

# Understanding benefits

**Assessing how many people receive out-of-work benefits**

Stephen Evans and Lovedeep Vaid

November 2023

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Published by National Learning and Work Institute

3<sup>rd</sup> floor Arnhem House, 31 Waterloo Way, Leicester LE1 6LP

Company registration no. 2603322 | Charity registration no. 1002775

[www.learningandwork.org.uk](http://www.learningandwork.org.uk) @LearnWorkUK @LearnWorkCymru (Wales)

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# 76% of the working-age population are in work,

which is relatively high by international standards. But many people who are out of work would like a job.

There are **5.5 million people receiving out-of-work benefits**. Over half is due to long-term sickness and disability, which rose through the pandemic after falling in previous decades.



The biggest health-related reasons people are economically inactive are **mental health conditions** and **musculoskeletal conditions**.

After 6 months, **unemployed people are 10 times more likely to be in work than economically inactive people**.

Just 1% of people who are economically inactive as a result of long-term sickness are in work at the end of this period, **despite 600,000 saying they want to work**.



In part, this reflects the fact that each year only **1 in 10 out-of-work older or disabled people gets help to find work**.

People who want to work need the right support to find work that works for them. **A comprehensive plan for full employment** that extends access to employment support; invests in social infrastructure like skills and childcare; and works with employers on job design and recruitment **could boost the economy by £23 billion a year**.

# Executive summary

**5.5 million people are in receipt of out-of-work benefits, the majority because they are disabled or have a long-term health condition. One in five economically inactive people, including 600,000 disabled people, want to work. But only one-in-ten out-of-work older and disabled people get help to find work each year. Partly as a result, unemployed people are ten times more likely to move into work. We need a holistic plan for full employment that gets everyone who can work the support they need.**

Out of work benefits are there to provide support for those who cannot work and a safety net for those that can while they look for work. They need to be an adequate level and provide high quality help to look for work, ensuring everyone knows the options they have.

Years of policy have left working-age out-of-work benefits lower in real terms than before and compared to other countries. For example, Joseph Rowntree Foundation estimate the basic rate of Universal Credit would need to rise by £35 per week for a single person and £66 for a couple to meet the cost of essentials, costing an extra £22 billion per year.

Two other linked concerns have been commonly raised. The first is that the cost of disability benefits (both Personal Independence Payment, which reflects the extra costs of having a disability in or out of work, and Universal Credit, which includes an extra income support element for those out of work with a disability) have consistently been higher than forecast. The second is that relatively few people on disability-related out-of-work benefits get into work, despite many saying they would like to work.

## Who receives out-of-work benefits?

Almost 5.5 million people receive out-of-work benefits, 13% of the working-age population. This is back to rates seen in the early 2000s after dipping to 9% in 2017 (though changes in eligibility over time make comparisons challenging). Of these, 27% are unemployed and searching for work, 15% having caring responsibilities for children aged under 2 or others, and 58% have been assessed as too ill to work.

The causes of recent rises are complex. They will include an ageing population with an increased prevalence of health problems, the impact of the pandemic, and issues in public services such as rising NHS waiting lists and cuts to skills funding.

The design and operation of the benefit system will also have played a role. Universal Credit is deliberately designed to include more people in employment support compared to the previous benefit system, contributing with other factors to closing the gap between the numbers who say they are unemployed and those who receive unemployment-related benefits. Parents of progressively younger children have also been required to search for work. Lastly, if people were getting into work more slowly than previously this would also contribute to a rise in benefit receipt, but DWP no longer publish data on this.

## How many people find work?

Of course, it is not the same 5.5 million people who receive out-of-work benefits each month – people flow in and out of work. Using Labour Force Survey data, we show that 35% of unemployed people are in work 6 months later. This is likely to underestimate

movements into work, as someone could have started and left a job in between. On the same basis, 3% of economically inactive people excluding students, including 1% of people economically inactive due to long-term sickness, are in work 6 months later.

Unemployed people are therefore ten times more likely to move into work than economically inactive people, excluding students. The proportion of people economically inactive due to long-term sickness who want a job has fallen and those who say they want a job are no more likely to get one than those who do not want to work.

Many economically inactive people don't want to, don't need to or can't work, but one in five say they would like a job, some 1.7 million people. Yet only one in ten out-of-work disabled and older people get help to find work each year. The Government's new Universal Support programme is welcome but will only help an extra 1% of out-of-work disabled people annually, adding up to one percentage point to the employment rate of disabled people (the current gap with non-disabled people is 29 percentage points): it is a step forward, not a step change.

### Conditionality and sanctions

Conditionality (requirements of receiving benefits, such as looking for work) and sanctions (like reductions in benefits if you don't meet requirements) are contentious but have long been part of the benefit system. They can apply to those with caring responsibilities or disabled, but are more common for people claiming unemployment-related benefits.

Our analysis shows that the proportion of unemployed people with a sanction has doubled since the 2000s. In any month, 7.6% of claimants are subject to a sanction, compared to 2-3% in the 2000s. This is the product of a mix of longer sanctions, different benefit rules, and greater use of sanctions. Most commonly sanctions are for not attending an interview with a Jobcentre Plus Work Coach or completing an agreed work search action.

### Lessons and questions

1. **A plan for full employment** needs to consider how best to help those who are economically inactive but want to work, including working with employers on job design and recruitment strategies, investing in health, skills and childcare, and widening access to employment support.
2. **We need better data and research on the benefit system and sanctions.** That includes: research on the options for disability benefits reform including international experience; better understanding of the role of conditionality and impact of sanctions on different groups; and DWP publishing, as promised, data on people moving between Universal Credit conditionality groups.
3. **Sanctions are a sign of failure to engage people** and should be an absolute last resort. We need to focus more on engagement than compliance.

**The UK's employment rate is relatively high, but an 80% employment rate, an extra 1.2 million people in work, is achievable. Achieving this will require: extending employment support to more people; working with employers on recruitment and job design; and investing in social infrastructure like health, skills and childcare.**

## The context

**Increasing the UK's employment rate could boost economic growth. This will require a plan to grow the economy and provide effective health, skills and childcare support to people. This report focuses on understanding the number of people in receipt of out-of-work benefits and the reasons for that.**

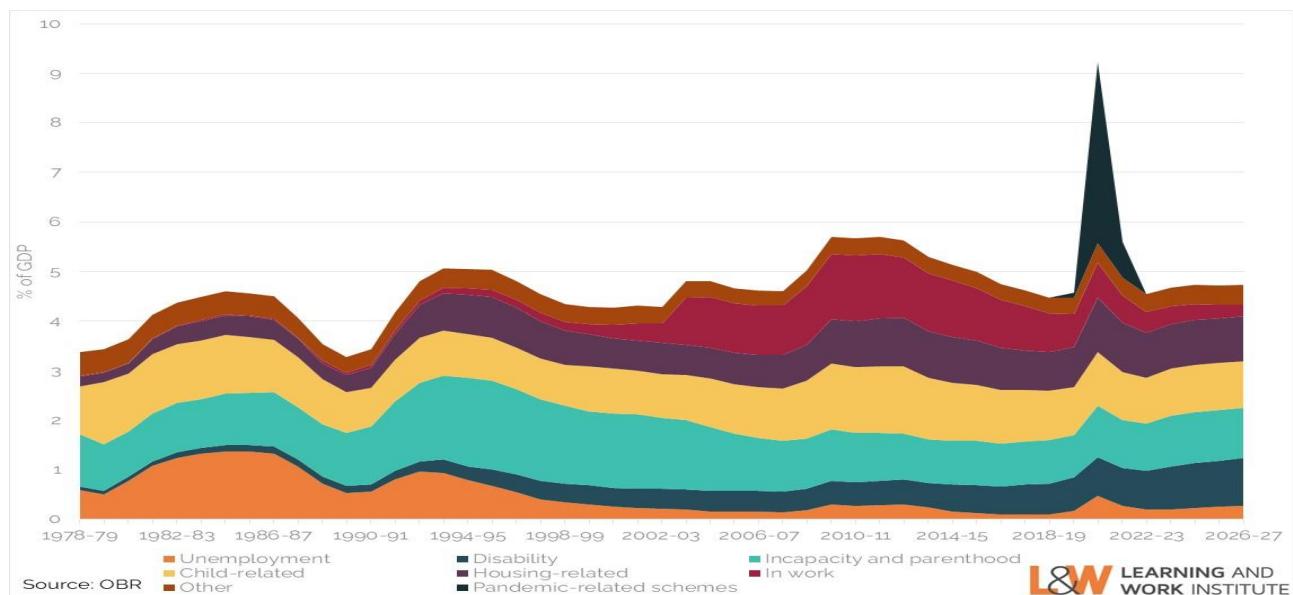
The UK's employment rate is around 76%, high by international and historic standards. However, the UK is the only G7 country to have a lower employment rate than pre-pandemic, largely the result of a rise in economic inactivity, including long-term sickness.<sup>1</sup>

Increasing the employment rate can also help boost economic growth, which has been weak since the global financial crisis. Our analysis suggests that an 80% employment rate, the highest in the G7 and matching high performing countries like the Netherlands, would mean 1.2 million more people in work and boost the economy by £23 billion per year.<sup>2</sup>

On top of this, some have raised concerns about the costs of working-age benefits. This is the product of a rising prevalence of disability as the population ages as well as administrative assumptions being exceeded and wider factors like healthcare support.

