://www.smmt.co.uk/2012/12/november-new-car-registrations-confirm-uk-market-as-second-largest-in-eu/>

<sup>4</sup> Maria Miller – Written Parliamentary Answer to a question from Anne McGuire MP, 24 April 2012: <http://www.theyworkforyou.com/wrans/?id=2012-04-24b.101971.h>

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## Executive Summary

Disability Living Allowance (DLA) is designed to help eligible individuals meet the extra costs that come with disability, regardless of their employment status. The Welfare Reform Act 2012 provides for DLA to be replaced by Personal Independence Payments (PIP). It is estimated (using DWP projections) that, once PIP has been fully implemented in May 2018, 42% fewer working age disabled people,<sup>a</sup> and 27% fewer disabled people overall, will be eligible for the Motability car scheme (since approximately 64% of scheme members are of working age,<sup>b</sup> see Chapter 2). According to the Motability website, around 600,000 DLA claimants currently use the scheme; this number could be reduced by 160,000 by 2018. For many disabled people, their Motability car provides independence and enables them to go to work and have a full life; the Motability scheme also makes an extremely important contribution to the wider economy.

This report investigates the effect of the PIP proposals on the economy due to fewer disabled people being eligible for the Motability scheme. Nearly one in a thousand UK jobs are directly or indirectly generated by Motability; the effect on the economy of reducing the size of the scheme is likely to be considerable. In addition, those who lose their car may have to stop working, start to claim out of work benefits and cease their contribution to the Treasury through income tax and national insurance. This report discusses:

- the effect of the loss of employment and economic activity generated by the scheme itself,
- the reduced economic contribution by disabled people,
- increased costs to other publicly funded services such as health, social care, hospital transport and door to door services such as Dial-a-Ride.
- other impacts on disabled people's independence and wellbeing.

**Table 1: Overall economic costs of DLA reform :**

<b>Economic benefit of the Motability car scheme</b>	<b>Under DLA *</b>	<b>% reduction under PIP</b>	<b>Projected loss under PIP</b>
<b>Number of jobs in the UK economy directly or indirectly related to Motability scheme</b>	21,080 jobs	27%	5,692 jobs
<b>Annual contribution to GDP by industries related to Motability scheme</b>	£2.015 billion	27%	£544 million
<b>Annual tax receipts from industries related to Motability scheme</b>	£468 million	27%	£126 million
<b>Annual contribution to GDP from Motability customers in paid work (excluding tax revenue to the Treasury)</b>	£1.2 billion	42% (working age only)	Up to £504 million
<b>Annual saving to the public purse re transport to health appointments</b>	£30 million	27%	£8 million (reduced saving)

\*Baseline figures from "Economic and social impact of the Motability Car Scheme" 2010<sup>b</sup>

Research<sup>b</sup> has shown the Motability scheme accounts for about 10% or more of all new car sales in the UK and supplies a large number of used cars into the used car market. A 27% reduction in this contribution could clearly have a devastating effect on the car industry, both manufacturing and retail (Chapter 7), as well as related industries such as the manufacturing supply chain, insurance and breakdown services. In this context, it is worth noting that only about 9% of disabled people would be able to buy a new car without access to the Motability scheme (Oxford Economics 2010,<sup>b</sup> p8).

**Table 2: Costs to the UK car industry of DLA reform (for calculations and further details, see main report)**

<b>Economic benefits related to the car industry</b>	<b>Under DLA *</b>	<b>Projected loss under PIP (27%)</b>
<b>Annual number of new cars purchased by Motability</b>	185,000 cars	49,950 cars
<b>Annual number of used cars sold by Motability into the used car market</b>	162,000 cars	43,740 cars
<b>Total annual contribution to GDP of Motability-related car sales (new and used combined)</b>	£399 million	£108 million
<b>Total number of car industry jobs (new and used cars) related to Motability</b>	7,790 jobs	2,100 jobs

\*Baseline figures from “Economic and social impact of the Motability Car Scheme” 2010<sup>b</sup>

In addition to the economic impact, disabled people who have to give up their Motability vehicles between 2013 and 2018 are likely to be affected in the following ways:

- their social and economic independence and therefore their human rights (UN Convention on the Rights of Persons with Disabilities, especially articles 19 and 20) will be severely compromised;
- they will become very much more socially isolated, with consequent risks to their mental health;
- those who are parents will be unable to take their children to school, to social activities or on holiday;
- they will be less able to access education, training and paid work.

