

*Disability and financial need*

## **2. Disability and Financial Need – The Failure of the Social Security System**

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### **Introduction**

Disability and financial need are closely related. On the one hand, disability can entail specific needs and costs and, on the other, it frequently results in a reduction in employment status or earnings for people with disabilities or for members of their families. This relationship has been demonstrated in a long line of official and independent research studies (see for example, Harris *et al.*, 1971; Baldwin, 1977; Townsend, 1979; Buckle, 1984; Martin, Meltzer and Elliot, 1988; Martin and White, 1988). Yet the financial implications of disability have been only inadequately recognised in government social security policies. Developments have been piecemeal, with the addition in recent years of several new benefits covering a relatively small number of people with disabilities. The result is an extremely complicated array of often overlapping benefits, which lacks any apparent coherent framework, is complex and confusing, and which still leaves many people with disabilities living on low means-tested benefits.

In addition to its failure to combat poverty, the social security system has been used to create important divisions in financial status between different groups of people with disabilities based not on need, but on the place where the disablement occurred, type of disability, and the age at onset of disability. Moreover, the special needs created

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by disability have not been recognised in the form of a disability income, despite assurances from both government and opposition over the last thirty years. In all industrial societies income is of fundamental importance to participation in the everyday life of the community. The fact that people with disabilities face special needs means that they require compensation in order to meet those needs and overcome any disadvantage associated with them, quite apart from the need for income maintenance (Walker, 1977; 1981). The right to income in respect of severe disablement has yet to be established in Britain.

The purposes of this chapter are first to trace the development of income maintenance for people with disabilities, and secondly to examine the recent evidence provided by the OPCS survey of disability in Britain concerning the financial status and needs of people with disabilities. This evidence confirms yet again that the majority rely on state benefits paid at very low levels. Also important in policy terms is the fact that the OPCS survey confirmed the link between financial need and severity of disability. Finally we assess the government's proposals for disability benefits in the 1990 White Paper *The Way Ahead* and compare them with those put forward by the Disablement Income Group and the Disability Alliance.

### **Social security for people with disabilities**

As in all industrial states, access to employment plays a crucial part in determining whether or not adults have an adequate standard of living. However, people with disabilities frequently experience severe restrictions in access to employment. As the OPCS survey shows, only 31 per cent of people with disabilities of working age were in work in 1985, compared with 69 per cent of the general population (Martin and White, 1988, p.13). This means that the majority (75 per cent of disabled adults living in private households) rely on state benefits for their main source of income.

The principal sources of income of people with disabilities are social assistance (supplementary benefit prior to 1988, income support after 1988), retirement pension for those past working age, invalidity pensions, industrial injury and war pensions. However, as we shall indicate, general benefits such as retirement pension and social assistance play a much larger role in the incomes of people with disabilities than do the specific disability benefits (*ibid.*, p.31). This is a characteristic which has its roots in the way in which the social

security system has been developed in respect to disability over the last hundred years and, in particular, in the failure of the social security system to provide an adequate income in respect of disability, and its inherent discrimination against the largest group: older people with disabilities (Walker, 1990).

***Origins and post-war development***

Social security provision has evolved on the basis of two separate philosophies: compensation, deriving from legal concepts of tort and common law liability, and the concept of insurance to provide income maintenance. The Workmen's Compensation Act 1897 marked the first major departure from the long-standing common law principle that liability for compensation must be based on fault (Atiyah, 1975). It established the legal liability of employers to compensate employees in certain industries (and after 1906 in most industries) for loss of earnings capacity due to accident or industrial disease arising out of and in the course of employment (Walker, 1981a). There is evidence of widespread industrial injury prior to 1897 but little to suggest that compensation was available on a wide scale; in fact workers often had their wages stopped or were dismissed if they were injured (Bartrip, 1978). However, whilst the 1897 Act represented a major improvement for workers, the principle of employer liability led inevitably to the adjudication of claims on an adversarial basis in the county courts, and to problems of adequate representation for workers (Ogus and Barendt, 1988).

Provisions for war pensions were influenced in the first two years of World War I by the principle developed in the Workmen's Compensation Act of partial recognition of compensation for loss of earnings. From 1917, however, loss of faculty became the dominant concept governing entitlement. Disablement pensions were paid in addition to earnings. This was a crucial departure in the evolution of social security and represented the first recognition by society of the right of people with disabilities to financial compensation irrespective of their earnings or other sources of income.

The Inter-Departmental Committee on Social Insurance and Allied Services, set up during World War II and chaired by Sir William (later Lord) Beveridge, was highly critical of Workmen's Compensation. Its report recommended that industrial injury compensation should be part of a unified plan for social security and

argued that a complete solution to anomalies would be found only in a fully unified scheme for disability which did not differentiate on the basis of cause (Beveridge, 1942, p.39). The post-war Labour government rejected Beveridge's proposal for the similar treatment of all sick and injured people and established the completely separate scheme that exists today. Long-term disablement benefits under the National Insurance (Industrial Injury) Act 1946 were based not on incapacity for work, nor on loss of earnings, but, like war disablement pensions, on loss of faculty, involving assessment of the degree of disablement by comparison with a non-disabled healthy person of the same age and sex. As with war pensions, industrial injury pension assessments normally range from 20 per cent to 100 per cent in 10 per cent bands. For assessments of less than 20 per cent a lump-sum payment is normally made (Walker, 1981b).

Significant developments in national insurance (NI) benefits also took place in the immediate post-war period and subsequently. A flat-rate weekly sickness benefit was provided for those who were incapable of work. In 1966, earnings-related sickness benefit was added to the flat-rate benefit, but it could only be drawn for a period of 26 weeks. From 1971, this distinction between short-term and long-term beneficiaries was formalised by the replacement of sickness benefit with invalidity pensions for those who had been off work for more than six months. The introduction, in 1972, of small invalidity allowances on top of the invalidity pension represented another departure in compensation for people with disabilities, because the allowance is paid according to age at the onset of disability. It is not, however, paid to people disabled within five years of retirement age, no matter how long their disability lasts.

During the 1970s there were important new developments in both compensation and non-contributory insurance benefits for people with disabilities. First, a general attendance allowance was introduced in 1971 to match the 'constant attendance' allowances paid under the war and industrial disablement schemes. The attendance allowance 'is a comprehensive universal benefit based neither on the compensation principle, nor on the insurance principle, but on evidence of severe disablement, however caused, which requires attendance' (DHSS, 1974, p.8).

Second, 1975 saw the introduction of a non-contributory invalidity pension (NCIP). Paid at 60 per cent of the contributory pension, it was

aimed at people of working age, such as those with congenital disabilities, who were not able to work but who did not qualify for the invalidity pension because they had not paid sufficient national insurance contributions. Married women who were incapable of work were initially excluded from receiving NCIP on the grounds that they were likely to be at home anyway, whether or not they were incapable of work.

A third development during the 1970s was the introduction of a mobility allowance. This allowance was phased in over a three-year period from January 1976 for different groups between the ages of five and sixty-five. The allowance is paid to those who are unable to walk, or virtually unable to walk, because of physical disablement.

Fourth, in 1976 invalid care allowance (ICA) became payable to those who cannot work because they have to stay at home to care for a severely disabled person. Initially available only to men and single women caring for relatives, ICA was extended to those caring for non-relatives in 1981 and, in 1986, to married women after the case of Jackie Drake, a married woman caring for her mother, was taken to the European Court of Justice and a ruling obtained that their exclusion breached the European Community's Equal Treatment Directive.

