

Institution: University of Essex
Unit of Assessment: 18 – Economics and Econometrics
Title of case study: Influencing reform of disability benefits for older people
<p>1. Summary of the impact</p> <p>A policy proposal to reduce the system of disability benefits received by 2.44 million over-65s across the UK was abandoned in 2012, partly as a result of research conducted at the University of Essex. The research team highlighted a flaw in the income analyses which were used in Government to suggest that disability benefits often go to older people without substantial financial needs. Defining income more appropriately, the team's research showed instead that recipients of these benefits would be on low incomes if disability benefits were not provided. The findings were quoted extensively by the Health Select Committee in making its recommendations, and the policy change has been abandoned.</p>
<p>2. Underpinning research</p> <p>The case study stems from a body of research on the UK system of state support for older people with care needs. This system consists of two main types of support: care, largely in the form of services, provided via public bodies after an assessment of care needs, for which recipients pay user charges determined through a means test; and cash benefits paid on the basis of disability and care needs, which are not means tested. The impacts described in this case study resulted from our research analysing data from three high-quality household surveys (the Family Resources Survey, the British Household Panel Survey and the English Longitudinal Study of Ageing). Our analysis sought to establish the determinants of receipt of the two disability benefits, Attendance Allowance (AA) and Disability Living Allowance (DLA), among older people, paying particular attention to: (i) the role of income (measured excluding these benefits); (ii) the influence of severity of disability, taking into account the potential for measurement error in the self-reported indicators of disability available in surveys; and (iii) the degree of agreement in data from different surveys. We also examined the likely consequences for poverty rates among older people of various forms of means-testing AA and DLA to assess the extent to which older disabled people could afford (or not) to lose AA/DLA.</p> <p>Our analysis made a specific contribution in highlighting the need to exclude AA/DLA (or the costs they are intended to meet) from the definition of income when considering where recipients are in the distribution of income (and, by implication, of living standards). To do otherwise gives a misleadingly favourable view of the position of disabled people. Through a comparison excluding and including AA/DLA we demonstrated that the misleading effect of inappropriately including AA/DLA in income is substantial. A second contribution was to derive continuous measures of 'latent' disability (using a latent variable structural equation modelling approach), which enabled a better assessment of the influence of severity of disability on receipt of AA/DLA than is possible using only the discrete indicators of disability in surveys. Finally we were able to show through our analysis that three major British surveys led to the same conclusion: AA and DLA are well-targeted in terms of both financial and care needs.</p> <p>The research team included Professor Stephen Pudney, Professor Richard Berthoud, Professor Ruth Hancock (moved from Essex to UEA in January 2008 but remains a member of the MiSoC research centre at Essex), and Francesca Zantomio (Senior Research Officer, left Essex in 2009). The underpinning research and dissemination activities were undertaken in collaboration with colleagues at the University of East Anglia, with each institution making equal contributions.</p>
<p>3. References to the research</p> <p>Berthoud, R. and R. Hancock (2008) Disability benefits and the costs of care. In N. Churchill (ed.), <i>Advancing Opportunity: Older People and Social Care</i>, Smith Institute. Previously published in</p>

Impact case study (REF3b)

2008 as University of Essex: ISER Working Paper 2008-40:

https://www.iser.essex.ac.uk/files/iser_working_papers/2008-40.pdf

Pudney, S. E. (2009) Memorandum submitted by Professor Stephen Pudney, in *Tackling Pensioner Poverty: 5th Report of Session 2008-09 volume II (Oral & Written Evidence)*, pp. 153-155, House of Commons Work and Pensions Committee. London: The Stationery Office, HC 411-II. <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmworpen/411/411ii.pdf>

Pudney, S. E., F. Zantomio, R. Hancock and M. Morciano (2010) Memorandum SC52. House of Commons Health Select Committee (2010) Social Care. 3rd report of 2009-10 Session Vol 2. <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/268/268ii.pdf>

This is a memorandum submitted to the Committee in 2009 using findings subsequently written up in the references below.

Morciano, M., F. Zantomio, R. Hancock and S. E. Pudney (2010) Disability status and older people's receipt of disability benefit in British population surveys: a multi-survey latent variable structural equation approach. Paper presented at the Winter Health Economists' Study Group, London. Expanded version: Hancock, R., M. Morciano, S. E. Pudney, and F. Zantomio (2013) Do household surveys give a coherent view of disability benefit targeting? A multi-survey latent variable analysis for the older population in Great Britain, ISER Working Paper 2013-05. <https://www.iser.essex.ac.uk/publications/working-papers/iser/2013-05.pdf>

Provides robust evidence of consistent findings from three major household surveys that AA is well-targeted on older people with financial and disability needs.