Whilst it is acknowledged that there would be significant cost in continuing to pay the enhanced mobility component to the same number of claimants through PIP as currently qualify for higher rate mobility via DLA, this extra cost, of about £980m (Chapter 10), would be outweighed by the cost to the economy, public services and the wellbeing of disabled people. We therefore urge the Government to think again before adopting PIP as currently proposed.

## 1. Introduction

The Motability car scheme enables disabled people who receive the higher rate mobility component of Disability Living Allowance (HRMCDLA) to use this allowance to lease a car or wheelchair accessible light van. In 2010, Motability commissioned a report on the economic and social impacts of the car scheme, “Economic and social impact of the Motability Car Scheme” by Oxford Economics and Plus Four Market Research<sup>b</sup>, (the ‘Oxford Economics’ report). This report demonstrated very substantial benefits to the economy resulting from the Motability scheme, and the baseline figures in this report are taken from the Oxford Economics research.

Under the Welfare Reform Act, the Government is planning to reform Disability Living Allowance (DLA) by replacing it with a new benefit, Personal Independence Payment (PIP), for people of working age. The final published proposals for PIP are contained within the draft Social Security (Personal Independence Payment) Regulations 2013 and in the Government’s response to its consultation on the draft criteria<sup>c</sup>. The DWP’s document “Personal Independence Payment: Reassessment and Impacts”<sup>a</sup> provides projections of the reduction in the number of people eligible for the higher (enhanced) rate of mobility component, and therefore eligible for the Motability scheme, when the proposed change from Disability Living Allowance (DLA) to Personal Independence Payments (PIP) has been fully implemented in 2018.

The stated overall purpose of the change to PIP for working age claimants is to reduce the bill for this benefit by 20%<sup>d</sup> to make the benefit more affordable. There is a projected reduction in the number of working age claimants of 28% (any PIP award) by 2018<sup>a</sup>; of these, it is the reduction in the number eligible for the enhanced mobility component that is relevant to this report. DWP’s projections<sup>a</sup> show that 428,000 fewer claimants between 16 and 64 will be eligible for the enhanced mobility component, and thus the Motability scheme, by 2018 – a reduction of 42% of eligible working age claimants (for further detail see below).

## 2. Relationship between DLA/PIP and Motability

Currently, disabled people are eligible to join the Motability scheme if they are entitled to the higher rate of the mobility component of DLA (HRMCDLA). It has been confirmed that, under PIP, those entitled to the enhanced rate of the mobility component of PIP will be eligible to join the scheme (see “Government’s response to the consultation on DLA reform and Personal Independence Payment – completing the detailed design”<sup>e</sup>, Annex 2, page 34). DWP projections assume that, if DLA were to continue in its current form, there would be 1,030,000 working age claimants of HRMCDLA in 2018. In contrast, under current proposals, DWP projections estimate the number of working age claimants of the enhanced rate of the mobility component of PIP to be 602,000 in 2018<sup>a</sup>. Thus it is projected that there will be 428,000 fewer eligible claimants, a 42% reduction in the number of working age claimants eligible for the Motability scheme. According to

Oxford Economics 2010<sup>b</sup>, p 21, 64% of Motability car scheme customers were aged 16-64 in 2009, so assuming this stays relatively constant, the projected reduction in the total number of claimants eligible for the scheme will be approximately 27% by 2018. **It is this 27% reduction in the total number eligible for the Motability car scheme, corresponding to the 42% reduction in the number of eligible working age claimants, which is key to the analysis presented in this report.**