Finally, in November 1977 the housewives' non-contributory invalidity pension (HNCIP) was introduced. Faced with a substantial backbench revolt during the latter stages of the 1975 Social Security Bill, the then Labour government accepted the extension of the NCIP to married women who were 'incapable of performing normal household duties' as well as of undertaking paid work. However, the introduction of HNCIP was delayed for two years, ostensibly because a test of a married woman's ability to carry out her 'normal household duties' had to be devised.

Thus, by the end of the 1970s the principles of compensation and insurance, as embodied in the war and industrial injury and national insurance schemes, had been extended to meet one of the special expenses associated with disability – attendance – and also to meet the more general lack of mobility that is associated with disability. In addition, non-contributory insurance benefits had been introduced, paid at lower rates, for those unable to work because of disability or because they were caring for a person with a disability. Finally, the need for income on the part of married women with disabilities had

been recognised, albeit reluctantly and inadequately (Loach and Lister, 1978). However, the piecemeal and reactive nature of these developments has meant that, rather than representing a series of blocks in the building of a comprehensive framework of provision, the result is an incoherent mixture of benefits which do not mesh together easily, overlapping considerably for some groups while missing out others altogether.

### ***An inequitable system***

A system which uses widely differing criteria when deciding eligibility for benefits – including preferential treatment for some – has inevitably ended up paying vastly different sums to people facing similar degrees of disability.

Rather than depending on the impact of disablement, an individual's benefit entitlement, and the amount of benefit received, rests crucially on : how the disability occurred, the age when a claim is made, the length of time spent in the UK, ability to work, and whether national insurance contributions have been paid for the required period of time. Thus two people with equally severe disabilities can receive very different amounts from the social security system simply because they belong to different administratively defined categories. The best known inequity is that between industrial injury and war disablement pensioners and other people with disabilities. *The Disability Rights Handbook* in 1990 provided some illustrations of the 'disability income gap' which results from the present system. Different people, equally severely disabled, could have been entitled to :

- a maximum of £287.55 from the war disablement scheme;
- a maximum of £282.49 from the industrial injuries scheme and mobility allowance;
- a maximum of £120.70 from basic invalidity benefit, attendance and mobility allowances;
- a maximum of £92 from severe disablement allowance (SDA), attendance and mobility allowances;
- a maximum of £63.80 from attendance and mobility allowances if they did not have the right contribution to get invalidity benefit,

and could not qualify for SDA because they had not been in the UK for 10 out of the past 20 years.

Thus the gap between the maximum and minimum entitlements available – even *before* going through a means test – was £223.75 per week. Inevitably, a large proportion of people with disabilities are forced to rely on means-tested benefits to supplement their income. However, inclusion of potential entitlement to income support still only cut the gap to £171.65 (DAERA, 1990c, p.2).

### **The 1980s: cutting and restructuring provision**

Despite the Conservative government's commitment to the provision of 'a more coherent system of cash benefits to meet the costs of disability, so that more disabled people can support themselves and live normal lives' (Conservative Manifesto, 1979), the 1980s have seen a three-pronged approach which has further complicated the disability benefits system and actually reduced the living standards of many people with disabilities.

First, the OPCS survey of disability in Britain was commissioned in 1984. Second, major changes to means-tested benefits were implemented via the 1986 Social Security Act – changes which have adversely affected the incomes of a large proportion of people with disabilities. Third, significant elements of the disability benefits system built up over the previous 30 years have been cut away – in much the same piecemeal way in which they were developed – reducing their scope and increasing dependence on means-tested benefits. The concurrent nature of these three developments sheds light on the government's policy towards disability benefits. The OPCS survey was commissioned precisely to provide the information needed to review disability benefits:

it would be inappropriate to make significant changes to existing benefit provision in advance of the results of the survey of disabled people currently being carried out by [OPCS]. The results of the survey ... will provide the evidence for a comprehensive review of benefits for long-term sick and disabled people. (John Major, Minister for the Disabled, 1987)

And yet all of the benefits upon which people with disabilities rely – including the general means-tested benefits – were altered in the period *before* the OPCS results were published.



The decade from 1979 did see an increase in expenditure on disability benefits of some £3.5 billion. However, the bulk of that increase (£3 billion) resulted from increased take-up of benefits – particularly the attendance and mobility allowances – rather than improvements in the real levels of benefits or extensions in the disability benefits system.

### ***Disability benefits***

The complicated nature of many of the disability benefits is such that it has been possible for the government to make a considerable number of detailed, and apparently purely technical, changes, without attracting much attention beyond the claimants themselves and the welfare rights field. However, the extent to which some of these cuts have undermined earlier achievements makes it important to highlight a number of them.

### ***Industrial injuries***

The 1986 Social Security Act provided the legislative vehicle not only for the government's reforms of social security benefits but also for the first step in a process which has returned industrial injury benefits to a legal status similar to that which obtained under the Workmen's Compensation Act.

The 1986 Act restricted disablement benefit – the main weekly benefit under the industrial injuries scheme – to claimants assessed at 14 per cent disablement or more. This apparently low threshold nevertheless effectively nullified around 9 out of 10 new claims. The effect for those still able to work was that all compensation for their disability, and associated extra costs, was lost. Those assessed at 14 per cent or under, whose earning capacity had been reduced as a result of the accident or disease, were still able to claim benefit in the form of reduced earnings allowance (REA) (the renamed special hardship allowance). However, the 1986 Act also ensured that, at retirement, REA became frozen at the level which obtained at that point and was also offset against any entitlement under the state earnings-related pension scheme (SERPS). Those who were unable to work had their unemployability supplement abolished and replaced by non-contributory sickness or invalidity benefit (IVB).

From April 1989, REA at retirement age was replaced by a new retirement allowance to be paid at only one quarter the level of REA,

or 10 per cent of disablement benefit, whichever was the lower. Retirement allowance meant a cut of £19.35 per week for 90 per cent of REA claimants (DAERA, 1987b, p.4). In addition, existing retirement pensioners found that they were no longer to continue to be paid the maximum possible disablement benefit plus maximum possible REA, but were to be restricted to receipt of the equivalent of 100 per cent disablement benefit – a cut from which existing claimants received no protection and which represented a loss of up to £25.80 per week for some (*ibid.*).

The 1990 Social Security Act completed the process by abolishing REA and retirement allowance, the only benefits available to 90 per cent of industrial injury claimants and which represented two-fifths of total expenditure on the industrial injuries scheme (DAERA, 1990a, p.8). The government's justification for such a major cut in entitlement and expenditure was that REA overlapped with, and duplicated, invalidity benefit. However, this seems to misconstrue the purpose of such benefits: IVB is an income maintenance benefit aimed at providing a source of income during total incapacity for work, whereas REA was paid regardless of employment status to compensate for any drop in earning capacity caused by industrial injury or disease.

The withdrawal, since October 1990, of all industrial injuries cover for nine-tenths of potential claimants – and all compensation for a fall in earning capacity for the remaining one-tenth who continue to receive disablement benefit – appears to return us to the situation which applied almost 100 years ago when private litigation was the main method by which workers obtained compensation for employer negligence. Once again workers will need legal representation to prove, in a civil court, that the accident arose out of employer negligence and not their own actions (as against the existing tribunal system where no proof of negligence is needed), and workers who do not have the resources to take their case to court will not have a chance of being compensated.