Hancock, R., M. Morciano and S. E. Pudney (2012) Attendance Allowance and Disability Living Allowance claimants in the older population: is there a difference in their economic circumstances? *Journal of Poverty and Social Justice*, 20 (2), 191-206. DOI: 10.1332/175982712X652087. Previously published in 2010 as University of Essex: ISER Working Paper 2010-27. <https://www.iser.essex.ac.uk/publications/working-papers/iser/2010-27.pdf>

Shows that, in the absence of disability benefits, the incomes of older DLA recipients are not substantially lower than those of older AA recipients, contrary to received wisdom.

Hancock, R. and S. E. Pudney (2012) The distributional impact of reforms to disability benefits for older people in the UK: implications of alternative measures of income and disability costs. *Ageing and Society*, published online: 09 October 2012, DOI:10.1017/S0144686X1200075X. Previously published in 2010 as University of Essex: ISER Working Paper 2010-35. https://www.iser.essex.ac.uk/files/iser_working_papers/2010-35.pdf

Shows that the misleading effects of including AA/DLA in income are substantial.

Research funding:

Hancock, R. (UEA) (PI); S. E. Pudney (Co-I) *The role and effectiveness of disability benefits for older people*. Nuffield Foundation, 01.10.08 to 31.3.11, £41,914 awarded to Essex.

Pudney, S. E. (PI); R. Hancock (UEA) (Co-I) *Can people afford to lose Attendance Allowance?* Age UK, 01.02.10 to 30.9.10, £10,660 awarded to Essex.

4. Details of the impact

Reform of the UK's parallel systems of social care and disability benefits – Attendance Allowance (AA) and Disability Living Allowance (DLA) – for older people have been the subject of active debate for a number of years. AA and DLA are not means-tested. The 2006 King's Fund Review of Social Care (chaired by Sir Derek Wanless) suggested that public funds used for AA and DLA might be better channelled through the means-tested social care system, on the grounds that AA and DLA were not well-targeted on those in greatest financial or disability need. The then Government's 2009 Green Paper on the future of care endorsed the option of redirecting funds away from disability benefits into social care as worthy of further consideration. Our research challenged the premise that AA and DLA are not well-targeted. The impact documented below was achieved jointly by the researchers at Essex and UEA, and is underpinned by the research publications to which the two institutions made equal contributions.

Impact case study (REF3b)

We highlighted a fundamental flaw in previous analyses which had suggested that recipients of AA and DLA were located within the middle and upper parts of the income distribution. Our first analysis drawing attention to this flaw was published in February 2008 and also presented to a seminar held at number 11 Downing Street, in the presence of the then minister for social care. On the same day, Berthoud and Hancock presented our findings in a piece in the Society pages of *The Guardian* [corroborating source 1].

We then conducted more detailed research and drew on it in written evidence to the Work and Pension Select committee's 2008/9 Inquiry into Pensioner Poverty and the Health Select Committee's 2009-10 Inquiry into Social Care. Our written evidence to the latter was used by Age UK in their oral evidence:

"I think that other submissions have provided you detailed modelling on the different income groups who are claiming [AA]. There does seem to be evidence that it is a reasonably well targeted benefit, in terms of which income groups receive it and what their incomes would be without it, taking into account the cost of their disability" [corroborating source 2(a)].

The then Acting Charity Director of Age UK has confirmed that this implicit reference was indeed referring to our written evidence (Pudney et al., 2010 – in Section 2) [3]. Our work was also cited by a member of the Select Committee [2(b)] and was quoted heavily in the Committee's report published on 4th March 2010 [4]. The Committee called on the Department of Health to publish evidence that contradicted our research, if they had any. The White Paper on Social Care published on 30th March 2010 ruled out, at least for the next Parliament, any reform of AA and DLA to fund its proposed reform of social care. The Head of Public Policy at Age UK states that

"we believe that their report, and your submission to them, influenced the then Government's decision not to reform AA or integrate it with means-tested care support... It is our impression that the research has had an influence on the way the Department for Work and Pensions views the financial position of disabled older people in receipt of AA or DLA" [5]

The subsequent change of government led to the establishment of the Commission on Funding Care and Support (CFSC), whose report recommended retaining non means-tested disability benefits for older people. Before its report was funded we presented our research at a high-profile seminar organised by the Strategic Society Centre, which was attended by representatives from the CFSC, relevant government departments (HM Treasury, Department of Health, Department for Work and Pensions), voluntary sector organisations (e.g. Age UK), Local Authorities, the private insurance sector and academics [6]. Papers and briefings published by the Strategic Society Centre and Age UK have quoted heavily from our work [7] [8] [9], and have continued to do so [10].