Although only a certain proportion of HRMCDLA claimants use the Motability car scheme (others may use their HRMCDLA in a variety of ways, including on the Motability wheelchair/scooter scheme or, for example, on taxis), we know of no particular reason to believe that a greater proportion of eligible claimants will use the scheme under PIP; in fact, some may be put off using the scheme if they fear losing PIP when they are next assessed. **However, for the purposes of this analysis it is assumed that a 42% reduction in the number of working age claimants eligible for the Motability car scheme is likely to result in about a 27% reduction in the overall number using the scheme.**

Nor is it only sectors of the economy related to the Motability scheme that are likely to be affected by the reduction in the number of disabled people receiving the higher/enhanced rate of the mobility component – many DLA claimants use their benefit to purchase mobility equipment. A recent OFT report estimated that the market for mobility aids is worth between £430 million and £510 million<sup>f</sup>. It seems certain that this market will also be affected if fewer disabled people receive sufficient benefits to pay for mobility aids that are not provided by the NHS or social services.

### **3. Benefits of the Motability car scheme to its customers**

The overall benefit to Motability customers of membership of the car scheme, according to Oxford Economics 2010<sup>b</sup>, p73, is described as follows:

“Having a Motability vehicle enables disabled people to make spontaneous and independent decisions to travel to places to undertake activities of their own choosing. This increases their independence. It enhances the choice and control they have over their own lives. It contributes towards the Government’s vision of independent living for disabled people.

“The vast majority (85%) of Motability customers said that their car had made a difference to their ability to access health service appointments. The car also made a positive difference to 77% of customers’ health. This is both physical (being less tired or having less extreme days) and mental health (less stress and depression).

“There are many facets to the increased independence. Having a Motability car enables 15% of Motability customers and 6% of their informal carers to improve their education. Of those able to work, 39% reported having a Motability car had enabled them to improve or maintain their employment. It had also impacted 7% of customers’ families, enabling a household member to gain or keep a job.”

Our purpose here is to estimate the impact on the Motability car scheme of the replacement of DLA by PIP for claimants of working age, and the consequential cost to the motor industry and the wider economy.

**NOTE:** Although the Oxford Economics report 2010<sup>b</sup> gives figures for 2009, growth in the Motability car scheme since then is likely to mean that the scheme's benefits to the car industry and the wider economy are now even greater. The figures in this report for predicted losses are therefore conservative; if current figures for the economic benefits of the Motability scheme were available the predicted losses would probably be greater.

#### **4. Overall economic benefits of the Motability car scheme**

Oxford Economics 2010<sup>b</sup>, p13, shows the overall impact of the Motability car scheme in terms of direct, indirect and induced impacts. Direct impact is the employment and economic activity created by providing and maintaining the cars; indirect impact is in the wider supply chain; induced impact is consumer spending among those employed in the jobs created in the direct impact. The total value to the economy of these impacts of the car scheme was calculated as follows:

- it supports 21,080 jobs (nearly one in a thousand UK jobs)
- it supports £2,015m in GDP
- it contributes £468m in tax receipts

In addition there is an economic impact through the lives and activities of Motability customers. This is more complex and subject in some cases to greater reliance on estimates and equivalences. There is for instance an established methodology for translating wellbeing into financial terms. Because of the contestable nature of some of these figures and the assumptions behind them, we will not go into them in great detail, but we will make some remarks later.

The most significant and reliable figure for the effect on the lives and activities of Motability customers is for those who are enabled to work and therefore pay tax rather than rely on other benefits. Here, Oxford Economics 2010<sup>b</sup>, p50 says:

“The Motability [car] scheme is estimated to enable 12,500 customers and informal carers to get a job, 56,100 to keep a job and in total this is worth £1.2 billion in gross wages per year. “

There are a number of other calculations. For instance, the overall benefit of the scheme to the economy in terms of wellbeing is said to be £3.2 billion per year (Oxford Economics 2010<sup>b</sup>, p 3). The saving to public services in terms of ambulance and Dial-a-Ride trips to health appointments etc is estimated to be £30 million per year (Oxford Economics 2010<sup>b</sup>, p 2).