**Personal Independence Payment** provides non-means tested support with the costs of a disability. It was intended to reduce spending by 20% compared to its predecessor, Disability Living Allowance. But spending has actually risen due to higher claim volumes than expected, a higher success rate and higher average awards. The OBR projects spending on disability-related benefits now exceeds 1% of GDP, up from 0.5% in 2014-15.

**Figure 1: Non-pensioner welfare spend by category<sup>3</sup>**



<sup>1</sup> Missing workers.

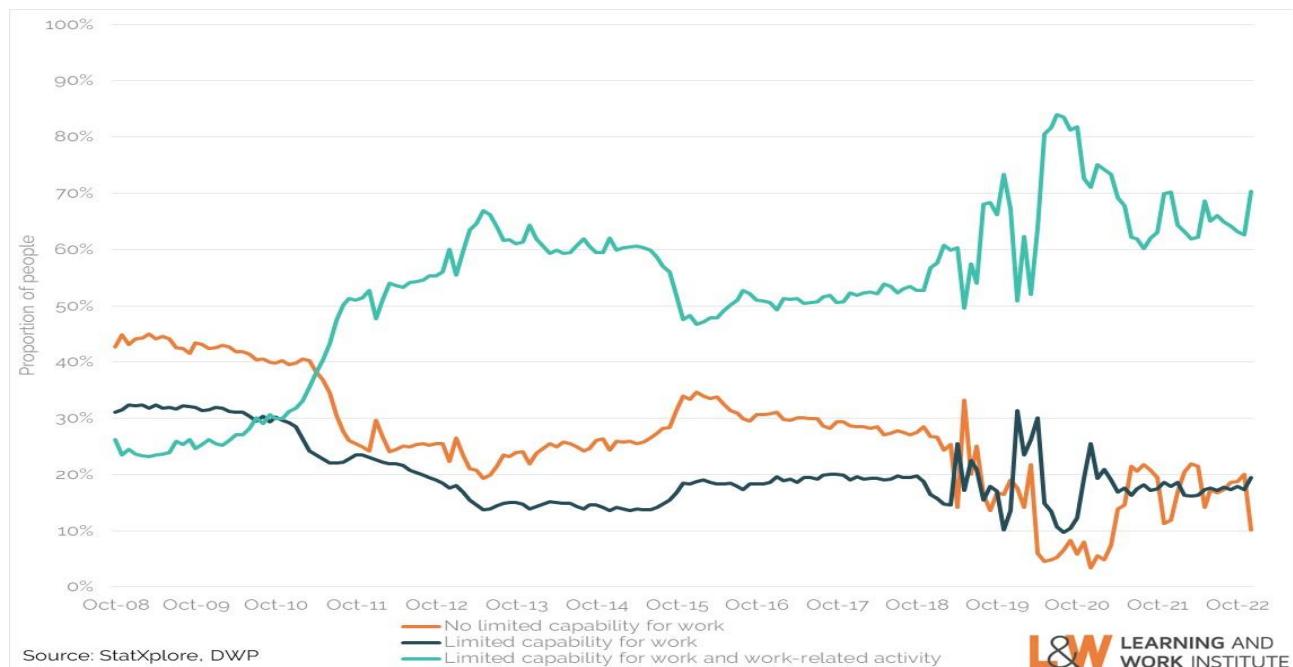
<sup>2</sup> Full employment.

<sup>3</sup> Welfare trends report, OBR, 2022.

**Universal Credit health element** is a means-tested extra element in Universal Credit.

Eligibility is assessed by the Work Capability Assessment, which also determines whether people need to look for (no limited capability for work), prepare for work (low capability for work, no extra payment for this group now), or have no conditions placed on their benefit receipt (low capability for work and work-related activity). A higher proportion of people (c66%) have been assessed as being in the Support Group (ESA) or Limited Capability for Work or Work-Related Requirements (UC) and hence not required to look for or prepare for work than expected.<sup>4</sup>

**Figure 2: Work Capability Assessment outcomes<sup>5</sup>**



Of course, this is not just down to benefit policy and administration. It is also the product of slow economic growth (when considering spend as a proportion of GDP), rising prevalence of disability, insufficient employment support (explored in later chapters), and other issues such as employer attitudes, skills, health etc.

Notwithstanding concerns over spending, years of policy have left benefits below what many would view as being enough to cover the essentials. The Joseph Rowntree Foundation and Trussell Trust estimate basic rate of Universal Credit would need to rise

<sup>4</sup> StatXplore, DWP, 2023.

<sup>5</sup> To give a picture over time, this chart includes placement into ESA conditionality groups as well as UC. The Support group is included in Limited Capability for Work and Work Related Activity, the Work-Related Activity Group in Limited Capability for Work, and Fit for Work in No Limited Capability for Work. UC data starts from April 2019.

by £35 per week for a single person and £66 for a couple to meet the cost of essentials. This would likely equate to around an extra £22 billion per year.<sup>6</sup>

### **The prize for doing better**

**Done right, increasing employment can be a win-win-win: improving opportunity for people; saving the taxpayer money; and growing the economy.**

We argue the Government should aim for an 80% employment rate, the highest in the G7 and matching best-practice countries like the Netherlands.<sup>7</sup> We estimate this could boost the economy by £23 billion per year and would mean an extra 1.2 million people in work.

There are only 1.3 million unemployed people, most of whom find work relatively quickly, so this ambition could only be achieved by helping more people currently outside the labour market into work. The largest such group is disabled people: one in five UK adults has a disability. Their employment rate is 23 percentage points below non-disabled people, but one million say they would like to work.

Increasing employment is not solely about the operation of the benefit system. The overall state of the economy, practice of employers (how they design jobs and recruit and retain people), and wider social infrastructure (like skills, health, childcare etc) are all of central importance.

But understanding the number of people in receipt of out-of-work benefits and whether changes to the benefit system might contribute to increasing employment can help in building an overall plan for full employment.

It is also important as the context and underpinning for Government plans to reform the benefit system. These focus largely on abolishing the Work Capability Assessment and making receipt of Personal Independence Payment the gateway to extra financial help for those who have a health problem and receive Universal Credit. What people need to do to look for work would be determined by individual Jobcentre Plus Work Coaches rather than the outcome of the Work Capability Assessment.

These are big issues and will be the subject of ongoing debate in the years ahead. However, this report focuses on the number and make-up of people in receipt of different benefits, rather than what the requirements of them should be.

The rest of this report examines: the number of people receiving out of work benefits and their circumstances; how many from each group find work each quarter; and the prevalence of sanctions for not meeting the requirements for receiving benefits. It ends with some implications and further research questions.

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<sup>6</sup> An essentials guarantee: reforming Universal Credit to ensure we can all afford the essentials in hard times, JRF and Trussell Trust, 2023.

<sup>7</sup> Towards full employment: how the UK can increase employment by widening opportunity, Evans, L&W, 2022.

# How many people receive out-of-work benefits?

**Almost 5.5 million people receive out-of-work benefits, 13% of the working-age population and back to rates seen in the early 2000s. Almost half is due to long-term sickness and disability, which rose through the pandemic after falling in previous decades. Rates of benefit receipt are driven by a combination of benefit rules, economic conditions, employer attitudes and public services like health, skills etc.**

Assessing the number of people receiving out-of-work benefits is more challenging than might be expected. There are still a range of out-of-work benefits, although Universal Credit will consolidate some of these over time. In addition, benefit rules, levels and eligibility vary over time, meaning we are not always comparing like with like.

Nonetheless, it is possible to get a picture of who was eligible for and claiming different benefits over time using DWP's benefit combinations dataset. We look at the number of people in receipt of at least one out-of-work benefit.

But these numbers only tell part of the story. We also need to look at the reasons people are receiving out-of-work benefits. Generally these are grouped into three categories:

- **Unemployment-related.** People who are required to search for and accept available work. This group has widened as Universal Credit has encompassed more benefits that didn't have these requirements, and as the age of youngest child at which lead carers are required to search for work (see below) has fallen.
- **Caring responsibilities.** People who are not required to search for work (but may be required to plan or prepare for work) due to caring for young children or others. This has narrowed over time as, for example, lone parents with progressively younger children were required to search for work (dropping from 16 to 2). But it has widened with the rollout of Universal Credit which requires couple households to designate a lead carer (where previously the focus would mostly have been on the main claimant) building on the previous introduction of joint claims for two adult households in some benefits.
- **Health and disability.** People who are not required to search for work (but may be required to plan or prepare for work) due to sickness or disability. This is currently assessed by a Work Capability Assessment which looks at whether people could actively seek work now, could do some preparation for work, or should not be required to do anything. It also identifies when this should be reassessed.

Prior to the introduction of Universal Credit, there were (broadly speaking) separate benefits for each category (though, of course, with some overlap): Jobseeker's Allowance for unemployed people; Income Support primarily for lone parents (though with others eligible too and a disability premium available); and Employment Support Allowance and its predecessors for people with health problems and disabilities.

