

18 April 2024

Supplementary forecast information release

Further information on work capability assessment reform at Autumn Statement 2023

1.1 The OBR is releasing the information below following requests for further detail on the forecasts presented in our November 2023 and March 2024 *Economic and fiscal outlooks (EFO)*. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.

1.2 We have received a request to present the employment effect of each of the three descriptor changes in the work capability assessment (WCA) reform policy at Autumn Statement 2023. Most universal credit (UC) and employment and support allowance (ESA) claimants who report a restricted ability to work due to a health condition undertake a work capability assessment, where they are assessed against a set of criteria called descriptors. Three changes to the WCA descriptors (for new claims from 2025) were announced at Autumn Statement 2023:

- The removal of the ‘mobilising’ descriptor that enables entry into the limited capability for work and work-related activity (LCWRA) caseload.
- The amendment of the ‘substantial risk’ descriptor that enables entry into the LCWRA caseload.
- The amendment of the ‘getting about’ descriptor that enables entry into the limited capability for work (LCW) caseload.

We expect these changes to increase employment because they result in some claimants facing higher conditionality requirements and lower incomes. More information on the WCA reforms and their employment impacts can be found in Paragraphs 3.18 to 3.25 of our November 2023 *EFO*. Table 1.1 presents the central estimate of the employment effects of each of these changes from our November 2023 forecast.

Table 1.1: Estimated employment effects from each descriptor change in the WCA reform in our November 2023 forecast

| | Extra individuals in employment (thousand) | | | |
|--|--|------------|------------|-------------|
| | Forecast | | | |
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| <i>Due to:</i> | | | | |
| Removal of LCWRA 'mobilising' descriptor | 0.5 | 1.8 | 3.8 | 5.9 |
| Amendment of LCWRA 'substantial risk' descriptor | 0.2 | 0.9 | 2.0 | 3.3 |
| Amendment of LCW 'getting about' descriptor | 0.0 | 0.8 | 0.8 | 0.8 |
| Total | 0.7 | 3.5 | 6.5 | 10.0 |

Memo: employment effects rounded to the nearest 100 individuals.

1.3 In our March 2024 forecast, compared to the November 2023 forecast, we forecast a higher flow of claimants joining the ESA support group and universal credit LCWRA. This increases the number of claimants we expect the WCA reforms to affect in our fiscal forecast¹. Table 1.2 presents our central estimate of the employment effects of each of the WCA changes based on our March 2024 forecast for Universal Credit caseloads².

Table 1.2: Estimated employment effects from each descriptor change in the WCA reform in our March 2024 forecast

| | Extra individuals in employment (thousand) | | | |
|--|--|------------|------------|-------------|
| | Forecast | | | |
| | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| <i>Due to:</i> | | | | |
| Removal of LCWRA 'mobilising' descriptor | 0.7 | 2.6 | 5.5 | 8.8 |
| Amendment of LCWRA 'substantial risk' descriptor | 0.4 | 1.4 | 3.0 | 5.1 |
| Amendment of LCW 'getting about' descriptor | 0.2 | 0.7 | 1.1 | 1.5 |
| Total | 1.3 | 4.7 | 9.6 | 15.4 |

Memo: employment effects rounded to the nearest 100 individuals.

1.4 There are significant uncertainties around both these central estimates. Two key uncertainties are future caseloads³ (demand for WCAs) and the volume of work capability assessments (supply of WCAs). As the precise number of claimants affected by the WCA reforms depends on both factors, the exact employment effects could be higher or lower than we expect. The labour market response of claimants to the changes is also a significant uncertainty. For more detail on other uncertainties in the WCA reform please see paragraph 3.24 of the November 2023 EFO.

¹ We published an estimate of how many claimants the government's WCA reforms move between conditionality groups based on our November 2023 forecast on 11 January 2024: 'Supplementary forecast information release: Further information on the work capability assessment reforms at the Autumn Statement 2023'. DWP have published an updated estimate of how many claimants the government's WCA reforms move between conditionality groups based on our Spring 2024 forecast, see: DWP, 'DWP management information and ad hoc analyses'.

² We have provided this update in order to provide our most recent estimate of the specific information requested. In practice, our employment forecast is produced top-down rather than comprising a bottom-up re-estimation of the impacts of all past policy measures on employment.

³ We have set out other examples where the impact of costings differs from their initial estimates due to differences in pre-measures forecasts in 'Working paper No.20: A review of welfare policy costings'.