For the purposes of this report we will concentrate on four headline figures:



- **Number of jobs supported by the Motability scheme: 21,080 (Oxford Economics 2010<sup>b</sup>, p 2)**
- **Contribution to GDP from Motability of £2.015 billion, and in taxes of £468 million per year (Oxford Economics 2010<sup>b</sup>, p 2)**
- **Contribution to GDP from Motability customers and their carers being able to work of £1.2 billion per year (plus uncalculated tax going back to HMRC through income tax and NI payments) (Oxford Economics 2010<sup>b</sup>, p 3)**
- **Saving to public services in terms of transport to health appointments estimated to be £30 million per year (Oxford Economics 2010<sup>b</sup>, p2)**

## **5. Overall economic cost of fewer disabled people being eligible for the Motability car scheme**

The total number of claimants eligible for Motability will drop by 27%, based on the DWP's projections for the number of eligible claimants under PIP in 2018<sup>a</sup> and on the approximate percentage of Motability customers who are of working age (Chapter 3). Making the valid assumption that benefits to the economy fall by around the same percentage, this means that:

- As many as 5,690 jobs could be lost (ie 27% of the 21,080 jobs supported by the car scheme)
- Motability's contribution to the economy could drop by £544 million (ie 27% of its £2.015bn contribution), and its tax contribution by £126 million (ie 27% of its £468 million tax contribution)
- Motability's working customers' contribution to the economy could, as a worst case scenario, drop by up to 42% or up to £504 million (ie 42% of working customers' contribution of £1.2bn, assuming only claimants under 65 are in paid work)
- The saving to the public purse from Motability customers being able to travel to medical appointments independently rather than using hospital transport, Dial-a-Ride etc, could drop by £8 million, to £22 million

The combined total of the losses to the economy could be up to £1bn and revenue losses to the Treasury are likely to be well in excess of the £126 million lost from Motability-related industries alone.

## **6. Reduction in the number of disabled people in paid work**

The above figures assume that if 42% fewer working age disabled people are entitled to access the Motability scheme, the number undertaking paid work will reduce by the same proportion. This is admittedly a worst case scenario, but there are many comments on websites and blogs by disabled

people who cannot see a way to continue working if they no longer have their Motability car; the following being a good example:

“I presently receive higher level DLA which I have used for Motability for many years. I do work and earn a decent wage to be honest but without the Motability option, my life would be ruined... the potential loss of income would mean that I would have no transport and have to give up my job as I cannot use public transport...

“...So I end up jobless and housebound and my condition will deteriorate and shorten my life.”

*From “Thousands of disabled people set to lose their Motability vehicles” comment by DG on 20.1.12, accessed 9 May 2012<sup>g</sup>*

“I... rely totally on my vehicle to transport my children to school and for my self-employed work. If we lose the car, the children lose out by not being able to get places, by missing out on their education, their holidays, their days out and I won't be able to work and will have to go back to being on JSA, not a place any of us want to be in.”

*From “Well over 100,000 to lose Motability vehicles under draconian new rules” comment by Andy Jones, accessed 16 December 2012<sup>h</sup>*

Although the Government has stated its commitment to continuing to support the ‘most severely disabled’, it is arguable that a great number of those who use their Motability car to access paid work are likely to be those whose impairments are not the most severe, and for whom there are therefore fewer barriers to employment than those encountered by the ‘most severely disabled’ people. It is these disabled people whose walking difficulties are less severe who are likely to lose their entitlement to the Motability scheme due to the tighter eligibility criteria for the enhanced mobility component of PIP.

