

Trends in Movements of People from Jobseeker Schemes into Inactive Disability Related Working-Age Payments

Analysis Note – May 2014

This note presents the findings of an analysis of trends in

- (i) The numbers of people of working age receiving illness and disability related income support payments.
- (ii) The level of transfers of jobseeker payment recipients to illness and disability related payments.

The purpose of the analysis is to assess whether there is any evidence that there was a disproportionate increase in the number of people of working age in receipt of illness or disability related payments in the years prior to and during the recession. The schemes included in the analysis are Disability Allowance; Invalidity Pension; Disablement Pension; the Pre-Retirement Allowance; and Illness Benefit (cases where persons are in receipt for two years or longer).

Main findings

- There was an increase of about 50,000 in the number of people in receipt of the main disability related payments, from 144,000 to 193,000 during the period 2002 – 2013
- To a large extent, this increase reflects the increase in the population and changes in the population age-structure during the period.
- Some increases in age-specific receipt rates took place up to 2007 – largely among the youngest and oldest age-groups. Age-specific rates have generally declined after 2010.
- As a result, the number of people on the main disability schemes plateaued during 2009 - 2010 (the depth of the recessionary period) and has declined slightly since then.
- Separately, there was an increase in working-age recipients of carers' payments during the 2007 – 2013 period; this was due primarily to the introduction of the 'half-rate' carer's payment.
- The rate at which people transfer from jobseeker payments to disability related payments has remained stable over the period under review.
- Transfers from jobseeker payments to disability related payments account for just 0.2% - 0.3% of all closures of Jobseeker claims.
- The data do not indicate any evidence of a disproportionate increase in the number of people in receipt of disability related payments.



1 Background

The misfortune of illness or disability may befall any person or family. People who fall ill, develop a disability or take-on caring duties for a family member may not be able to work and may not have the personal resources to sustain themselves or their families in the absence of work. In such circumstances it behoves the State, on behalf of the wider community, to step in and provide income supports to the people who are affected.

Accordingly, as the social welfare system has evolved the State developed a number of income supports to assist those who find themselves unable to work due to illness or disability on their part or on the part of a loved one for whom they care. These supports include Invalidity Pension, Disability Allowance, Illness Benefit, Carers Allowance, Carers Benefit and Partial Capacity Benefit. In addition to basic income support these schemes also provide, in many cases, for ancillary benefits such as free electricity, free fuel, and free transport. For a period commencing in the early 1990s, there was recognition that a significant number of older unemployed workers faced limited prospects of re-employment, and a Pre-Retirement allowance, without labour market conditionality, was introduced for this group.

It has been noted that there has been an increase over time in the numbers of people of working age who are recipients of inactive social welfare benefits – particularly those associated with disability or long-term illness. As an indication, the total number of working-age people in receipt of illness/disability, pre-retirement, and caring payments (including illness benefit where receipt has lasted for more than 2 years) increased from about 159,000 in 2002 to about 213,000 in 2007 and to about 242,000 in 2010, before falling to 240,000 at end of 2013. If carers' payments are excluded from these figures, the total rose from 144,000 in 2002 to 191,000 in 2007 and 205,000 in 2010, before falling to 193,000 at the end of 2013. Carer's payments thus account for virtually all of the increase in the total between 2007 and 2013.

Some concern has been expressed that this increase is related to unemployed jobseekers acting to move off jobseeker payments in order to take advantage of the higher level of benefits and the reduced job-seeking conditionality associated with illness/disability payments. In particular it has been noted that experience in some other countries is that, during times of prolonged unemployment, discouraged jobseekers seek to maximise their incomes through so called 'benefit shopping'. i.e. selecting and pursuing eligibility for the long-term welfare scheme that offers the best income source.

Accordingly the Department of Social Protection was asked, as part of the Pathways to Work Programme, to publish a report on trends in the migration of people from jobseeker to other welfare payments.

This note presents the outcomes of the Department's assessment of the data.

The impact of the growth in carers' payments noted above relates in part to the impact of the introduction of the 'half-rate' Carers Allowance option in September 2007. This 'half-rate' option allows a person on another DSP scheme to claim a carer's payment at half the standard rate while retaining their full payment on their primary scheme. This increased the numbers of people of working age in receipt of Carers Allowance by about 15,000 in the period from mid-2007 to the end of 2013; this accounts for more than half of the overall increase in working-age Carers' recipients over this period.