Universal Credit brings these and some other benefits together. People are placed in a conditionality group according to whether they are required to look for work, plan for work, prepare for work, or not to do anything. This makes assessing the number of people placed in these categories for different reasons challenging.

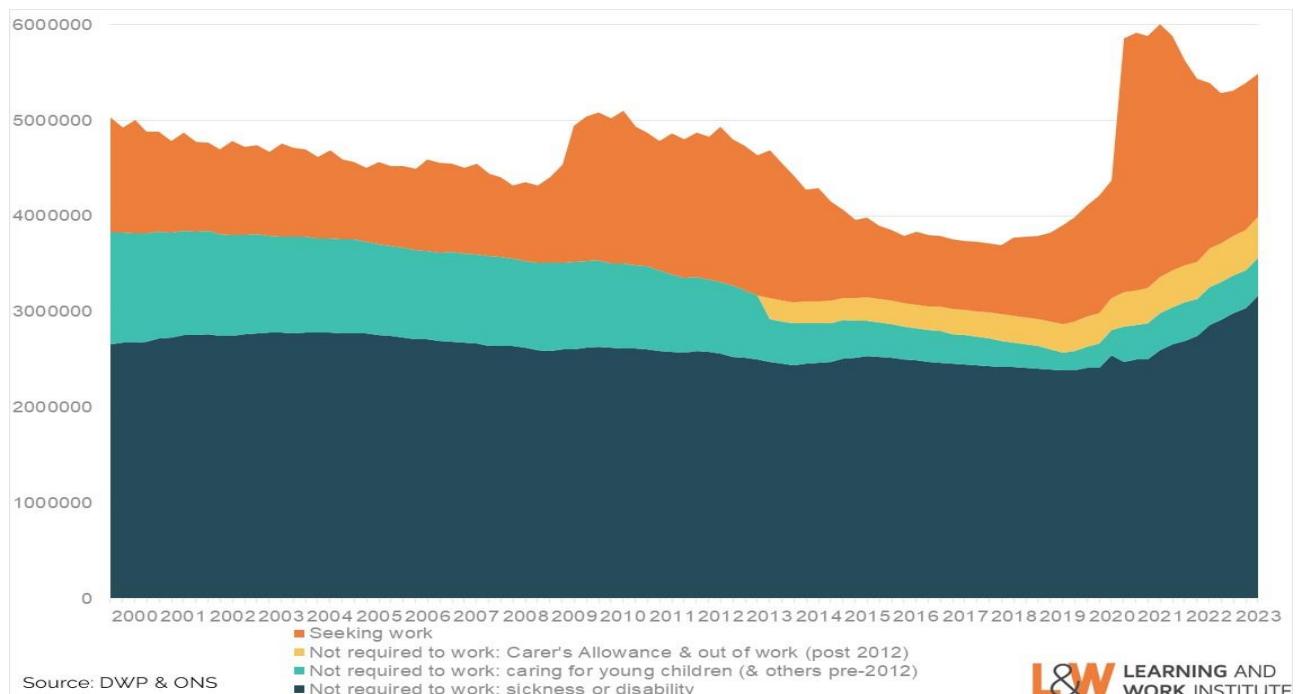
To do so, we used the following categories for analysis:

- **Searching for work.** We use the Universal Credit searching for work group (along with other unemployment-related benefits like Jobseeker's Allowance) as our estimate of benefit claimants required to seek work.
- **Not required to work due to caring responsibilities.** This group is split across Universal Credit conditionality groups. We add Labour Force Survey data on the number of out-of-work lone parents with children aged 0-2 and to the number of Universal Credit claimants in two adult households with children aged 0-4.<sup>8</sup>
- **Not required to work due to sickness or disability.** Again, this category is split across several Universal Credit groups. So it is calculated as the total number of people in receipt of out-of-work benefits minus the two categories above. This total, as with the others, are sense-checked as detailed later this chapter.

### Estimating benefit receipt by reason

The result of this analysis is that around 5.5 million people are in receipt of out-of-work benefits in Great Britain.<sup>9</sup>

**Figure 3: Out-of-work benefit receipt by main reason**



<sup>8</sup> Data on two adult households with children aged 0-2 is not available, so this is likely to be an overestimate.

<sup>9</sup> Northern Ireland data is published separately.

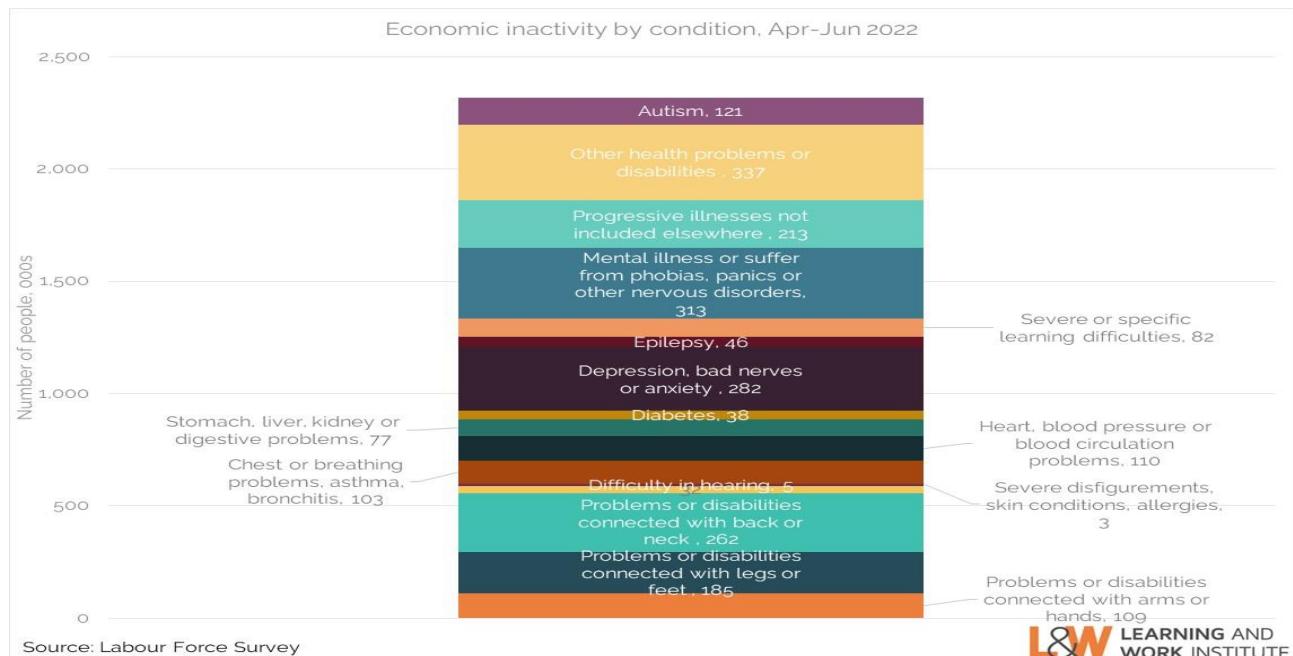
Of these 5.5 million:

- 1.5 million (27%) are unemployed – they are required to search for work;
- 400,000 (7%) are not required to search for work as they are lead carer for a child aged 2 or under;
- 427,000 (8%) are not required to search for work as they are receiving Carers Allowance along with other out-of-work benefits; and
- 3.16 million (58%) are not required to search for work due to sickness or disability, and have been assessed as such (or are awaiting assessment) by the DWP's Work Capability Assessment provider.

Around 16% of out-of-work Universal Credit recipients are in work. Depending on the benefit, people can generally work up to 16 hours (or earn the equivalent of 16 hours at the national minimum wage) per week while still receiving the benefit and being subject to conditionality. This Administrative Earnings Threshold has risen in recent years, meaning more people in low paid work are required to actively seek full time or higher paid work.

Data are also available on the main conditions and disabilities people have. The Labour Force Survey finds that the biggest health-related reasons people are economically inactive are mental health conditions and musculoskeletal conditions. This aligns with data on the reasons people claim Employment and Support Allowance (no data is available for the Universal Credit health group): 50% are due to mental and behavioural disorders and 13% are due to disease of the musculoskeletal system and connective tissue.<sup>10</sup>

**Figure 4: Reasons for economic inactivity due to long-term sickness**



<sup>10</sup> DWP StatXplore, September 2023.