## **7. Direct impacts on the motor industry**

### **7.1 Impact on the car manufacturing industry and sales of new cars:**

There will be a substantial direct effect on the new car industry of the reduction in the number of claimants eligible for the Motability scheme. In 2009, the Motability scheme accounted for 10% of new cars bought in the UK. Research (Oxford Economics 2010<sup>b</sup>, page 8) shows that without the Motability scheme, the great majority (over 90%) of Motability's customers would not buy a new car. They could not, by any stretch of the imagination, afford to.

In 2009, Motability funded the purchase of new cars from 38 different manufacturers through 4900 dealerships. 17% of the cars bought were manufactured in the UK and Motability activity supported some 1000 jobs in accredited dealerships (Oxford Economics 2010<sup>b</sup>, pages 17-18). The loss of 27% of these sales would therefore be significant.

185,000 new cars were sold to Motability Operations in 2009, a total value of £1,733 million (Oxford Economics 2010<sup>b</sup> page 17). A reduction of 27% would mean a loss of sales revenue of £468 million, and 49,950 fewer cars sold. Approximately 270 jobs at dealerships would disappear.

The Oxford Economics report 2010<sup>b</sup> page 18 provides further calculations of the positive impact of the Motability scheme on new car sales:

‘In 2009, £1,733 million was spent on new cars for Motability customers. We multiply this figure by the ABI ratios for the ‘sale of new cars and light motor vehicles’ industry<sup>#</sup>. This suggests Motability’s expenditure created £63 million in GDP. Dividing through by average productivity in car retailing suggests it employs 1,000 people at car sales outlets. Using the ONS input output tables to generate multipliers suggests supply chain and consumption effects add an extra £50 million in GDP and 1,040 jobs. In total, spending on new Motability cars supports £113 million in GDP and 2,040 jobs through the retailing and distribution channel. It is estimated to generate £38 million in tax receipts.’

<sup>#</sup> *Standard Industrial Classification (SIC) code 45.11/1 ‘Sale of new cars and light motor vehicles’*

A 27% reduction in all the above figures would constitute a serious economic impact on the new car distribution and retailing sector, including a reduction in contribution to GDP of £30 million and the potential loss of 550 jobs.

**Table 3: Impact of DLA reform on the new car industry**

<b>Economic benefits of <u>new car purchases</u> by Motability</b>	<b>Under DLA *</b>	<b>Projected loss under PIP (27%)</b>
Annual number of new cars purchased	185,000 cars	49,950 cars
Annual value of new cars purchased	£1.7 billion	£468 million
Total contribution to GDP	£113 million	£30 million
Number of jobs at dealerships	1000 jobs	270 jobs
Total number of jobs supported	2040 jobs	550 jobs

\* Baseline figures from “Economic and social impact of the Motability Car Scheme” 2010<sup>b</sup>

## 7.2 Impact on the used car industry:

According to the Oxford Economics report 2010<sup>b</sup>, page 18, based on figures from 2009:

“The Motability Car Scheme also [provided] the used-car market with a reliable and plentiful supply of cars. In 2009, 162,000 Motability used cars were sold onto the second hand market. This was about 2½% of the used cars sold to consumers in Great Britain. Distributors and retailers... earn a margin on each used car sold.

“We estimate Motability’s impact on retailers and distributors of used cars by estimating the value of these cars when sold to customers (disaggregated by whether they are full-term or early-term)<sup>##</sup>. This figure is then scaled by the ABI ratios for the ‘Sale of used cars and light motor vehicles’ industry<sup>###</sup>. This suggests £144 million in GVA [gross value added] was generated at used car sales outlets. At average industry productivity levels, these sales employed 2,820 people. Following the multiplier approach, sales of Motability used-cars generated a total contribution to GDP of £286 million. It is estimated to have supported 5,750 jobs and contributed £105 million in tax revenues.”