For the purpose of this paper Carers Payments recipients are excluded from the analysis, which focuses instead on long term illness, disability and pre-retirement recipients. The schemes included in the analysis, therefore, are Disability Allowance; Invalidity Pension; Disablement Pension; the Pre-Retirement Allowance; and Illness Benefit (cases where persons are in receipt for two years or longer).

2 Data Review

Two types of information are available that might give an indication of the extent of this phenomenon

- a) data on trends in the actual numbers receiving these payments, and
- b) direct data on movements from the Live Register onto these payments.

a) Numbers receiving relevant payments

There are several payments associated with long-term disability and/or illness. The three main payments are Disability Allowance, Invalidity Pension and Disablement Pension. In addition, although Illness Benefit primarily covers short periods of illness, it can end up being paid over long periods. For the purpose of this note, Illness Benefit is treated as analogous to the longer-term disability payments where it has been in payment for 2 years or longer. Finally, up until mid-2007 job-seekers aged 55 and over who had left the labour force could opt to move from Job-seekers Allowance to the Pre-Retirement Allowance (PRETA); they no longer had to sign-on as they did not need to be available for work.

Figure 1 shows the trend in the number of recipients of these illness and disability related payments in the period 2002 – 2013 compared to the growth in the Live Register and the population aged 15-64 years during the same period. As can be seen the rise in the number on illness/disability payments was relatively rapid up to 2007. However, during the 2007–2013 period the growth in numbers on these payments broadly tracked the growth of the population generally and was significantly less than that of the Live Register. It is notable that the number of people in receipt of illness/disability payments plateaued during the same period that the growth in the Live Register accelerated and has since fallen slightly.

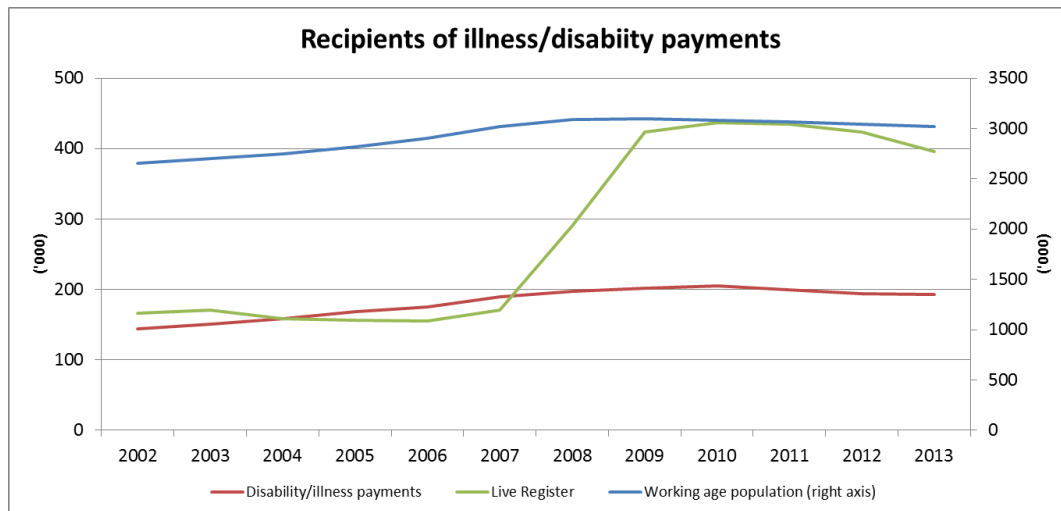


Figure 1: Number of recipients of illness/disability payments compared to Live Register recipients and population of working age

Taking the five payments together, the number of people of working age in receipt of such payments at the end of the year rose from 144,000 in 2002 to 190,000 in 2007 and to 193,000 in 2013 as set out in Table 1 below. This substantial growth needs to be seen in the context not only of the growth of the working age population (15 – 64 years of age) shown in the table, but also the changes in the age-structure of the working age population.