Thus, within five years a major part of the patchwork of disability benefits has been drastically curtailed, and against the advice of the Industrial Injury Advisory Committee which, in 1986, said:

We adhere to the view ... that the only acceptable reason for, and method of, abolishing the industrial preference would be by extending industrial injuries-type benefits to all disabled people. (IIAC, 1986)

*Short-term sickness*

In 1980, fourteen years after it was introduced, the earnings-related addition to sickness benefit was abolished (as were the similar additions to other short-term benefits). In 1983, the payment of sickness benefit for the first eight weeks of sickness absence was effectively privatised by the introduction of statutory sick pay (SSP). When first introduced, SSP was paid at three rates – depending on the earnings of the claimant – and was subject to tax and national insurance contributions, unlike sickness benefit. In addition, there was no provision for the payment of dependants' additions – child additions to sickness benefit were virtually worthless by this time, but adult additions still represented significant amounts. These latter two provisions, combined with the levels at which the three rates were pitched, resulted in losses for many – particularly for couples and low-paid workers.

The goals behind the introduction of SSP were to transfer the administration of the benefit to the private sector (thereby reducing public spending and staffing levels), to reduce the overlap between occupational and state sickness cover and to bring short-term sickness benefits into taxation. The effect was to reduce expenditure both for the government and for many employers. The Exchequer savings at this initial stage of SSP (derived from no longer paying sickness benefit, savings on administration, and income from tax and national insurance) came to some £90m over and above the reimbursements made to employers for their extra administration (DAERA, 1986, p.26). Employers' savings of £95m derived largely from savings on occupational sick pay cover made possible by the provision that occupational sickness payments could count toward employers' legal liability under SSP. Inevitably some employers used the SSP reimbursement from the government to finance their occupational sick pay scheme. As a result, claimants lost in the region of £155m, including sickness benefit lost, tax and NI contributions, and £135m which would have been paid as occupational sick cover. Thus the government managed to redistribute resources away from sick people to employers.

In 1986, SSP was extended to the first 28 weeks of sickness absence thereby ensuring that the majority of claimants would not receive state sickness benefit. From April 1987, the middle rate of SSP was abolished and the 420,000 claimants who would have qualified

for it received a weekly rate of SSP which had been cut by 18 per cent in real terms – by £7.17 per week (DAERA, 1987a, p.9). Finally, further savings of £70/80m were made from April 1990 by the ‘restructuring’ of SSP: the ceiling for the payment of the lower rate of SSP (£39.25 for 1990/91) was raised. Those with weekly average earnings of between £83.99 and £124.99 would get £39.25 gross per week instead of £52.50. The government estimates that 290,000 spells of sickness absence will be affected and that three-quarters of these will relate to women. It is suggested that for ‘the majority of employees occupational sick pay will make up any difference in SSP entitlement’ (*Hansard*, 15 November 1989, col. 306). However, low-paid, part-time, female, and non-unionised workers are less likely to be covered by occupational schemes (Brown and Small, 1985). Moreover, as the OPCS survey confirmed, those people with disabilities who are in work are likely to be low paid and to have insufficient occupational cover.

#### *Severe disablement allowance*

The extension of non-contributory invalidity pension to married women via the introduction of housewives’ NCIP, far from solving the problem, merely served to attract widespread criticism for its overt discrimination against married women embodied in the ‘household duties’ test. In 1984, both NCIP and HNCIP were abolished and replaced by the severe disablement allowance (SDA). As with H/NCIP and invalidity benefit, the new benefit was not paid solely on the basis of incapacity for work, and was still paid at only 60 per cent of the full invalidity pension. However, a new test was introduced whereby certain groups of claimants over the age of 20 have to satisfy an ‘80 per cent disablement’ test in addition to proving their incapacity for work. This test was devised as ‘a way of limiting the scope and cost of the benefit for all except those who are congenitally disabled’ (Tony Newton, 1984a, p.343) and as ‘... a means of identifying the men and women in this older group [those above 20] who most clearly have a claim to available funds’ (Tony Newton, 1984b). The DHSS review of the household duties test which devised the 80 per cent test found that 219,000 of the 240,000 married women excluded from HNCIP would also be excluded from SDA; and that 16,000 of those who did pass the household duties test would not pass the 80 per cent test. Only

5,000 extra married women would gain access to benefit and the overt discrimination became covert.

Thus, entitlement to the sole income maintenance benefit available to those who have been unable to build up an adequate NI contributions record is tightly regulated on cost grounds, although the net cost of increasing the basic rate of SDA to the basic rate of IVB would be only in the region of £110m per year (*Hansard*, 12 June 1990, col. 164). A benefit paid at just £28.20 per week in 1990 for a single person and described by the Social Security Advisory Committee as ‘clearly inadequate even for subsistence’ (SSAC, 1988) has the effect of ensuring that some of the most severely disabled people receive the lowest incomes.

Overall, it can be seen that, despite some improvements over the decade – the extension of ICA to carers of non-relatives in 1981, and to married women in 1986; the increase of mobility allowance from £10 to £18.30 in 1982; the abolition of the invalidity trap in 1983 – the main thrust of the government’s policy concerning disability benefits has been restriction of eligibility, structural reductions in the levels of some benefits, and reduced uprating for others. Again, much of this erosion of disability and sickness benefits took place during the period in which the OPCS survey was still being carried out.

### ***The social security reviews***

The inevitable result of reductions in the amounts and coverage of disability benefits is to increase reliance on means-tested benefits. However, these too have been restructured recently, to the disadvantage of a large proportion of people with disabilities.

The review of social security benefits which was announced in 1984, and was termed ‘the most substantial examination of the social security system since the Beveridge report 40 years ago’ (*Hansard*, 2 April 1984, col. 653), had a nil-cost remit which excluded the examination of benefit levels, thereby ensuring that improvements in incomes for some claimants could only be secured at the expense of others. In fact, 43 per cent of all claimants were predicted to receive less in real terms and transitional protection had to be introduced ostensibly to limit to 12 per cent the proportion who would lose in cash terms (House of Commons, 1989).

The theme running through the reviews was the overriding importance placed upon the reduction of public expenditure by the

government throughout the 1980s. The ethos underpinning the subsequent legislation was of ‘targeting’ resources on ‘those most in need’ – generally accepted as implying more means-testing – reducing the ‘dependency culture’ by limiting eligibility, and simplification of the system. In the words of the White Paper *Reform of Social Security*, ‘Social security is not a function of the state alone ... Social security should be built on twin pillars – a partnership between the individual and the state’ (DHSS, 1985, p.2).

*Supplementary benefit, income support and housing benefit*

The preoccupation of the reviews with simplicity, arguably not the paramount goal of social security, combined with the failure to consider the adequacy of benefit levels, resulted in a system which takes little account of individual need, and therefore causes particular problems for people with disabilities.

Under income support (IS), an eligible claimant is entitled to a basic personal allowance paid at a rate determined by age and marital status. People with disabilities who meet the criteria may also be entitled to one or more of a number of flat-rate disability premiums.

Under the previous supplementary benefit (SB) system, in addition to the basic weekly scale rate, people with disabilities were potentially entitled to one or more of fourteen weekly additional requirements, ten of which were paid on the basis of sickness or disability. A number of these additions were calculated on the basis of actual expenditure (eg. extra laundry because of incontinence) and therefore made some attempt to meet actual need. In addition, some people with disabilities were entitled to the ‘long-term scale rate’ which was paid at a higher rate to those who had been on IVB or SDA for more than one year. While it is not intended to suggest that means-tested SB adequately met, or was a suitable vehicle for meeting, the extra costs of disability, it provided an element of flexibility in response to these costs that is no longer available:

The replacement of supplementary benefit additional requirements with premiums ... means that the benefit payable to disabled people cannot be turned to the great variety of their needs. (SSAC, 1988, p.35)

Thus the introduction of IS in April 1988 substituted flat-rate premiums for additional requirements, while the value of the long-term scale rate is not taken into account under IS.