## Benchmarking the data

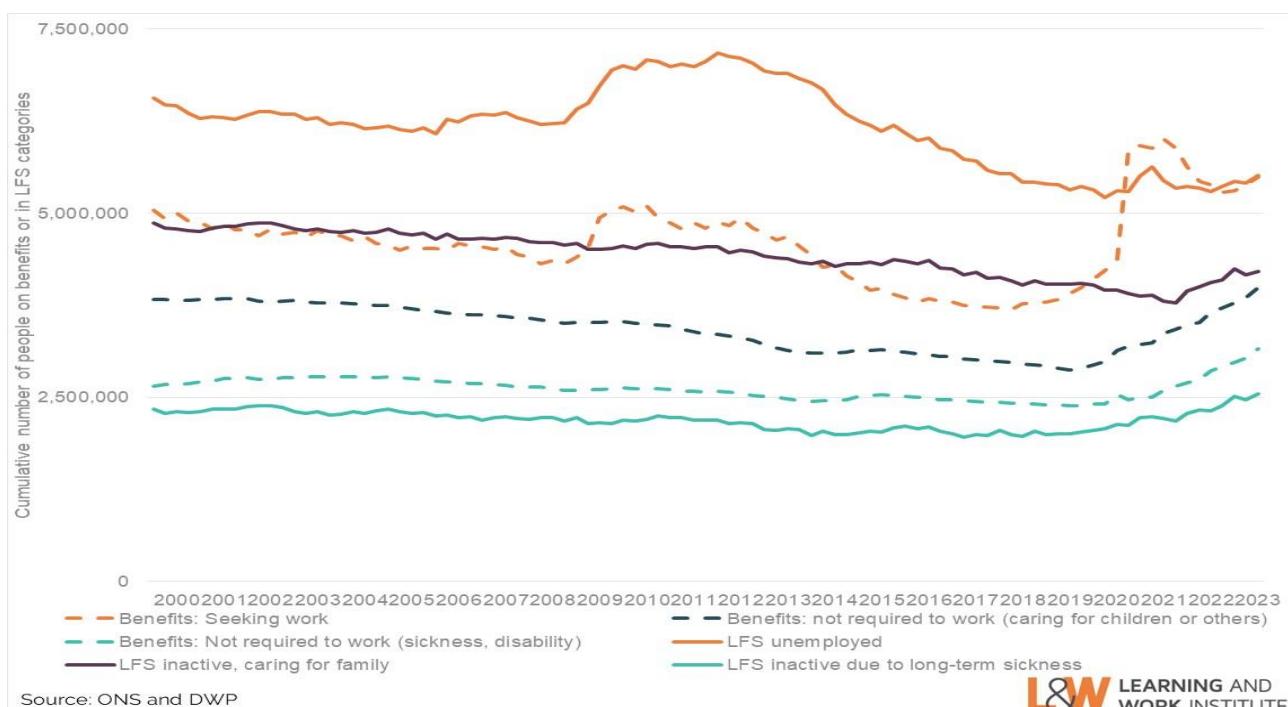
We have benchmarked these figures to assess whether they seem realistic in two ways. One is to compare them against other benefit data. For example, our estimate of 3.16 million people receiving out-of-work benefits due to sickness or disability compares well to the 3.27 million that DWP show are receiving the main benefits for this reason: 1.67 million people are in the Universal Credit health group and are either pre-WCA or assessed as having limited capability for work and/or work-related activity; and 1.63 million are receiving Employment and Support Allowance.

The second is to compare them to Labour Force Survey (LFS) data. For example:

- 1.4 million people are unemployed according to the LFS, broadly in line with the 1.5 million estimated to be receiving unemployment-related benefits; and
- 2.55 million people are economically inactive due to long-term sickness according to the LFS, a bit lower than the 3.16 million people estimated to be receiving out-of-work benefits for this reason.

Another way to look at the LFS data is to compare the number of people unemployed, economically inactive due to long-term sickness and economically inactive due to looking after family with the benefit data. The categories are not intended to be directly comparable, so there will always be differences over time (and these differences will vary according to benefit rules and other factors). But the comparison gives a sense of the realism of our benefit estimates.

**Figure 5: Comparing benefit claimants and Labour Force survey result by reason for not working**



Both the cumulative totals and the splits between categories are consistent. The number of people estimated to be claiming out-of-work benefits due to sickness or disability fairly closely tracks the LFS estimate of people economically inactive due to long-term sickness.

The number of people receiving out-of-work benefits due to caring responsibilities and the LFS estimates of people economically inactive due to caring for family have also got closer in recent years. This may be a combination of Universal Credit reaching more of this group, along with the general fall over time in economic inactivity due to looking after family meaning that it is mostly those who would be eligible for benefits who are left.

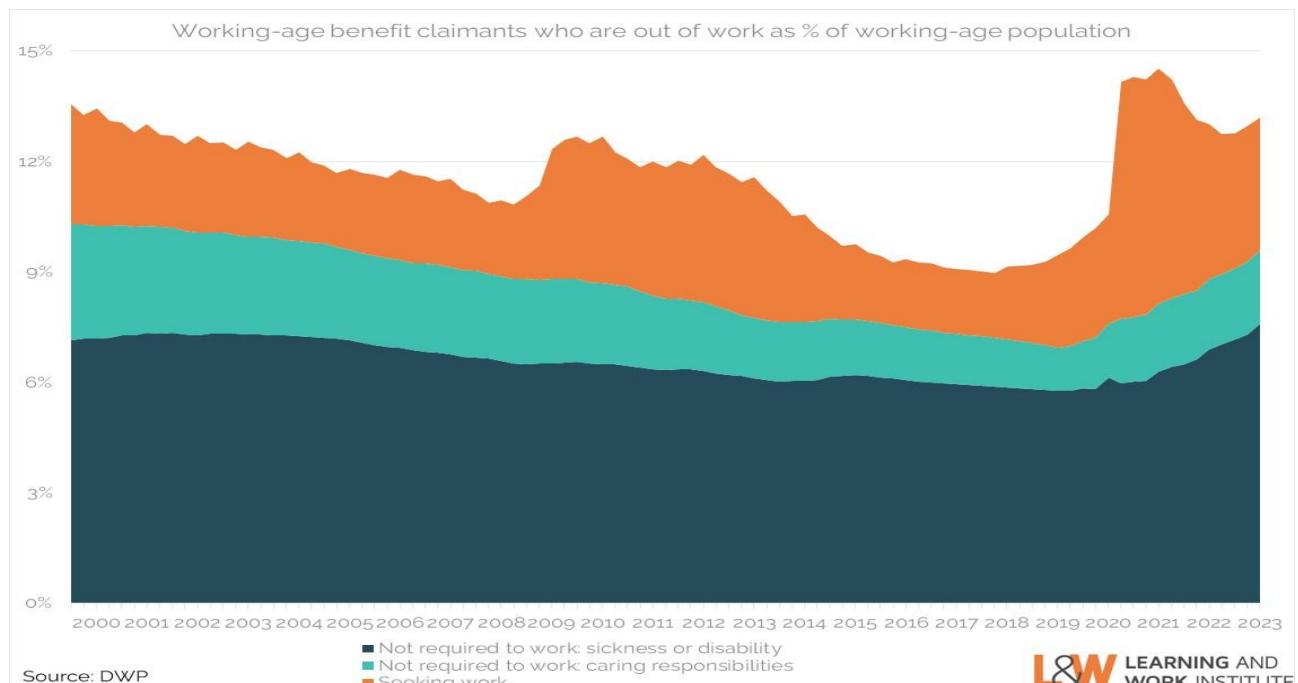
The pandemic marks the first time in the analysis that there are more people claiming unemployment-related benefits than the LFS estimates are unemployment. The previous gap was narrowing pre-pandemic in part because Universal Credit brings more people into searching for work support who are unemployed but were receiving other benefits. People may also be finding work more quickly or slowly than before (see next chapter).

The rise in the pandemic is partly because DWP, rightly, prioritised getting people on to benefits and in receipt of money. This effect should have played through by now, with everyone getting the right support and in the right benefit category.

### Estimates as a share of working-age population

The number of people receiving out-of-work benefits is higher now than at any time since 2000 (when our analysis begins). However, the population has grown – there are over four million more people aged 16-64. So it makes sense to also consider the numbers as a proportion of the working age population. In total, 13.2% of working-age adults receive out-of-work benefits, up from 8.9% in 2017 and little changed from 13.4% in 2000.

**Figure 6: Out-of-work benefit claimants as a proportion of working-age population**



On the face of it, that might appear surprising given the employment rate has risen from 72.5% in April-June 2000 to 75.7% in April-June 2023. However, a combination of benefit changes and an aging population (which on average increases the incidence of health problems and disabilities) is likely to have contributed, along with the impact of the pandemic, NHS waiting lists, low growth environment since the global financial crisis, and cuts to other services such as skills. As well as, potentially, changes to benefit rules and processes.

The proportion of people receiving out-of-work benefits due to sickness or disability fell from 7.2% in 2000 to 6.1% just before the pandemic. This was despite a rise in the proportion of people who are disabled over this time, related in part to an aging population. Since the pandemic, it has risen to 7.6%. The impact of the pandemic, as well as long NHS waiting lists and a range of other factors have likely contributed. This is not intended to be a full analysis of the reasons for the rise, rather to point out that it is not solely about benefit rules and eligibility. An aging population makes it likely this proportion will rise over time.

By contrast, the proportion of people receiving out-of-work benefits due to caring responsibilities fell from 3.1% in 2000 to 2% in February 2023. This reflects both the changes to benefit eligibility rules described above, but also rising employment rates for lone parents due to demographics (parents of older children are more likely to be in work and the average age has risen) and policy (benefit changes, but also the minimum wage, tax credits, investment in childcare etc).