The 2012 Welfare Reform Act has replaced DLA with Personal Independence Payment for new claimants, which differs from DLA in detail but remains a non means-tested benefit for disabled people. AA is still in place. For the foreseeable future older people in the UK therefore retain access to non means-tested cash disability benefits to help them meet the costs that disability brings. As of 2012, they reach some 2.44 million people aged 65+ in Great Britain. These are the immediate beneficiaries of the decision to retain these benefits. Some of them would have lost as much as £77.45 per week (April 2012 rates) had AA and DLA been withdrawn completely. Perhaps more importantly, a public policy change based on an incorrect premise has been avoided.

There were of course many voices arguing for the retention of AA and DLA, and providing evidence of their benefit to older people. Our distinct and material contribution was to highlight the flaw in previous analysis, conduct rigorous academic research which corrected this flaw and improved in other ways on previous analysis of the influence of income and disability on receipt of AA/DLA.

Impact case study (REF3b)

5. Sources to corroborate the impact

All documents are available from HEI on request.

[1] 'Target Practice' *The Guardian*, 6 February, 2008.

<http://www.theguardian.com/society/2008/feb/06/longtermcare.socialcare1?INTCMP=SRCH>

[2] House of Commons Health Select Committee (2010) Social Care. Third report of 2009-10 session, Vol. II: <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/22/22ii.pdf>

a. See Q619 of record of oral evidence session.

b. See Q933 of record of oral evidence: our research is cited by a Select Committee member.

[3] Former Acting Charity Director at Age UK.

[4] House of Commons Health Select Committee (2010) Social Care. Third report of 2009-10 Session, Vol. I.

<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/22/22.pdf>

Our research cited: page 91, para 319 and page 100, para 356 of main text; page 111, para 35 of Conclusions and Recommendations.

[5] Head of Public Policy at Age UK.

[6] Details of seminar held at Strategic Society Centre 14.04.11:

<http://www.strategicsociety.org.uk/event/future-disability-benefits-social-care-and-welfare-reform.html>

[7] Age UK (2010) Attendance Allowance and care reform – briefing.

http://www.ageuk.org.uk/documents/en-gb/for-professionals/money-and-benefits/attendance_allowance_and_care_reform.pdf?dtrk=true

Berthoud and Hancock (2008) cited on page 7, and Hancock et al. (2012) cited on pages 8 and 11.

[8] Lloyd J (2010) Towards a new co-production of care. London: the Strategic Society Centre.

http://haec-clients-public.s3.amazonaws.com/ssc/pdf/2011/02/01/Toward_a_New_Co-Production_of_Care_v.MASTER_DOCUMENT.pdf

Morciano et al. (2010) cited on page 15.

[9] Lloyd J (2011) Cash convergence: Enabling choice and independence through disability benefits and social care. London: the Strategic Society Centre.

<http://strategicsociety.org.uk/wp-content/uploads/2013/01/Cash-Convergence-Enabling-choice-and-independence-through-disability-benefits.pdf>

Berthoud & Hancock (2008) cited (as ISER Working Paper): page 13 in main text; page 11 (footnote 8); page 13 (footnote 16); page 14 (footnote 21); page 15 (footnotes 24 and 26); page 16 (footnote 32); page 18 (footnote 38). Morciano et al. (2010) cited (as ISER Working Paper): page 11 (footnote 5). Hancock et al (2012) cited (as ISER Working Paper): page 11 (footnote 7); page 15 (footnote 29); page 16 (footnote 30).

[10] Lloyd J (2013) Independence Allowance: Developing a new vision for Attendance Allowance in England. London: the Strategic Society Centre. <http://www.strategicsociety.org.uk/wp-content/uploads/2013/06/Independence-Allowance.pdf>

Cites the working paper version of Pudney et al (2010) on page 43 stating “*as previous research has identified, given that having a disability imposes extra day to day living costs, it would appear that many AA recipients would be in poverty if it were not for receipt of AA*”.