There was also a tightening up of eligibility for people with disabilities needing means-tested benefits, including the increased use of existing disability benefits as ‘passports’ to elements of IS. This ensures that people excluded from disability benefits because of strict pass/fail criteria (as with attendance and mobility allowances), or because of arbitrary cost-restricting measures such as the SDA 80 per cent test, or the upper age limit for mobility allowance, have their exclusion extended to the income support premiums. In addition to the reduction in the recognition given to the extra income needs of people with disabilities, IS failed to cover elements of general expenditure previously included under SB: in particular, water rates.

The replacement of supplementary benefit single payments with the discretionary, cash-limited social fund represented a substantial cut in expenditure on means-tested income maintenance. The social fund budget was set very low compared to the previous expenditure on single payments. The budget for both 1988/89 and 1989/90 was £203m, of which 70 per cent represented repayable loans. By comparison, single payment expenditure had reached a peak of about £400m in 1986, but was reduced thereafter by radical restriction of eligibility so that by 1987/88 expenditure had been cut to £190m (Craig, 1989, p.11).

The cash-limited, discretionary nature of the social fund means that the apparent priority given to people with disabilities by the provision of community care grants (CCG) intended to prevent institutionalisation is often illusory for a number of reasons. First, there is a high refusal rate for these grants: the average in the first year was 49 per cent (ranging between local offices from a low of 43 per cent to a high of 57 per cent) (*ibid.*, p.31), and, overall, just 14 per cent of CCGs went to people with disabilities (*ibid.*, p.33). Second, Age Concern has found that ‘Elderly people are often fiercely independent and would ... consider it an insult to them if they were to admit that they could no longer manage at home without a grant’ (quoted in *ibid.*, p.18). Third, some disabled claimants find that invalidity benefit brings them just above income support levels – often by only a few pence – but this bars them from social fund CCGs:

the Benefits Research Unit reports that of a sample of 44 people wanting to move out of residential care into a range of supported or unsupported accommodation, 20 were ineligible for CCGs because

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they were receiving rates of invalidity benefit which took them above income support levels. (*ibid.*, p.19)

The changes to housing benefit (HB) were designed to 'harmonise' its structure with that of IS. Thus the system of personal allowances and premiums was duplicated – with some differences; a capital limit – initially of £6,000 but later increased to £8,000 – was introduced to HB for the first time; all claimants, including people with disabilities, were liable to pay 20 per cent of their general rates; and the tapers which govern the speed at which HB is withdrawn as income rises were substantially increased.

### *Impact of the changes*

Despite transitional protection to income support and, eventually, to housing benefit, their introduction meant a net cut of over £600m in April 1988 (DAERA, 1988, p.2). Transitional protection was designed to ensure only that weekly cash income would not fall *at the point of change*. The effect was to freeze benefit levels for 1.4 million claimants. At the April 1990 uprating, 200,000 claimants were still getting IS transitional protection; their benefit had been frozen for three years running, despite rising prices. Even so, their benefit levels are not as low as those of new claimants:

It should, however, be remembered that those people [getting transitional protection] will still be receiving more benefit than those who have started to receive benefit since April 1988. (*Hansard*, 23 October 1989, col. 460)

There is evidence that a large proportion of people with disabilities experienced considerable losses as a result of these changes. The government's suggestion that 80,000 'sick and disabled' people would be worse-off as a result of the changes to means-tested benefits is a considerable underestimate because the definition of 'sick and disabled' used includes only those under pension age and who qualify for a disability premium under income support (DAERA, 1989b). The following groups are excluded by this definition: disabled pensioners – by far the largest proportion of people with disabilities; people under pension age who do not qualify for the disability premium, including thousands who qualified for SB additional requirements but were excluded from the premium by the tightening up of eligibility; and disabled children whose families claim benefit. Once all people with disabilities affected are taken into account, it is estimated that more



than one million of them lost income as a result of the changes to means-tested benefits (*ibid.*).

Energetic campaigning by organisations of and for people with disabilities which focused on the loss represented by the abolition of additional requirements resulted only in the establishment of the Independent Living Fund with an initial £5m budget. The trust fund is administered on a discretionary basis, outside the social security system, and was intended to deal with only a very small proportion of the large number of disabled people who would incur losses – in the region of 1,000 severely disabled people with very restricted ability to perform self-care and domestic tasks. However, despite its discretionary nature, applications to the fund far outstripped government expectations: the 1990/91 budget was £32m and almost 6,000 severely disabled people were receiving help (DAERA, 1990b, p.29). Despite the agreement of the trustees to restrict eligibility to those between the ages of 16 and 74, designed to reduce the scope of the fund at the request of the government, the high number of potential claimants is still indicated by the fact that 120,000 people with disabilities between those ages receive the higher rate attendance allowance.

Finally, a recent examination of living standards under income support confirms that ‘people with disabilities have experienced some of the largest losses’ (Oppenheim, 1990). A single person with disabilities is calculated to have suffered a 15 per cent loss in real terms – 29 per cent for those under the age of 25 – while a pensioner couple where the woman suffers from diabetes would have experienced a fall of 8 per cent in real terms.

### **The OPCS survey of disability**

We now consider the main findings from the OPCS research concerning the financial status and needs of people with disabilities. Three main aspects of the OPCS findings are highlighted because of their important policy implications: the preponderance of older people in the disabled population, the heavy reliance of people with disabilities on social security and the link between severity of disability and financial need. It should be borne in mind that the OPCS survey of disability was conducted in 1985, well before the radical restructuring of social security provision outlined above.

***Older people with disabilities***

Of the 6.2 million adults with disabilities identified by the OPCS survey, over 4 million (69 per cent) were aged 60 or over. However, this is not to suggest that disability is a natural consequence of ageing since the prevalence of disability for people over 60 is just 355 per thousand of the population although in advanced old age there is a close correlation between age and disability.

This finding is crucial to an understanding both of the inadequacy of the existing system and of the proposals in the 1990 White Paper *The Way Ahead* (see below). It means that the majority of pensioners do *not* have extra disability-related costs but, as the OPCS survey confirms, the incomes of disabled and non-disabled pensioners are very similar: the average equivalent income of older people with disabilities was £91.90 compared with £93.70 for the non-disabled (Martin and White, 1988, p.31). Thus older people with disabilities face a double deprivation: on the one hand, as older people their incomes are lower than those of people below pension age (on average by 69 per cent) and, on the other, they do not have access to additional income, above that received by non-disabled pensioners, to meet the extra costs of disability (see Walker, 1990).

*Sources and levels of income*

Reliance on state benefits among disabled pensioners is almost total: 96 per cent lived in a family unit with no earners (Martin and White, 1988, p.20). The OPCS survey found that 96 per cent of disabled pensioners received the state pension, and 23 per cent relied on SB to top up their income. However, analysis of this 23 per cent reveals that some very elderly disabled people are dependent on a benefit which, as the report gently puts it, 'is a general indicator of inadequacy of income from other sources' (*ibid.*, p.20). Over 2 million (35 per cent) of all adults with disabilities are unmarried pensioners – a group which consists predominantly of the elderly and very elderly: 82 per cent of them (1.7 million) are aged 70 and over, 40 per cent (868,000) 80 and over and, overall, 22 per cent were in severity categories 7-10. Reliance on SB among this group was 30 per cent (*ibid.*, p.21). While the published OPCS data do not enable further analysis to establish whether most of the very elderly are included in this 30 per cent, it must be assumed that this is the case given that they are less likely to have occupational pensions and substantial savings.