Lastly, the proportion of people receiving out-of-work benefits and seeking work has risen from 3.2% in 2000 to 3.6% in February 2023. It is difficult to fully disaggregate the reasons for this rise, given LFS unemployment rates are lower than they were in 2000. Partly it may be that Universal Credit means more people who are out of work and receiving benefits are now required to seek work and hence classified as unemployed. It is unclear whether people are taking longer to find work as DWP no longer publishes data on this. So it is not possible to tell whether the proportion has risen for better or worse reasons.

What this means is that at any one time almost 8 in 100 working-age adults are receiving out-of-work benefits due to being assessed as too ill to work, 3 in 100 are receiving out-of-work benefits for being unemployed, and 2 in 100 are receiving out-of-work benefits due to caring for children aged under 2.

## How many people find work?

**One in five economically inactive people want a job. But people who are unemployed are ten times more likely to be in work 6 months later than those who are economically inactive, excluding students. In part this reflects lack of regular contact and employment support for those that want to work: only one in ten out of work older and disabled people get help to find work each year.**

The UK labour market is dynamic with the Labour Force Survey showing 7.5 million people started a new job in the year to April-June 2023. Of these, 1.6 million moved into work from unemployment, 2.4 million from economic inactivity and 3.6 million changed jobs.

Since the introduction of Universal Credit it is no longer possible to show how many people move in and out of different benefit groups: people simply count as being still on Universal Credit when they move into work. DWP did commit in 2016 to publishing regular data on how many people move between conditionality groups in Universal Credit, which would allow an estimate of how many people move from searching for work into work.<sup>11</sup> However, it has still not done so, nor given a date by which it intends to do so.

To fill this gap, this report looks at the Labour Force Survey (LFS). The LFS interviews the same people each quarter for two quarters. This allows us to look at how many people who are out of work in their first interview later move into work, and to disaggregate this by group. It isn't a perfect measure, as people may move in and out of work in between their LFS interviews. But it gives a sense of scale and trends.

The data show that around one third of unemployed people are in work two quarters later. This is higher than in the early 2010s, though the economy was in recession or recovering at that time, limiting job opportunities. Of course, as noted, even those who are unemployed at the start and end of the survey may have had one or more jobs in between. Though clearly any such employment has not been sustained.

People who are economically inactive are far less likely to move into work than people who are unemployed. Around 4% of people who are economically inactive are in work two quarters later. But even this figure is bumped up by the number of students who are economically inactive and then find work (either because their studies have finished, or in the holidays, or they work around study).

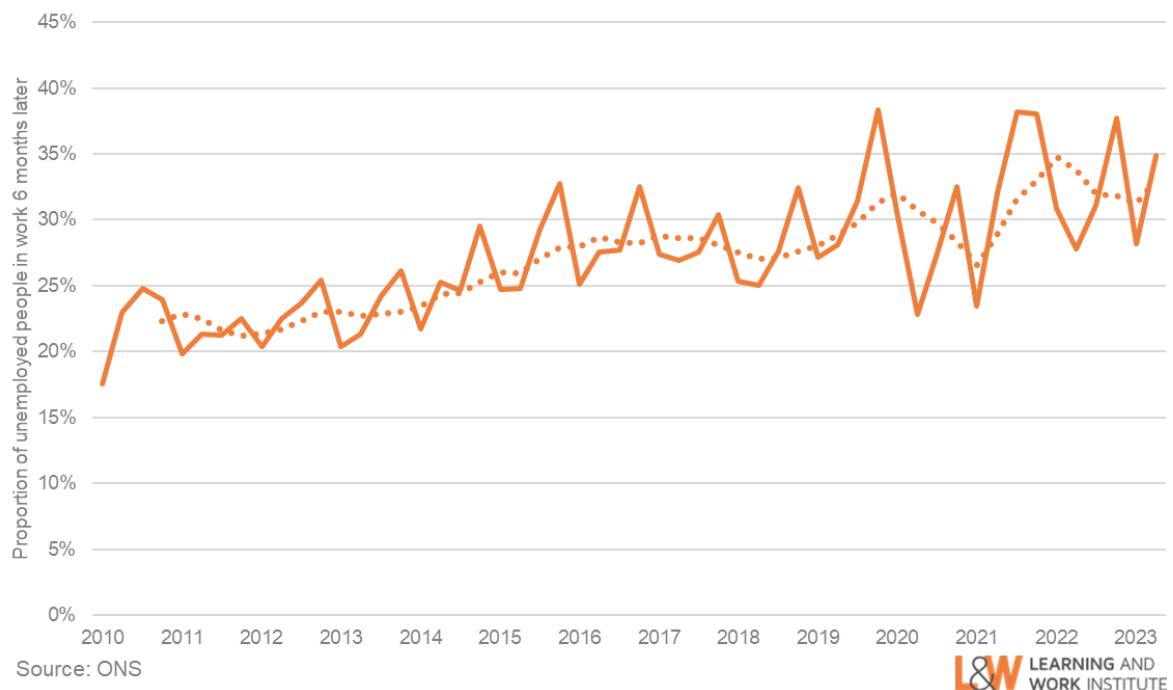
Excluding students, only about 3% of people who are economically inactive are in work 6 months later. Only around 1% of people who are economically inactive due to long-term sickness are in work 6 months later.

**People who are unemployed are ten times more likely to be in work 6 months later than those who are economically inactive, excluding students.**

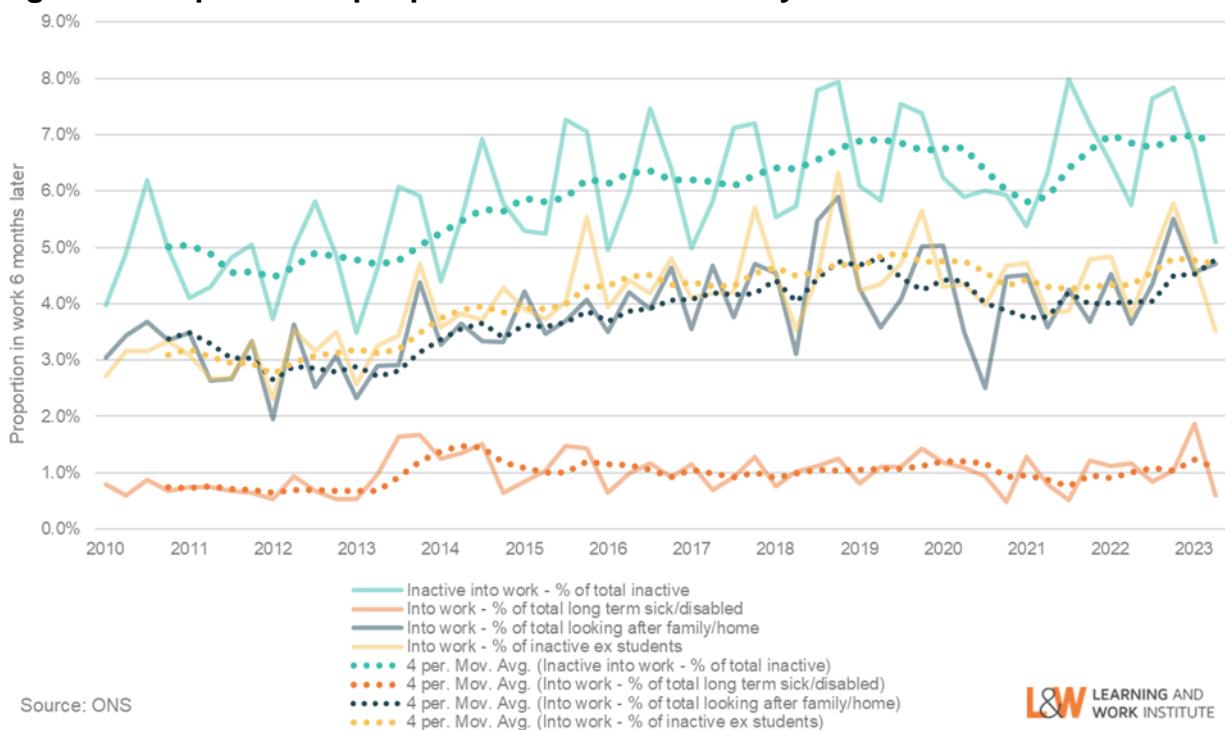
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<sup>11</sup> [Universal Credit statistics release strategy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/universal-credit-statistics-release-strategy)