Table 1: Numbers of recipients of long term illness and pre-retirement payments

	2002	2007	2013	Change %		
				2002-2007	2007-2013	2002-2012
Disability Allowance	61279	89048	103648	+45%	+16%	+69%
Invalidity Pension	45313	53956	53196	+19%	-1%	+17%
Disablement Pension	9639	9639	9796	+0%	+9%	+9%
Illness Benefit >2 years	18287	27023	23561	+48%	-13%	+29%
PRETA	9711	9727	2664	+0%	-73%	-73%
Total	144229	190051	192865	+32%	+1%	+34%
Working age population ('000)	2653.8	3020.6	3017.3	14%	0%	+14%

Between 2002 and 2013, as shown in the table, the number of people aged 15-64 rose by 14%; however it is important to note that, within this total, the number of young adults aged 15-24 fell by 17%, while the number aged 60-64 increased by

45%. This changing age structure would tend to lead to increased incidence of illness/disability and recourse to the relevant payments.

These factors are allowed for in Table 2, which shows overall receipt of these payments as a percentage of population by age and gender for 2002, 2010 and 2012.

<u>Table 2: Receipt of long-term disability/illness payments -- % of working-age population by age-group, gender and year</u>				
		2002	2010	2012
All	15 - 24 years	1.5%	1.9%	2.3%
	25 - 29 years	2.2%	2.5%	2.6%
	30 - 34 years	2.9%	3.2%	2.9%
	35 - 39 years	4.1%	4.4%	3.8%
	40 - 44 years	5.1%	5.8%	5.3%
	45 - 49 years	6.5%	7.6%	7.0%
	50 - 54 years	8.6%	9.9%	9.4%
	55 - 59 years	13.5%	14.2%	12.9%
	60 - 64 years	19.6%	25.0%	21.5%
	Total 15-64	5.4%	6.6%	6.4%
Male	15 - 24 years	1.7%	2.4%	2.7%
	25 - 29 years	2.6%	2.9%	3.2%
	30 - 34 years	3.0%	3.5%	3.3%
	35 - 39 years	3.9%	4.4%	4.1%
	40 - 44 years	5.0%	5.6%	5.4%
	45 - 49 years	6.7%	7.5%	7.0%
	50 - 54 years	9.6%	9.8%	9.4%
	55 - 59 years	16.4%	14.7%	13.3%
	60 - 64 years	25.8%	28.6%	23.8%
	Total 15-64	6.2%	7.1%	6.8%
Female	15 - 24 years	1.3%	1.5%	1.8%
	25 - 29 years	1.8%	2.1%	2.1%
	30 - 34 years	2.8%	2.9%	2.4%
	35 - 39 years	4.3%	4.4%	3.6%
	40 - 44 years	5.3%	6.1%	5.3%
	45 - 49 years	6.2%	7.7%	7.0%
	50 - 54 years	7.7%	10.0%	9.4%
	55 - 59 years	10.6%	13.6%	12.5%
	60 - 64 years	13.3%	21.3%	19.2%
	Total 15-64	4.7%	6.2%	6.0%

Overall, these payments were being received by 5.43% of the working-age population in 2002, rising to 6.65% in 2010 and falling back to 6.39% in 2012.

A number of points can be noted about the data:

- The most significant increases in rates were concentrated at the youngest and oldest extremes of the age-distribution. Increases have been less marked in the middle age groups (where increases would be expected to be greater if there was a “flight from activation” effect of any significance).
- The increases have been somewhat greater for women than for men, particularly at the older ages. This may reflect the aging of a cohort of women with more substantial records of insurable employment than earlier cohorts.
- The rates have been falling across almost all age groups since 2010. This period has seen very high levels of exit from the Live Register (see next section) – which might have been expected to push up receipt rates on these other payments if there were a significant “flight” effect.
- Rates have, however, risen since 2010 in the youngest age-groups. This is likely to be related to the increasing number of young people whose families receive the Domiciliary Care allowance, and who become entitled to Disability Allowance on reaching age 16. Approximately 3.4% of the population aged 15 years (4.4% of boys and 2.4% of girls) was covered by the Domiciliary Care Allowance at the end of 2012.

The change in the age structure of the population between 2002 and 2013 accounted for 0.52 percentage points of the overall increase of 0.96 percentage points between these years – i.e., even if the age-related receipt rates had remained unchanged at 2002 levels, the overall rate would have been 5.95% in 2013. The following table summarises the relative impact of demography and of changes in age-related receipt rates on an annual basis over these years.