Housing costs and expenditure were excluded from detailed analysis by OPCS. However, the number in receipt of housing benefit was established, and gave 'a general picture of substantial proportions of disabled householders having sufficiently low incomes to qualify for housing benefit' (*ibid.*, p.24). Over half (56 per cent) of all disabled householders received housing benefit. Among older people with disabilities the majority were in receipt of housing benefit and the demarcation between the married and unmarried was confirmed: 72 per cent of unmarried householders compared with 57 per cent of married householders got housing benefit.

Because of the age discriminatory basis of the disability benefits system, receipt of specific disability benefits by older people was, by comparison, very low. As we showed earlier, the highest benefit levels are received under the industrial injury and war disablement schemes; so the fact that benefits under these schemes were received by only 2 per cent of pensioners with disabilities is an indication of just how small a part they play in income maintenance for the majority of people with disabilities. In addition, the abolition of the largest remaining sector of the industrial injuries scheme (REA) will mean that the current version of this figure will be even lower.

Finally, while attendance allowance and mobility allowance are not income maintenance benefits, and therefore fall outside the scope of this chapter, their brief inclusion here is necessary for three reasons. First, in its examination of actual average income OPCS amalgamated all benefit income. Second, the low levels of income received by adults with disabilities mean that benefits such as attendance allowance and mobility allowance frequently supplement basic income maintenance rather than being spent exclusively on attendance and mobility needs. Thus a simple distinction between income maintenance and benefits in respect of additional costs is impossible to sustain in the present social security system. Third, it is particularly the case that older people with disabilities are both living on low income levels and are among the most severely disabled – almost half of those in severity categories 9 or 10 were aged 75 or over.

Only 9 per cent of all disabled pensioners received attendance allowance in 1985. However, 27 per cent of those in severity category 10, 45 per cent in category 9, and 71 per cent in category 8 did *not* receive attendance allowance (Martin and White, 1988, p.22). This contrasts with OPCS's suggestion that 'it seems unlikely that many

people in severity category 10 would not be eligible, since they must have multiple disabilities and the majority have self-care disabilities' (*ibid.*, p.21). OPCS was also surprised 'that some people in the lowest severity categories are receiving attendance allowance' and felt that 'this may reflect such factors as the nature of our severity measure' (*ibid.*, p.22).

Mobility allowance was received by just 3 per cent of all pensioners with disabilities, a fact which relates not to need but to age-discriminatory eligibility criteria; the age bar on applications (which must be made before the 66th birthday) restricts the number entitled. So, despite the fact that locomotion problems were experienced by over 4 million adults (Martin, Meltzer and Elliot, 1988, p.25), 91 per cent of those in severity category 10, 90 per cent in category 9, and 93 per cent in category 8 did not receive this benefit (Martin and White, 1988, p.20).

Thus the overall effect of the disability benefits system is to exclude the vast majority of older people with disabilities. They therefore rely instead on the state pension and means-tested benefits as their main sources of income.

Detailed consideration of the actual incomes of pensioners with disabilities is made impossible by the method of analysis used by OPCS. Income from all sources was averaged across all respondents 'whether or not they received income from a particular source' (*ibid.*, p.26) and the data presented in terms of main source of income. As a result there are no figures available – derived solely from the total of all state benefits received – for the average benefit income of people with disabilities who relied on benefits *alone*.

Nonetheless it is possible to say that 89 per cent of pensioners with disabilities relied on state benefits as their main source of income. That such a large proportion *receive* state benefits has already been established and is not surprising given near universal access to the state retirement pension. But the fact that state benefits represent the main source of income for such a high proportion of pensioners with a disability is highly significant in policy terms. First, it emphasises the very low incomes of this group, despite the additional costs of disability. For example, the single person's pension is barely one-fifth of average male earnings and less than one-third of the European Community decency threshold for the wages of full-time employees. Not surprisingly, therefore, the vast majority of older people with

disabilities live in poverty. In the words of OPCS: 'relative to the working age population pensioners are generally less well off' (*ibid.*, p.32). Secondly, it suggests that the government's emphasis on increasing occupational cover, and the cuts being made in disability benefits to 'encourage' the take-up of occupational pensions – such as the abolition of REA and of the earnings-related addition to IVB – are irrelevant when it comes to meeting the needs of those currently disabled. Thus 'other sources' of income – the most common being an occupational pension or redundancy payment, and interest from savings or investment – represented the *main* source of income for only one in ten of pensioners with disabilities (*ibid.*, p.25). Thirdly, it is questionable how effective government policy will be with regard to the income needs of future pensioners because only 31 per cent of people with disabilities were in paid work in 1985, and these were predominantly low paid.

#### *People below pension age*

The financial situation for the 2.2 million non-pensioners with disabilities (36 per cent of all people with disabilities) was markedly different from that of pensioners with disabilities, not least because of access to earnings – albeit by a minority. Of course, earnings affect not only the 31 per cent of people with disabilities who were employed but are also significant for those adults with disabilities who lived in a family unit with one or more earners. Whilst, overall, only 22 per cent of adults with disabilities were in this position, the proportions were much higher for non-pensioners, and particularly for those who were married: 70 per cent and 58 per cent of married people with disabilities (with and without children respectively), and 27 per cent and 29 per cent of unmarried people with disabilities, lived in a family unit containing one or more earners. Not surprisingly, this had a significant effect on incomes for such family types.

#### *Sources and levels of income*

Only one in three (35 per cent) of 'non-pensioner family units' received a specific disability-related income maintenance benefit, despite the fact that in the region of twice that number were not in paid work, that only 3 per cent were getting unemployment benefit and sickness benefit respectively, and that a small proportion of recipients of industrial injury and war disablement pensions would have been in

work. One in four (23 per cent) overall relied on means-tested SB. Broken down this figure reveals that disabled single parents (as is the case in the general population) had a much higher dependence on SB than couples – 64 per cent relied upon it, as did 35 per cent of single disabled people without children. Even 20 per cent of married couples with children – the group most likely to have an earner in the family unit – needed SB (Martin and White, 1988, p.21).

The relationship between receipt of the disability-related income maintenance benefits and severity of disability is entirely dependent on the nature of eligibility criteria for each benefit. IVB is paid on the basis of contributions and total incapacity for work. An individual categorised at the lower end of the severity scale can be sufficiently disabled to be incapable of work (see for example Case 2.2, Martin, Meltzer and Elliot, 1988, p.13) and, if he/she has had an opportunity to build up an adequate NI record, will therefore be eligible for IVB. Industrial injuries and war disablement benefits, as compensatory benefits, can be paid regardless of employment status and, prior to the recent cutbacks, were both payable for assessments of 1 per cent upwards. It is therefore to be expected that no significant link with severity of disability would have existed for these benefits (see Martin and White, 1988, Table 3.6). However, it is likely that the abolition of industrial disablement benefit for 90 per cent of claims and the abolition of REA will link receipt of industrial injury benefits more closely to severity of disability.

