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How can we explain the geographic variation in disability benefit claims in the UK?

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Headline findings

- Local variation in disability benefit claims cannot be explained solely by variation in the health of the local workforce. As was the case in the 1980s and 1990s, the state of the local labour market is still very important.
- Once individual health status is taken into account, alongside other supply-side characteristics like age and education, the higher the local unemployment rate the higher the chances of an individual being in receipt of Employment Support Allowance (ESA).
- For example, for a given state of health a male aged 55-65 living in Hartlepool in the North East has 9 percentage point higher chance of claiming ESA benefits than the equivalent male living in Aylesbury in the South East.
- The local unemployment rate has a larger effect on the probability of claiming ESA for those who have an education level lower than A level and for those who are in households below the poverty line.
- The relative attractiveness of benefits (compared to the local average wage) does not help to explain the geographic variation in ESA claims.
- The stringency with which Work Capability Assessments are being carried out locally does not help to explain the geographic variation in ESA claims.

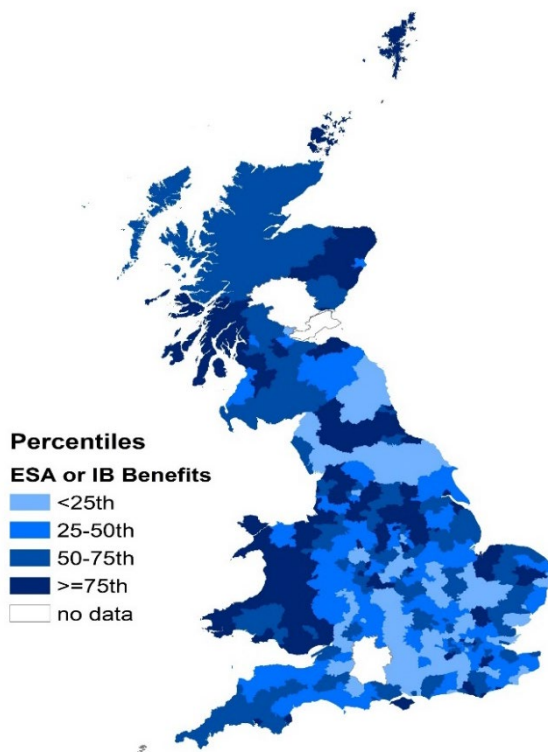


Figure 1: Map showing disability benefit (ESA and/or Incapacity Benefit) claimant rates

Notes: The claimant rate is the number of disability benefit claimants as a percentage of the Local Authority population aged 16-65. Figures based on averages over the period 2010 to 2018.

Implications for policy

- Demand-side factors are important determinants of ESA claims, alongside supply-side factors. The tools required to reduce the disability benefits bill are very different in response to these two influences.
- The supply side can be influenced by improving the health of people on ESA directly. Our results suggest that improvements in both mental and physical health are important.
- The demand side might require policies to tackle the number and type of jobs available, and employer behaviour towards people with health problems.
- The deep and persistent geographic inequalities reflected in our results require specific spatially informed policies since whole communities may be at risk from social exclusion where disability benefit rolls are particularly concentrated.

Background

- There are around 3 times as many people on disability benefits as on unemployment benefits in the UK.
- Mental health problems are the most common reason for claiming ESA, and musculoskeletal problems are the second most common reason.
- The proportion of the population claiming disability benefit varies a lot geographically, from 4.4% in the South East of England, to 7.9% in the North East and 8.2% in Wales (see map above)
- This variation is very persistent and has changed very little since the 1980s and 1990s.

Where does our evidence come from?

- Our estimates come from analysis of the UK Household Longitudinal Study (UKHLS), a nationally representative survey of around 40,000 households who have been interviewed annually since 2009 (www.understandingsociety.ac.uk).
- The survey provides information on employment status and health, as well as other characteristics such as age, gender, education, household circumstances, income and benefit receipt. UKHLS also has information on Local Authority of residence and this enables us to match in information about the local labour market.
- Data are from 2009 to 2019 and focus on the 33,890 working age men and women.
- We measure health status in a number of different ways including: problems with Activities of Daily Living such as mobility, lifting or carrying and manual dexterity; specific health problems including asthma, arthritis, diabetes, high blood pressure and depression; the mental and physical health summary scores from a generic health measure called the SF-12. Our results are similar regardless of the health measure used.

Further points to bear in mind

- During the period covered by our data disability benefits were transitioning from Incapacity benefit (IB) to ESA and we take account of this in our analysis.
- Disability benefits claims are very persistent; once a claim is accepted that individual has a high probability of remaining on benefits. We take account of this in our analysis.
- We carry out the same analysis on Personal Independence Payment (PIP)/Disability Living Allowance (DLA) claims as we do on ESA/IB claims. Unlike ESA/IB, local labour market conditions do not help to explain variation in PIP/DLA claims. This is expected because PIP/DLA claims are simply designed to meet the increased costs associated with having a disability; they are not conditional on work status.
- It is possible that the likelihood of making a benefit claim, local labour conditions and an individual's health are all jointly determined. In further analysis we allow for this and the importance of the local unemployment rate in determining ESA claims still holds.

The full details of this research can be found in: Roberts J and Taylor K. New evidence on disability benefit claims in the UK: The role of health and the local labour market. Sheffield Economics Research papers No 2019021

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