<sup>##</sup> Motability (2009) provides data on the average sale price of Motability cars (£5,030 for full term and £7,168 for early term). Dealers are estimated to earn a margin of £1,459 (full) and £2,079 (early) on their sales to customers

<sup>###</sup> Standard Industrial Classification (SIC) code 45.11/2 ‘Sale of used cars and light motor vehicles’

Thus a 27% reduction in car scheme customers would lead to a reduction of approximately 27% of activity generated by the scheme in the used car industry. This equates to 43,700 fewer used cars sold to the second hand market. This would indicate a loss of around £72 million in contribution to GDP and a loss of approximately 1,550 jobs, under the current PIP proposals.

**Table 4: Impact of DLA reform on the used car industry**

<b>Economic benefits of <u>sales of used cars</u> by Motability</b>	<b>Under DLA *</b>	<b>Projected loss under PIP (27%)</b>
Annual number of used cars sold by Motability into the used car market	162,000 cars	43,700 cars
Total contribution to GDP	£286 million	£72 million
Total number of jobs supported	5,750 jobs	1,550 jobs
Total contribution to tax revenues	£105 million	£28 million

\* Baseline figures from “Economic and social impact of the Motability Car Scheme” 2010<sup>b</sup>

## **8. The cost of reduced access to education and training**

The Oxford Economics report 2010<sup>b</sup>, pages 50-59, carries a detailed assessment of the impact of the Motability car scheme on customers' ability to access education and to retrain and improve their skills, thus improving their employability. It notes the significant impact of qualifications on the chances of getting a job, and the significant increases in earnings among those who have a job. It makes a variety of estimates of the value and potential value to the economy of those jobs and job prospects. As these are largely potential impacts, we do not propose a detailed examination here of the economic losses due to lost opportunities. We do, however, make the point that reducing the number of disabled people eligible for Motability is a short-sighted policy in the sense that it is directly contradictory to the general government policy of producing a high-skill workforce in order to compete in the global economy, and is also directly contrary to the DWP's own policy of getting people into work. If the DWP is serious about equipping disabled people to undertake paid work, it should protect eligibility for the mobility component of disability benefits for people with physical impairments affecting their ability to get around.

## **9. The cost to disabled people's well-being**

The Oxford Economics report 2010<sup>b</sup>, page 60 estimates the annual benefit to the economy derived from measures of wellbeing among Motability customers as £3.2 billion per year. This benefit would be reduced by approximately £800m under PIP, although this is an estimate and difficult to argue in terms of direct impacts. We should, however, point out that loss of wellbeing does have a direct impact on services. Decreased wellbeing means more use of health services, more hospital admissions and more reliance on social care services and a host of other public services. The impact of further pressure on these services is not to be taken lightly and is another cost arising from the reduction in benefit that needs to be taken into account.

These assertions regarding the costs to wellbeing of the reduction in the number eligible for the Motability scheme are backed by comments made by a number of current HRMCDLA claimants in response to the second draft PIP criteria, for example:

“I currently get the high rate mobility/DLA which I use for a Motability car and this gives me my independence. It is no exaggeration to say that without it I will be virtually housebound. Only able to get out when someone can take me...”

*From “Thousands of disabled people set to lose their Motability vehicles comment by H on 20.1.12<sup>g</sup>*

## 10. Mitigating the negative economic impact of DLA reform

Having carefully studied the proposed criteria and assessment for PIP<sup>c</sup>, it is clear that the principal reason for the projected reduction in the number of disabled people eligible for the Motability scheme, and the consequences for the economy as outlined above, is the extremely harsh descriptors in the mobility activity for people with physical difficulties in getting around ('Activity 12'). Our detailed critique of the draft descriptors was set out in the WeareSpartacus response to the PIP assessment consultation: "Together we Shout: The We are Spartacus Community Responds to Government"; the final descriptors are very much more harsh than those proposed in the consultation draft.<sup>i</sup>