By comparison, SDA (paid to those without sufficient NI contributions) is linked not just to incapacity for work, but also to a test of severity of disability. Inevitably this produces a positive correlation between receipt of SDA and severity of disability: 33 per cent of those in severity category 10, 29 per cent in category 9, and 15 per cent category 8 rely on SDA as their main income maintenance benefit. It must be remembered that SDA was paid at only £28.20 in 1990 for a single person (compared to IVB of £46.90) and yet ‘most SDA recipients are so severely disabled that they have never been able to work’ (Martin and White, 1988, p.21).

Receipt of mobility allowance among disabled non-pensioners, at 13 per cent, compares favourably with the figure for pensioners because of increased access underneath the age bar. Overall receipt of attendance allowance at 7 per cent once again masked significant numbers who were not receiving these benefits despite being in the

highest severity categories: 15 per cent of category 10, 43 per cent of category 9, and 78 per cent of category 8 were not getting attendance allowance despite the likelihood of high care needs and multiple disability; and 33 per cent of category 10, 52 per cent of category 9, and 66 per cent of category 8 were not getting mobility allowance despite the high incidence of locomotion problems (*ibid.*, p.22).

It is significant that, for both benefits, more than 45 per cent of all adults with disabilities who were not receiving them said that they had never heard of them (*ibid.*).

Because of the greater access to earned income among disabled non-pensioners, the level of dependence on social security as the main source of income was lower than that for pensioners. Thus two-thirds (68 per cent) of childless single people with disabilities below pension age were reliant on benefits as their main source of income (compared with 90 per cent of unmarried pensioners). Some 76 per cent of lone parents were relying primarily on social security. Married people had lower levels of dependence on benefits regardless of whether or not they had children (two-fifths). However, only those who were married and with children were more likely to depend on earnings rather than benefits as their main source of income (55 per cent).

The disparity between the incomes of people with disabilities and the non-disabled below pension age is considerable: the average equivalent income of non-pensioners with disabilities was just 72 per cent of that of the non-disabled: £98.30 compared with £136.50. Not surprisingly, 34 per cent of disabled non-pensioners had equivalent incomes (at £68.25) below half the average for the general population compared with 23 per cent of the general population, and only 19 per cent of disabled non-pensioners were above average compared with 42 per cent of the general population (Martin and White, 1988, p.31).

Thus, even before the extra costs of disability are taken into account, the incomes of people with disabilities below pension age are significantly below those of the non-disabled – who are not, of course, faced with such costs.

### ***Disabled children***

The OPCS survey confirmed the major effect on family employment patterns, and therefore on family income, of having a disabled child (see also Baldwin and Glendinning, 1981; Glendinning, 1983). In comparison with the general population, rates of employment for

non-disabled adults who had a child with a disability were significantly lower : 89 per cent of fathers in the general population were working in comparison with only 75 per cent of fathers with a disabled child. Mothers were much less likely to work full-time than part-time: 9 per cent of mothers of a disabled child worked full-time as against 15 per cent in the general population (Smyth and Robus, 1989, p.10).

Nearly one-third (32 per cent) of family units with a disabled child – 74 per cent of which were single parents – also had no earner in the unit, with the inevitable result that ‘reliance on state benefits as the main source of income was high’ (*ibid.*, p.13). The earnings of parents with disabled children were also lower than for the general population of parents.

Over a third of families with disabled children were dependent on state benefits as their main source of income, with an average income of £84.82. Of these, 78 per cent were single parents reliant on an average of only £70.49 per week.

The government’s strategy of ‘targeting’ those on the lowest incomes is not supported by the OPCS data. In particular, take-up of means-tested, as against universal, benefits is again shown to be very low. Thus the selective or targeted approach is an ineffective and inefficient way of getting resources to those in need.

All family units with a disabled child were receiving child benefit while only 4 per cent were receiving family income supplement (FIS) (now family credit). Since parents with disabled children have been shown to earn less than those in the general population it is to be expected that entitlement to FIS (now replaced by family credit) would be far higher than the take-up rate.

Children with the most severe disabilities were found to be badly served by attendance and mobility allowance:

- 31 per cent in categories 9-10 did not receive attendance allowance
- 76 per cent in categories 9-10 did not receive mobility allowance
- 77 per cent in categories 7-8 did not receive attendance allowance
- 95 per cent in categories 7-8 did not receive attendance allowance.

While the recent extension of attendance allowance to children under the age of two will have some effect on the figures for this benefit, they are too large for it to be substantive.



### **Severity of disability and income**

The OPCS survey also confirmed the findings of previous research that as severity of disability increases so do both financial need and dependence on state benefits. Income from other sources had a U-shaped distribution with an overall tendency to fall with increased severity of disability, due in part to the higher age of the most severely disabled. Benefit income also had a U-shaped distribution with severity categories 5-6 receiving the lowest amounts but severity category 10 receiving markedly the highest amounts (Martin and White, 1988, p.27). OPCS correctly attributed this to increased receipt of attendance allowance, mobility allowance and additions to supplementary benefit by the most severely disabled. However, no data were provided on the extent to which SB additional requirements contributed to this increase in income. Given their abolition, it is impossible to gauge the extent to which this increase in income will have been reduced since the introduction of IS. It must also be remembered that relatively high proportions of people in the highest severity categories did not receive attendance and mobility allowances indicating that these average figures will mask much lower weekly incomes for some.

As we have seen, the incomes of pensioners with disabilities are on a par with those of non-disabled pensioners. The authors of the OPCS reports concluded their examination of the relationship between disability-related expenditures and need: 'The results ... suggest that additional expenditure on needs arising from disability is constrained by income' (Martin and White, 1988, p.56). Thus it is clear that a large proportion of older people with disabilities is unable to meet such needs because of low income and must be suffering deprivation as a result.

The relationship between severity of disability and income was relatively straightforward for people with disabilities below pension age: earnings fell and benefits rose with severity of disability. Income from other sources also showed a general tendency to fall (*ibid.*, p.22). Once again, the withdrawal of supplementary benefit additions must be expected to have had an effect on this pattern.

### ***The OPCS reports and disability benefits***

Overall, the OPCS data provide further evidence of the failure of the disability benefits system. The incoherent manner in which this

network of benefits has developed results in its targeting only two specific needs (mobility and attendance), some restricted cases of income maintenance, and compensation for two of the many causes of disability. The sizeable holes which such an approach leaves, combined with more restrictive rules of entitlement over the last decade, mean that the vast majority of people with disabilities do not receive a specific disability benefit as of right, that a large proportion are forced to rely on means-tested benefits to supplement their income, and that the retirement pension is the state benefit received by the greatest proportion of people with disabilities.

It is obvious that this inadequate system of benefits fails to ensure equity between the incomes of the disabled and the non-disabled and, moreover, makes little or no provision for the extra costs of disability for the majority of people with disabilities.

In this context, government claims that attendance and mobility allowances are 'well targeted on the heaviest sources of extra disability-related expenditure' (Tony Newton, 1989) are not supported by the facts. We have seen that these benefits were received by a relatively small proportion of all people with disabilities. Significant proportions of the most severely disabled did not receive them at all, 45 per cent of those who did not had never heard of them, and many fail to pursue entitlement because they cannot face the humiliation of the medical assessment (NACAB, 1990). The considerable underestimates of the levels of disability-related extra costs made by OPCS suggest that attendance and mobility allowances do not cover these costs even for many of the people who do receive them.

Similarly, for the government to dismiss the fact that 75 per cent of adults with disabilities were dependent on state benefits as

not surprising given that approximately 4.2 million people covered by the survey were over pension age. For this group, State Retirement Pension [£46.90 for a single person in 1990/91] will of course be an important source of income (Tony Newton, 1989)

is an attempt to obscure the failure of disability benefits to meet the needs of all people with disabilities, regardless of their age.

