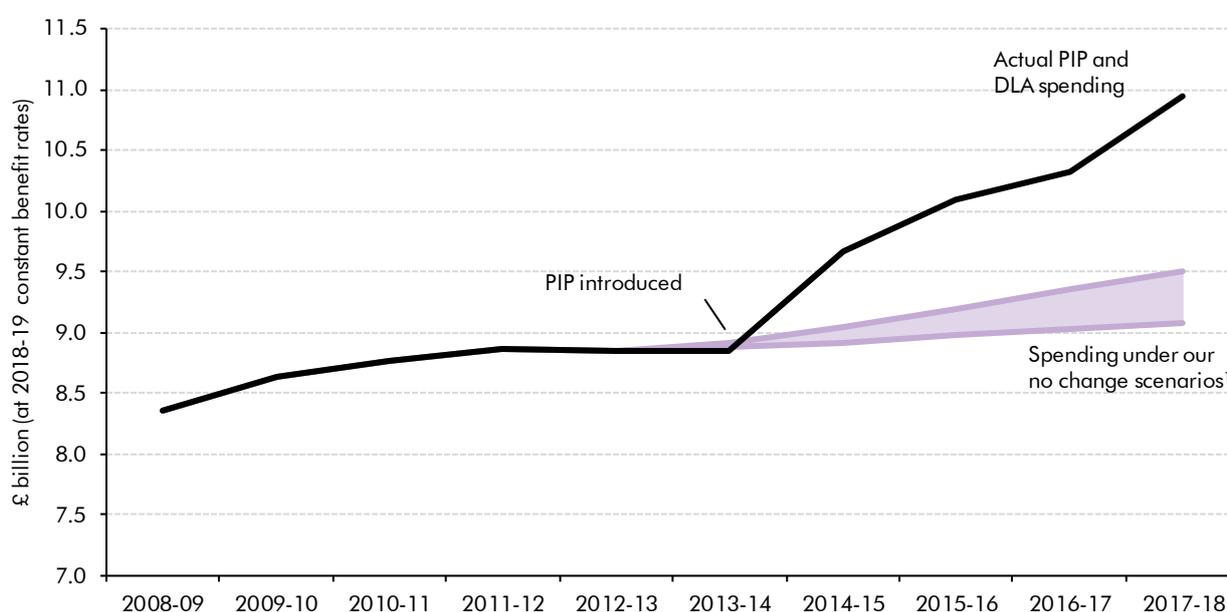


Welfare reforms fail to reduce disability benefits spending

Disability benefits spending has risen faster than anticipated despite reform aimed to reduce it. The transition to PIP was intended to save 20 per cent relative to DLA remaining in place, but appears to have cost around 15 to 20 per cent more.

PIP and DLA spending: outturn vs no change scenarios



¹ Range of three scenarios; constant prevalence, five-year rise in prevalence and ten-year rise in prevalence

Summary

One of the main functions of the welfare system is to support people having difficulty supporting themselves due to ill health or disability. This role stretches back more than a century – at least as far as the National Insurance Act of 1911. The financial support provided by today’s welfare system can be split into those benefits that cushion the incomes of people unable to work for health reasons – principally employment and support allowance (ESA) and, in the future, universal credit (UC) – and those that help to meet extra costs associated with disability – disability living allowance (DLA), personal independence payment (PIP) and attendance allowance (AA). This ‘extra-costs’ disability benefits system cost £23.6 billion in 2017-18 and is expected to cost £30.5 billion in 2023-24. Its evolution and the effects of reforms to it on public spending are the focus of our 2019 *Welfare trends report*.

Survey-based measures of disability prevalence have been increasing gently in recent decades, with mental health problems in particular reported to affect a growing proportion of children and working-age adults. But spending on disability benefits has risen faster, thanks to a more rapidly rising share of the population in receipt of them. In large part, this reflects policy decisions to support a higher proportion of disabled people with the extra costs associated with their disability, first with the introduction of such benefits in the 1970s, then via the deliberate expansion of their coverage in the 1990s. Growth in disability benefits spending has continued in recent years, despite attempts to cut spending on working-age adults significantly through the replacement of DLA with PIP. The Government assumed initially that PIP would be rolled out by 2015-16 and that it would cost 20 per cent less than DLA would have done. In fact, by 2017-18 it was costing around 15 to 20 per cent more, with rollout only around two-thirds complete.

Notes

1. The OBR is the UK's independent fiscal watchdog. We produce forecasts for the economy and the public finances, assess progress against the Government's fiscal targets, and report on long-term fiscal sustainability.
2. Questions on the WTR should be sent to OBR.press@obr.uk or contact Mark Dembowicz on 0203 334 6101.