**Figure 7: Proportion of unemployed people who are in work two quarters later**



**Figure 8: Proportion of people who are economically inactive who move into work**

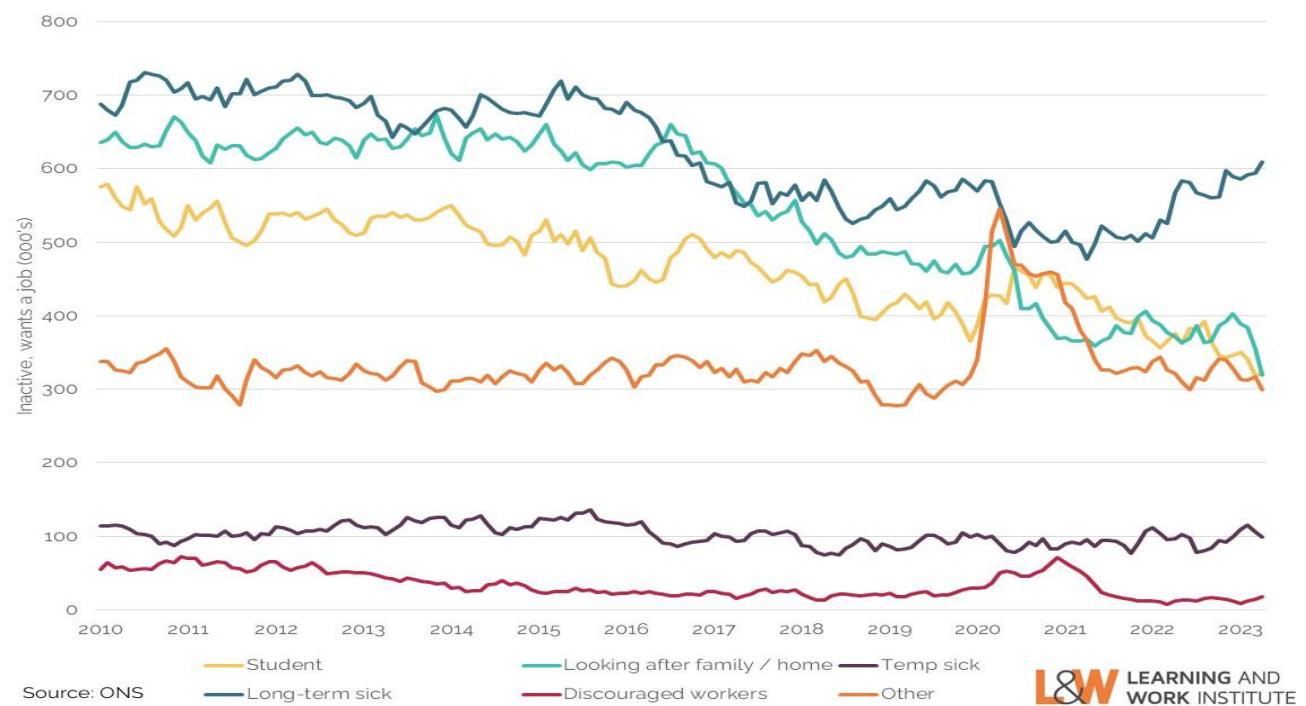


### How many people who are economically inactive want to work?

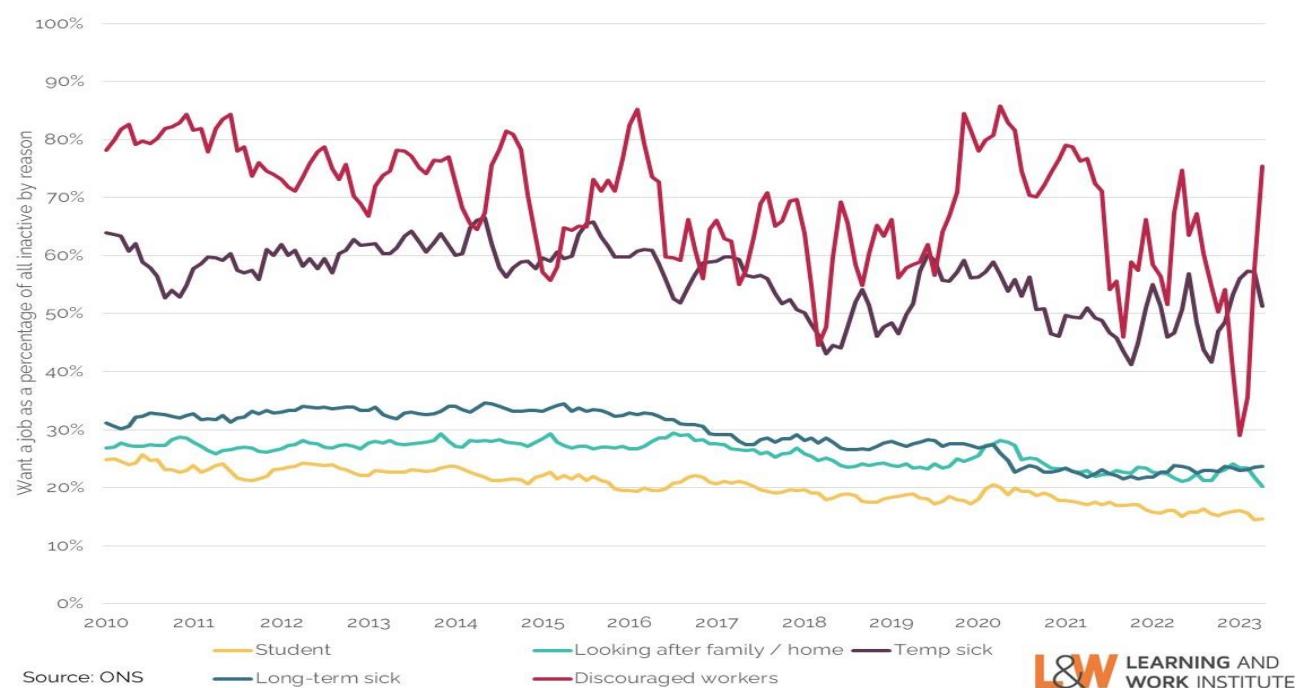
To some extent it is not a huge surprise that those who are economically inactive are less likely to move into work than unemployed people. Definitionally, they are either not searching for or available to start work. And many are either too ill to work or have a disability that prevents it, or are caring for family and home and able to do so financially.

However, many can and do want to work, either now or at some point. Of the 8.7 million 16-64 year olds who are economically inactive, 1.7 million say they want a job. Of these, 600,000 are economically inactive due to long-term sickness and 300,000 due to looking after family or home.

**Figure 9: Number of people who are economically inactive and want a job by reason for economic inactivity**



**Figure 10: Proportion of people who are economically inactive and want a job, by reason**

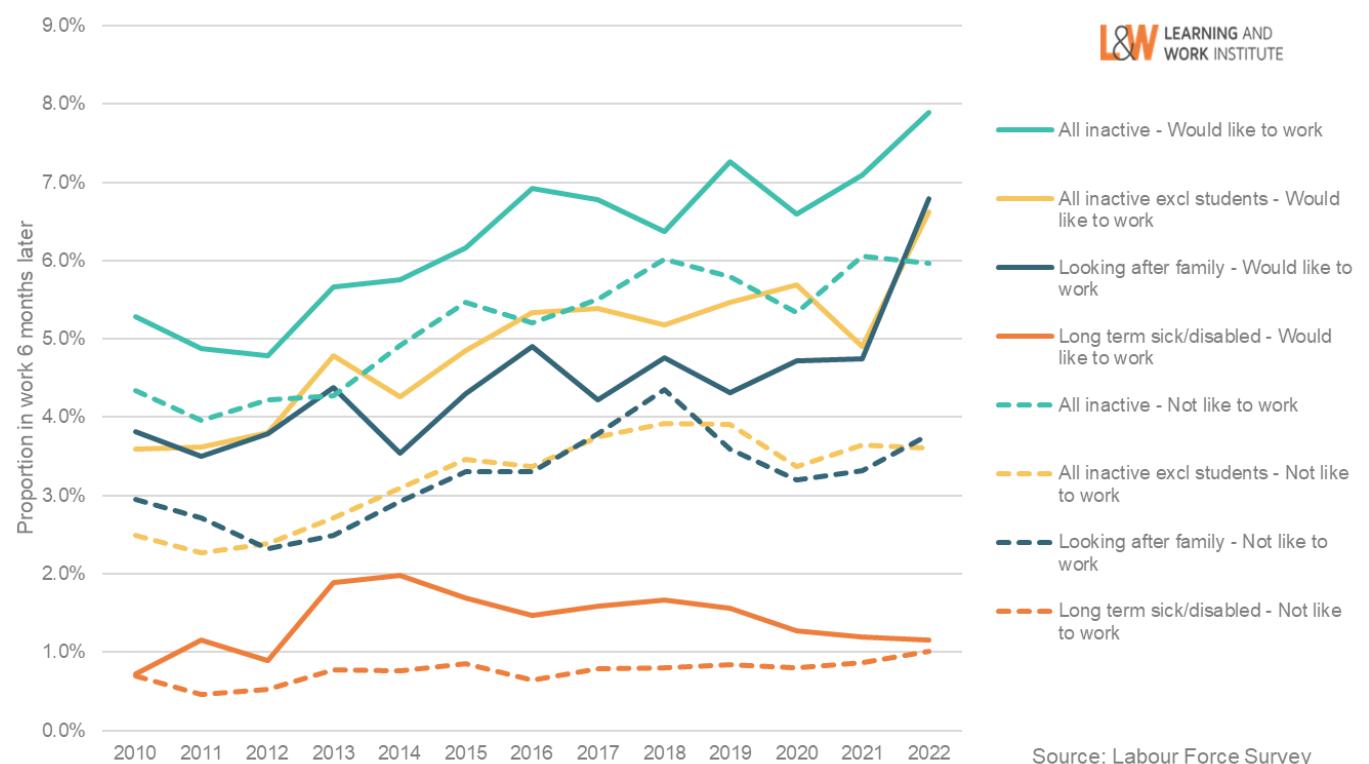


Looked at as a proportion of all people in a category, 50-70% of discouraged workers and people who are short-term sick say they want a job. But these categories are a small proportion of economic inactivity and so represent relatively small numbers.