### **The 1989 review of disability benefits**

During the early 1980s, the government held out the prospect of a coherent disability benefits system once the economy improved. When that improvement happened in the mid-1980s, it changed tack

and argued that there was too little information available and commissioned the OPCS survey. The disability organisations were then told that they must wait until all six OPCS reports had been published. Meanwhile, the government rejected calls for an independent inquiry and instituted its own review in 1989.

While the government declared itself 'willing to take account of comments made by organisations of and for disabled people in considering changes to benefit' (*Hansard*, 5 February 1990, col. 518), no direct and formal consultation took place.

The government's review, the outcome of which was published as the White Paper *The Way Ahead* in 1990, came to the following general conclusion about the disability benefit structure, which then informed the proposed changes:

the overall structure should give priority for additional help to those disabled earlier in life for whom disability is more financially disruptive. (DSS, 1990, p.6)

This was an important conclusion to have come to in strategic terms. It is true that the current structure of benefits means that the earlier disablement occurs – and particularly if it entails incapacity for work – the lower will be the overall level of income maintenance benefits available (and, later, occupational pension). The enormous disparity between SDA and IVB, combined with the low levels at which these benefits are paid, does indeed mean that changes are urgently required. However, we have also seen that more than two-thirds of people with disabilities are over the age of 60, and that many are in the oldest age groups and experience the severest levels of disability, whilst subsisting on very low levels of income. Thus the decision to focus changes exclusively on younger people with disabilities may be interpreted as one based, to some extent at least, on economic expediency.

The proposals contained in *The Way Ahead* fall into three groups: changes which had already been announced in the October 1989 uprating statement and which related predominantly to income support; changes to SDA, IVB and REA which required primary legislation and are contained in the 1990 Social Security Act; and the proposed introduction of a new disability allowance and disability employment credit from 1992 which will be examined in other chapters in this book.

The proposals contained in the 1989 uprating statement consisted of a combination of increases, over and above the rate of inflation, in the rates of IS premiums, and concessions on specific disability benefits for which disability organisations had been campaigning for some years. Thus, the IS disabled child premium was increased to the same rate as the disabled adult premium, which was itself increased by 13 per cent instead of the general increase of 5.2 per cent. A carers' premium of £10 was introduced to income support, and the carers' earnings limit to invalid care allowance was increased to £20. The therapeutic earnings limit to IVB and SDA was increased from £28.50 to £35. Attendance allowance was extended to children under the age of two and its six-month waiting rule was waived for people with terminal illness. Mobility allowance was extended to those who are 100 per cent blind and 80 per cent deaf (an estimated 3,000 new beneficiaries). The re-structuring of SSP (described earlier) was announced (see DAERA, 1989a, p.6 for other changes). While improvements to benefit levels for people with disabilities must be welcome, the main increases in benefit levels were restricted to means-tested income support and therefore did nothing to provide adequate disability incomes as of right.

The government's examination of the OPCS reports resulted in three specific conclusions linked to proposals for action. The proposals given effect by the 1990 Social Security Act relate to the last of these conclusions:

the structure of help given to replace lost earnings for people unable to work should take account of the encouraging growth of long-term occupational sick pay and should be improved for those with no access to contributory or occupational benefits. (DSS, 1990, p.7)

As noted earlier, the main income maintenance benefit for those without contributory or occupational benefits is the severe disablement allowance, paid at £28.20 per week in 1990 for a single person. From December 1990, the age additions currently paid with IVB were also to be paid with SDA: those whose entitlement starts below the age of 40 would receive £10 per week, those between 40 and 50 £6.20 per week, and those between 50 and 60 £3.10 per week.

The government estimates that 160,000 people will receive the highest addition, 50,000 the middle addition, and 35,000 the lowest. However, of the 263,000 people getting SDA in 1988, 143,000 were also claiming income support, and an additional 5,000 were getting

housing benefit. The new additions will be taken fully into account in the IS means test for all but 16-17 year olds who receive a disability premium. Thus, for many the total amount of SDA received will still be below the level of IS entitlement and, consequently, they will see no difference in their income.

This provision, the only one designed to improve the replacement of lost earnings to 'those with no access to contributory or occupational benefits', clearly does nothing to tackle, and is indeed neutered by, the basic problems with the SDA. The very low levels at which benefit is paid, the '80 per cent test' which discriminates against those whose disability has inhibited building up sufficient NI contributions, and which filters out all but the very severely disabled, these elements remain. However, the OPCS evidence clearly indicates that, unless they are tackled, the extreme poverty experienced by people with disabilities on SDA will continue. As noted earlier, the net cost of increasing the basic rate of SDA to that of IVB would be just £110m per year.

The Act contains two provisions which aim to 'take account of the encouraging growth of long-term occupational sick pay'. The first is abolition of the reduced earnings allowance. The second is the phasing out of the earnings-related addition to IVB from April 1991. Existing claimants will continue to receive their entitlement 'subject to revaluation and uprating in future years' (DSS, 1990, p.38). New claimants will be able to claim, but only on the basis of NI contributions made between 1979 and April 1991. Contributions paid after 1991 will not count towards a SERPS equivalent addition for those unable to work.

It is obvious that the imposition of an occupational preference for what seem to be purely ideological reasons perpetuates into retirement the increasing gap between low-paid and other workers. For people with disabilities, such emphasis on occupational provision will also have the effect of increasing the already huge gulf between their incomes and those of the non-disabled. The OPCS survey has shown that less than a third of people with disabilities are in employment and, therefore, have even the potential for building up an occupational pension, and that the severity of disability affects ability to work. However, it has also shown that employed people with disabilities are much more likely to be in workplaces where they are least likely to have sound contractual rights and access to occupational cover: they

are more likely to be low paid, to work part-time, and to be in manual employment. It is hardly surprising, therefore, that occupational cover provides the main source of income for less than one in ten of disabled adults. In the absence of any evidence to suggest that people with disabilities are to be enabled to increase their access to occupational benefits, the withdrawal of state cover can only make the situation worse.

The change to IVB has also been justified on the grounds that to continue the commitment to the earnings-related addition would have constrained the 'government's ability to do more for those with no such entitlement, [and] widened yet further the gap between those who have been able to work and those who have not' (DSS, 1990, p.37). As we have seen, the proposals do very little for those who have been unable to work consistently. Furthermore, to attempt to reduce the gap between those able and unable to work by levelling *down* is hardly acceptable within the context of the poverty-level incomes shown by the OPCS reports.

Analysis of the costs to the government of implementing all the proposals suggests that they rise to almost £300m in 1993/94, then fall to £6m by the end of the century, and thereafter that they represent savings for the Exchequer (DAERA, 1990b p.5). Total annual costs in the year 2000-01 are expected to be £516m (*Hansard*, 19 January 1990, col. 481-2). By comparison, the government estimates savings in the same year to be in the region of £510m – a figure which does not include the £55m per year saved from the recouping of benefits from compensation awards, or the £70/80m saved from the restructuring of SSP (DAERA, 1990a, p.5).

It is clear that changes which result in net savings within a decade of their implementation cannot be meeting the need implied by the considerable income deficiencies experienced by people with disabilities in comparison with the general population. People with disabilities below pension age have an income deficiency of £60 per week (at today's prices) compared with the non-disabled. Despite the much smaller disparity between the incomes of disabled and non-disabled pensioners, the 'disability income deficiency' is now £13.30 (DAERA, 1990b, p.3).