Since we responded to the consultation, the Government has, at the last minute and after all consultation stages have passed, changed the qualifying descriptor to include claimants who 'Can stand and then move more than 1 metre but no more than 20 metres, either aided or unaided'<sup>c</sup>. This is very much tighter than the descriptor suggested in the draft as it uses a distance of 20 metres rather than the more usual distance of 50 metres to identify those who are 'unable or virtually unable to walk'. It could prevent the majority of disabled people with severe walking difficulties from qualifying for the enhanced mobility component of PIP. To mitigate the detrimental effect on individual claimants and reduce the negative effect on GDP of fewer claimants being eligible for the scheme, the descriptors need to be altered so that claimants who are able to walk 50 metres and no further qualify for the enhanced mobility component of PIP. The PIP regulations also need to specify that in order to be considered able to walk the specified distance, the claimant must be able to do so reliably and without severe discomfort.

The economic feasibility of mitigating the effect of the current PIP proposals on the Motability car scheme would depend in part on the annual cost of funding, rather than not funding, the enhanced mobility component for the 428,000 people projected to lose this component under the final PIP proposals. Given the similarity between the criteria for the standard mobility component for PIP and the current de facto criteria for the higher rate mobility component of DLA, it would be reasonable to assume that 50% of these potential claimants would be likely to qualify for the standard, rather than the enhanced, mobility component of PIP, and 50% would be likely to qualify for neither mobility component (considering those claimants with physical difficulties getting around but with no difficulty planning and following a journey). Using published rates of approximately £55 per week for the enhanced rate mobility component and £21 per week for the standard rate mobility component<sup>j</sup>, the cost of mitigation, ie the cost of funding an extra 428,000 claimants at today's rate for the enhanced mobility rate of PIP - 50% at £34 per week (the difference between the standard and enhanced rates) and £50% at £55 per week (the enhanced rate) - would thus be approximately £980 million per year.

This mitigation cost, of approximately £980 million per year, should be considered alongside the likely economic losses estimated in this report – up to £1bn GDP per year lost to the economy plus a substantial reduction in tax revenue to the Treasury (Chapter 6) - resulting from a projected 27% fewer disabled people receiving the enhanced mobility component of PIP than are currently

receiving the HRMCDLA. It is also important to note the notional economic cost of £800m representing reduced wellbeing and the additional public sector spending resulting from disabled people losing their independence, becoming increasingly isolated and needing more support from health and social care services – all costs which would come on top of the more tangible economic costs outlined in this report if the PIP proposals are adopted as currently drafted.

## **11. Conclusion**

Since the Motability car scheme provides a major boost to the UK car industry and the economy as a whole, in addition to giving independence to hundreds of thousands of disabled people, any proposal to restrict the number of people eligible for the scheme is likely to incur a loss of up to £1bn GDP and at least £126m in tax revenues. This is a particular concern in a difficult economic landscape in which economic growth is slow to pick up after the banking crash of 2008/9. Further, in addition to these purely economic losses, the withdrawal of lease cars from a large number of disabled people with severe walking difficulties is likely to result in reduced participation in paid work as well as reduced independence and life chances; this will also have an economic impact.

Since research has highlighted the positive impact of the Motability car scheme on people's general wellbeing, reduced access to the scheme will undoubtedly have a negative impact on wellbeing. Standard methods of modeling the economic benefits of wellbeing suggest that the cost of reduced wellbeing alone is likely to be more than £800m (Chapter 9), in addition to putting greater pressure on health and social care services. Even with respect to transport to medical appointments alone, the figures indicate a reduced saving to the public purse from the Motability scheme of about £8m.

Given the high costs to the motor industry, the economy, public services and disabled people's wellbeing of a 27% reduction in the number of disabled people eligible for the Motability car scheme, we trust that the Government will give further consideration to the wider economic and social costs of the PIP proposals across all Government departments, including the Department of Health and the Department of Business, Skills and Innovation, before finalizing the Social Security (Personal Independence Payment) Regulations 2013<sup>1</sup>.

## References

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