Only one in four of people who are economically inactive due to long-term sickness say they want a job, and this proportion has declined since 2016. This may be because, in a period of rising employment (excluding the pandemic) those that want jobs are more likely to get them, leaving those who do not want jobs. Or, given the number of people who are economically inactive due to long-term sickness is little changed over this period, it could represent a decline in the numbers wanting to work for a range of reasons.

People who say they want a job are, perhaps unsurprisingly, more likely to find work than those economically inactive for the same reason who say they don't want to work. However, this is no longer the case for people economically inactive due to long-term sickness: only 1% of both those who do or don't want to work are in work 6 months later.

**Figure 11: Proportion of people who find work by reason for economic inactivity and whether people want to work**



## How many people get help to find work each year?

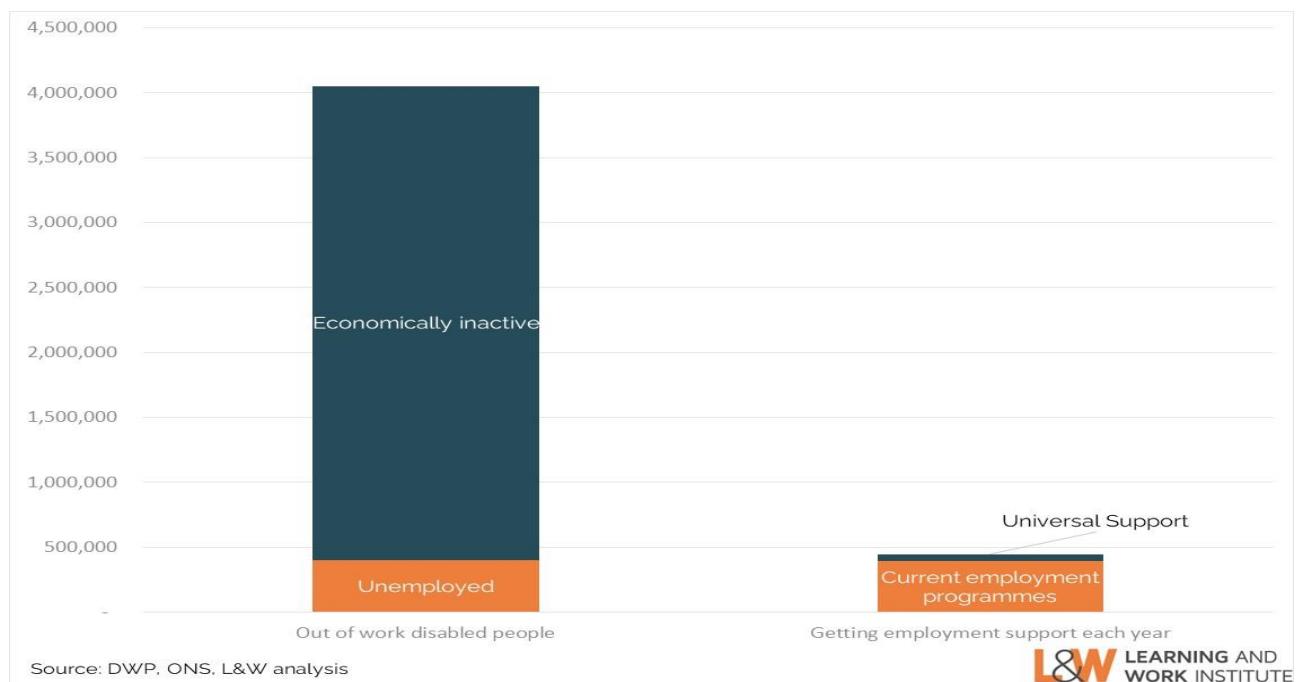
Our previous research has shown that only one in ten out-of-work disabled and older people gets help to find work each year from the Government, compared to one in three

out-of-work young people.<sup>12</sup> This is likely to be a contributory factor to a relatively low flows into work, given that one in four people economically inactive due to long-term sickness wants a job. That sits alongside other factors, including the availability of suitable employment opportunities, skills, health support etc.

The Government announced an increase in employment support in Spring Budget 2023.<sup>13</sup> This included extra funding for childcare and proposals to reform disability benefits (detailed in the first chapter).

The Budget also announced Universal Support, investing £250 million in its peak year of 2024-25 (£925 million over five years) in both new provision and extensions of eligibility to existing programmes. It is planned to help around 50,000 people, predominantly those in receipt of out-of-work benefits but not eligible for or participating in other programmes in particular disabled people and those with long-term health conditions, by 2025-26.

**Figure 12: Numbers of disabled people out of work and numbers engaged in employment support annually**



This is welcome, and we calculate represents a 10% increase in the number of disabled people getting employment support each year. However, this will only increase the number of out-of-work disabled people getting employment support from 10% each year to 11%. Assuming 50% of participants find work and half of these would not have found work anyway, it could add 1 percentage point to the employment rate of disabled people. A

<sup>12</sup> Full employment / missing workers.

<sup>13</sup> Spring Budget 2023, HMT, 2023.

more ambitious plan will be needed to make significant progress cutting the 29 percentage point disability employment gap.

# Understanding benefit sanctions

Conditionality and sanctions have long been a part of the benefit system, but whether this should be the case and their extent and nature is for debate. The share of unemployed people subject to a sanction has doubled from 2-3% in the 2000s to 6% in 2023. This is due to a mix of changing benefit rules (which make comparisons difficult), increasing length of sanctions, and increased use of sanctions.

Conditionality, a requirement for people to do something in return for benefits depending on their circumstances, has long been part of the benefit system. It is most common for people who are unemployed, though increasingly there are also requirements on people unable to work due to sickness or disability or caring responsibilities and, as Universal Credit rolls out, people in work with low earnings.

There has long also been benefit sanctions, meaning you can lose some or all of your benefits if you don't comply with requirements. The extent to which these sanctions are applied, the reasons for them and their severity have varied over time with, for example, significant changes including longer sanctions lengths introduced in 2012.<sup>14</sup>

Evidence on the effectiveness of sanctions is limited and mixed: for some groups it may increase employment but possibly short-term and poorer quality work; for some it may lead to displacement to other benefits; and there may be impacts on e.g. health.<sup>15</sup> Of course a benefit sanction at least partly shows of failure of support to effectively engage people.

## The current rules

Rules and requirements are already extremely strict for unemployed people and have been tightened further in recent years:<sup>16</sup>

- **Claimant commitment.** People must agree actions to look for work in a claimant commitment, and satisfy their Jobcentre Plus Work Coach that they have done so
- **Regular attendance.** People must attend meetings with their Work Coach regularly
- **Accept work.** People must accept work when offered, and cannot restrict their search to jobs similar to their previous roles once they have been out of work for 4 weeks (recently reduced from 3 months). If people have too little time to find a similar job, they may have to take a lower paid or less secure job in an unfamiliar field potentially harming their long-term job and pay prospects.

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<sup>14</sup> Some argue that there shouldn't be either conditionality or sanctions, for example arguing for a system of Universal Basic Income.

<sup>15</sup> The impacts of benefit sanctions: a scoping review of the quantitative research evidence, Pattaro et al, Journal of Social Policy, 51(3), pp. 611-653, 2022; Do work search requirements work? Evidence from a UK reform targeting single parents, IFS, 2023.

<sup>16</sup> Department for Work and Pensions policy on benefit sanctions, House of Commons Library, 2022.

- **Administrative earnings threshold.** People must work the equivalent of 18 hours per week at the National Living Wage (subject to individual circumstances) before full jobsearch conditionality ends. This follows a previous rise from 12 to 15 hours.

There is of course a balance between compliance with actions and promoting engagement, and between promoting a quick exit from benefits and improving someone's long-term prospects.