### **Alternative disability income schemes**

The two main alternative disability income schemes proposed by organisations representing people with disabilities are the Disablement Income Group's national disability income, and the Disability Alliance's comprehensive disability income scheme. Both groups emphasise the responsibility of the state to provide adequate incomes for all people with disabilities, regardless of the origin of the disability or their capacity for work; the extra expenses created by disability; and the importance of adequate income in enabling people with disabilities to participate fully in everyday life.

#### ***DIG's national disability income***

A national disability income would consist of a disablement costs allowance 'which recognises in a general way the distortion and restriction of a person's range of activities' (DIG, 1987, p.3) and an income maintenance element available to those who are incapable of work.

The tax-free *disablement costs allowance* would correspond to the disablement benefit component of the industrial and war disablement schemes and 'would depend on the degree and the nature of the disability' (*ibid.*, p.7). Benefit would be payable at all ages but not necessarily at the same rates, given that the extra expense incurred by a disabled child would not necessarily be as high as that of a disabled adult. Assessment would aim to 'reflect, very broadly, the effect of the disability on the cost and quality of life' (*ibid.*, p.7). In addition to the costs allowance, there would be allowances 'for large identifiable expenses... These would include the existing mobility and attendance allowances.' A third rate of attendance allowance would be introduced, and paid at a rate 'substantially higher than the rates presently payable', aimed at enabling people with disabilities to buy the help they need to live outside institutions.

The taxable *income maintenance element* of the national disability income would be based on invalidity benefit. Eligibility would be extended to all people with an assessed disability which caused incapacity for work, irrespective of national insurance records. In effect, this represents the abolition of SDA. The invalidity pension would also provide a benefit for those with partial capacity for work by being 'continued at reduced levels where earning power is only partially developed or restored' (*ibid.*, p.10). Existing earnings rules

to IVB relating to spouses would be relaxed or abolished. The earnings-related addition to IVB would be retained but 'the rate of build-up' for people whose disability occurred early in their working lives would be enhanced. The invalidity age allowance would be subsumed under the disablement costs allowance. Finally, the invalidity benefit 'should be high enough to meet normal living costs without recourse to any means-tested income support or social fund benefits and must be higher in relation to the national average wage than they are at present' (*ibid.*, p.11).

***The Disability Alliance's comprehensive disability income scheme***

A comprehensive disability income scheme would comprise a disablement allowance aimed at compensating for the costs and restrictions caused by disability, a disablement pension to provide income maintenance for people with disabilities who have been unable to work for more than six months, a carers' pension to provide income maintenance for carers unable to work because of their caring role, and a carers' allowance to compensate for the social and emotional costs of caring (DA, 1987).

The Disability Alliance explicitly recognises that the introduction of a comprehensive disability income scheme would form only part of the process of transforming the status of people with disabilities in society. Such a scheme could not guarantee full participation in society and would need to be accompanied by action on anti-discrimination legislation and the development of an accessible environment – including transport and housing, equal access to employment, and the provision of resources to enable people with disabilities to live fully independent lives.

The *disablement allowance* would be paid as of right, at rates above those currently available under the war and industrial pension schemes, whether or not the claimant is employed or receiving an income maintenance benefit, and without test of means. The allowance would be paid on a long-term basis and at varying levels to compensate for the increasing costs and restrictions which the OPCS survey has confirmed are involved in increased severity of disability. Assessment of the severity of disability would be on the basis of the extent to which people with disabilities are restricted from following everyday activities. Attendance and mobility needs would be taken into account during the assessment procedure and the attendance and



mobility allowances would be absorbed into the disablement allowance. In addition to the normal maximum rate of the disablement allowance, there would be a system of additional weekly allowances available to those people with very severe disabilities who have exceptionally high associated costs.

The *disablement pension* would provide an income maintenance benefit for people who, through long-term sickness or disability, have been unable to work for more than six months. The pension would be set at a level which ensures that people with disabilities do not need means-tested benefits. Paid solely on the basis of incapacity for work, the pension would represent a unified approach to income maintenance for all people who are out of work in the long term because of their sickness or disability. Questions of marital status, national insurance contributions, or the assessed severity of disability would play no part in deciding entitlement.

The pension would also be extended to deal with the problem for those people with disabilities who, whilst they are not able to work full time, are capable of some work but who currently run the risk of losing their benefit if they attempt the level of work which is appropriate to them. A partial capacity benefit would be paid to those capable of some work as long as they had been assessed as eligible to receive at least the lowest level of disability allowance. The benefit would be paid without means-test, but would be based on the number of hours worked, combined with an earnings taper for those who, because their disability is not relevant to the actual job they are doing, can still command a high wage.

The *carers' pension* would be paid to all carers of working age who are unable to work because of the time that they spend looking after someone with a disability. The pension would replace the existing invalid care allowance and would be paid irrespective of marital status or national insurance contribution record. It would differ from ICA in that it would be paid at the same rate as the other long-term income maintenance benefits; eligibility would be based on the level of disability at which the person being cared for had been assessed for the disablement allowance; and the qualifying hours spent caring would be reduced to 24 per week. The earnings limit would also be increased substantially to the level which applies to retirement pension. Because of the commitments involved in being a full-time carer, the carers' pension would be payable for up to six months after

caring stopped – for example, if the person being cared for dies or goes into hospital.

The *carers' allowance* would also be paid to all full-time carers, whether or not they are working, and regardless of age, as long as they are caring for someone who receives the disablement allowance at above the 40 per cent rate. In the same way as the disablement allowance is paid to meet the extra costs of disability – both quantifiable and unquantifiable – the carers' allowance would be paid in recognition of the emotional, social, and psychological 'costs' of caring. The allowance would be tax-free, free of means-test, disregarded for the purposes of determining entitlement to means-tested benefits, and would be paid on top of any other social security benefits, including the carers' pension.

### **Conclusion**

The OPCS reports highlighted the multiple deprivation experienced by people with disabilities and demonstrated, beyond doubt, the close relationship between severity of disability and financial need. Furthermore, the reports emphasised the failure of the social security system to get benefits to all of those entitled to them. At the same time as OPCS was collecting this evidence, the government was busy restructuring the social security system and, in the process, reducing the incomes of large numbers of people with disabilities.

The post-war history of income maintenance for people with disabilities – piecemeal growth up to 1979 and both piecemeal growth and retrenchment thereafter – has not succeeded in overcoming the poverty associated with disability. Moreover, despite the relatively large number of new benefits that have been introduced, the majority of people with disabilities are still reliant on general means-tested benefits rather than tailor-made disability benefits. The largest group, older people, remain excluded from most special provision.

For the past 30 years organisations of and for people with disabilities, notably the Disablement Income Group and the Disability Alliance, have proposed alternative *comprehensive* schemes. Although the two main proposals differ in some respects, they are both aimed at eliminating poverty, meeting the extra costs associated with disability and promoting equity between different groups of people with disabilities. The three principles underlying such comprehensive schemes – full coverage of all physical and mental disabilities, no

discrimination on grounds of cause, and recognition of the greater financial needs of the most severely disabled – were recently echoed by the government’s own social security advisers (SSAC, 1988).

It is not our place, as researchers, to choose between the different income schemes on offer; that must be a task for people with disabilities themselves. Nor do we suggest that income alone will overcome the various institutionalised forms of discrimination experienced by people with disabilities. But the evidence confirms that unless a radical overhaul of the disability benefits system is carried out, and a more comprehensive benefit scheme introduced, the link between poverty and disability will not be broken.

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