Under Universal Credit there are two *rates* of sanction: the high rate (£11 per day for single claimants aged under 25 who do not meet one of the exemptions); and the low rate (£4.40 per day). There are four *levels* of Universal Credit sanction, detailed in Table 1.<sup>17</sup>

**Table 1: Universal Credit sanction levels**

Level	Duration	Reasons
High	1 <sup>st</sup> time: 91 days 2 <sup>nd</sup> time on: 182 days	If you have to meet work search requirement but didn't apply for specific job  If you have to meet work availability requirement but refused a job offer  Left a job or reduced hours voluntarily or through misconduct
Medium	1 <sup>st</sup> time: 28 days 2 <sup>nd</sup> time on: 91 days	If you have to meet work search requirement but failed within reason to find work or increase earnings  If you have to meet work availability requirement but unable to start work or attend interviews
Low	1 <sup>st</sup> time: 7 days 2 <sup>nd</sup> time: 14 days 3 <sup>rd</sup> time on: 28 days	Not attending a work-focused interview or signing on when expected  Not providing evidence DWP has requested  Not attending training course recommended for work preparation or taking specific action required to increase earnings
Lowest	Up to 100% of single claimant rate or 50% of couple rate until next attending a work-focused interview	If you have to meet work-focused interview requirement but failed to attend

<sup>17</sup> [What is a Universal Credit Sanction? : Mental Health & Money Advice \(mentalhealthandmoneyadvice.org\)](http://mentalhealthandmoneyadvice.org)

People can appeal against their sanction within one month of it being issued. If, taking account of their full circumstances, they won't receive enough Universal Credit to pay the sanction in full, then the sanction is reduced to zero and considered to be fully paid. There have also been trials of systems such as warning and yellow card systems.<sup>18</sup>

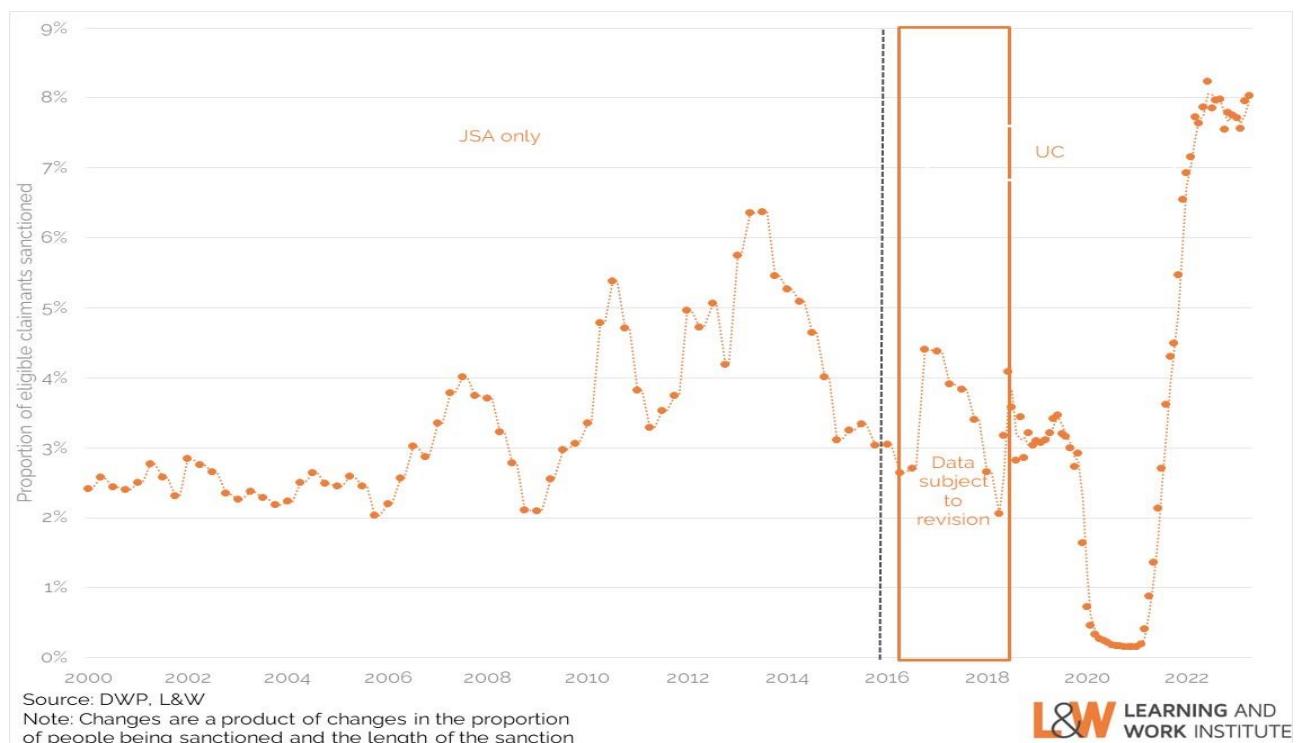
### Understanding sanctions rates

For this report, we estimate the proportion of people who are subject to a benefit sanction each month. We focus on those on unemployment-related benefits: Universal Credit searching for work group and, prior to that, Jobseeker's Allowance. People on other benefits can face sanctions, but sanction rates are much lower so this focus allows for comparable analysis over time.

In general, 2-3% of eligible claimants are subject to a benefit sanction each month, over 100,000 people.<sup>19</sup> However, this rose to 4% in the mid 2000s and 5-6% in the 2010s, before falling close to zero when conditionality was suspended in the pandemic.

Subsequently sanctions rates have risen again to stand at 7.7% in May 2023. Note that rules vary between benefits and sanctions rules change over time, so direct comparisons should be made with caution – this is an indicative picture.

**Figure 13: Proportion of eligible claimants of unemployment-related benefits with a sanction each month**



<sup>18</sup> [Written statements - Written questions, answers and statements - UK Parliament](#)

<sup>19</sup> Note this does not mean 100,000 people get a sanction each month. Rather that in any one month, 100,000 people are sanctioned. This will include people who got a multi-month sanction in a previous month.

The proportions vary over time as a result of both changes in the proportion of people being sanctioned and the average length of sanctions. Currently published Universal Credit data does not allow us to distinguish between these two causes. Note that the JSA data is the number of people being sanctioned each month, whereas the UC data is the proportion of people subject to a sanction each month. However, the average length of JSA sanction is 28 days, so this is broadly equivalent to the proportion subject to a sanction in any given month.<sup>20</sup>

### Reasons for benefit sanctions

Data on the reason for benefit sanctions is available for the Universal Credit live service, the precursor to the full service which has now replaced it.

This shows that, broadly:

- Eight in ten sanctions relates to work-focused interviews. Mostly this is failure to comply with an interview requirement. This could be failure to attend, lateness or not undertaking activity agreed (and so tied into the next reason);
- One in five sanctions is for reasons around ‘availability for work’. This is primarily recorded as ‘failure to comply with a work preparation requirement’ or ‘failure to undertake all reasonable work search action’;
- One in ten sanctions is for the reasons for leaving previous employment. This is because people either left their previous employment voluntarily or through misconduct; and
- One in twenty sanctions is due to failing to participate in an employment programme or training.

Further research is needed to understand whether these reasons hold under the Universal Credit full service, what they mean in practice, which reasons lead to the most severe sanctions, and the views of Work Coaches and claimants on them.

It is also worth noting that the sanctions regime and strictest conditionality rules apply mostly to people who are unemployed. They are most likely to get into work already (as this report has shown) and represent only one third of people receiving out of work benefits. There are therefore likely to be diminishing returns at best to further tightening this regime.

The biggest groups in receipt of out-of-work benefits are those who are disabled and with caring responsibilities. The evidence on the effectiveness of conditionality and sanctions for these groups is limited at best and it is likely that the best way to help more in these groups into work is through engagement and support. The focus needs to be on widening and deepening support, not narrowing and restricting benefit rules.

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<sup>20</sup> See e.g. Benefit Sanction Statistics, DWP, 2018.

# Lessons and questions

## 1. A plan for full employment needs to consider how best to help those who are economically inactive but want to work

The Government has proposed reforms to disability benefits (see first chapter) and investment in support for disabled people to find work. But we need a broader, more ambitious strategy if we are to achieve an 80% employment rate. That includes looking at how best to help those that can work, ensuring sufficient support for those that cannot work, working with employers on their recruitment and retention practices, promoting growth across the country, and ensuring effective health, childcare and skills support too.

## 2. We need better data and research on the benefit system and impact of sanctions

**First, DWP should publish regular data on people moving between conditionality groups in Universal Credit.** This is something DWP committed to in 2016 but still has not given a timetable for. As a result, we have less information on this than we did with the previous benefit system. It should also publish data on these moves between groups and employment outcomes for disabled people and those with caring responsibilities, so these can be better analysed as well as overall conditionality groups.

**Second, we need further research on the options for and impact of disability benefits reform, including drawing on the experiences of other countries.** We need to understand better who is claiming disability-related benefits and what support those that can work might need to find employment. That includes assessing the Government's proposals and better understanding the winners and losers from these. But we should also draw on ideas and experience from elsewhere too.

**Third, we need a better understanding of the role of conditionality for different groups and the impact and effectiveness of benefit sanctions.** There are studies on the impact and effectiveness of conditionality and benefit sanctions, but the evidence is relatively limited and mixed. In particular, evidence is limited on whether different types of conditionality or severities of sanctions have different impacts and how these impacts vary by group (particularly relevant given the need to support economically inactive groups into work to achieve further increases in employment rates). Research into this needs to understand the impacts on people's health and wellbeing and long-term prospects, not just short-term impacts on employment or benefit receipt.

## 3. Sanctions are a sign of failure to engage people and should be an absolute last resort. We need to focus more on engagement than compliance.

Employment services need to engage and work with people, providing high quality help: employment support matters at least as much as benefit compliance. This recognition should underpin all policy and delivery.