Table 3: Demographic and “rates” components of change in recipient numbers												
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Overall
Annual change in recipients	6700	7800	9400	6700	15200	7200	4900	2700	-5100	-5800	-1000	48600
Of which:-												
Demographic impact	4100	3600	4700	4400	6100	4600	2900	2200	1800	1300	1200	36900
Change in rates	2700	4300	4700	2200	9200	2500	2000	500	-6900	-7100	-2300	11700

Between 2002 and 2010, of an overall increase in recipients of 61,000, more than half (+33,000) was due to demography and the remainder (+ 28,000) to changes in

receipt rates.¹ The decline of 12,000 in numbers between 2010 and 2013 was driven entirely by reductions in receipt rates (-16,000); demography alone, with no change in rates, would have raised overall recipient numbers by about 4,000 over this period.

While overall numbers fell by 12,000 between 2010 and 2013, the number of Disability Allowance recipients showed a small increase from 101,100 to 103,600. As noted above, this partly reflects the impact of transfers from Domiciliary Care allowance at the very youngest end of the age-distribution. It is also likely to have been impacted by improved processing times for new application for Disability Allowance – the number of pending applications for Disability Allowance awaiting decision fell from close to 7,000 at the end of 2010 to 5,000 at the end of 2013.

b) Transfers from the Live Register to other DSP schemes

The percentage of closed claims from the Live Register that transfer to other DSP schemes has been very consistent since 2003, when compilation of claim closure statistics commenced. In general, such transfers account for about 4% of all closures, as shown in the table overleaf.

¹ Some reasons for rising receipt rates in this period were identified in relation to Disability Allowance in a review of that scheme in 2010. They included easing of means-testing; rapid growth in the number of children covered by the Domiciliary Care allowance, with significant numbers moving to Disability Allowance at age 16; extension of Disability Allowance to people in long-stay institutions; improved medical diagnosis of disability conditions. Movement from other schemes was identified as a feature of Disability Allowance, but it was not suggested that an increase in such movements had been a factor in rising numbers on Disability Allowance.

Table 4: Live Register Closures and Transfers to Other Schemes

	Total Live Register closures	Transferred to other DSP Schemes	
Year	No.	No.	%
2003	229,433	9,178	4.0%
2004	251,229	10,571	4.2%
2005	237,308	9,284	3.9%
2006	279,968	13,816	4.9%
2007	331,314	15,517	4.7%
2008	353,827	15,265	4.3%
2009	498,229	19,566	3.9%
2010	530,735	22,953	4.3%
2011	454,688	20,137	4.4%
2012	420,494	17,990	4.3%
2013	410,725	18,879	4.6%

A more detailed analysis of 2011, 2012 and 2013 closures is also tabulated below.

Table 5: Detailed Transfer Data

Live Register closures 'Transferred to other DSP schemes' 2011/12/13			
	2011	2012	2013
Illness Benefit/OIB	12,449	11,269	10,467
Maternity	1,008	943	885
Invalidity	147	142	166
Pensions	1,581	881	843
Carers allowance	1,147	1,157	2,381
Disability allowance	851	771	1,204
One Parent Family Payment	2,290	2,136	2,358
Other schemes	664	691	575
Closures group sub total	20,137	17,990	18,879
Overall LR closures	454,688	420,494	410,275

Transfers to the two longer-term disability payments identified (Disability Allowance and Invalidity Pension) accounted for 0.2% of all Live Register closures in both 2011 and 2012 and for 0.3% of closures in 2013. The majority of transfers to other schemes are accounted for by illness benefit claims, which are likely to transfer back to the Live Register after a short period of certified illness. Based on recent experience, it is estimated that no more than 15% of these IB flows end up as IB claims for the maximum 2-year period now applying to that scheme. Where people

exhausting IB then apply for Invalidity, the rejection rate is 60% plus. This suggests that less than 5% of the initial flows to IB (equivalent to a little over 0.1% of all Live Register closures) end up on long-term illness/disability.

The low level of transfers to long-term disability payments reflects tight control and oversight through medical assessment processes to try to ensure that people who do not satisfy the medical conditionality do not get access to the schemes. The table below shows the trend in claims awarded for the longer-term disability payments. The trend has been generally downwards (the rise in the number of awards in 2012 and 2013 involved the clearing of some backlogs on both schemes, with the number of pending claims falling by almost 7,000 from end-2011 to end-2013).

	<u>Table 6: Claims Awarded Data</u>		
	Disability allowance	Invalidity Pension	Total
2008	13,176	5,431	18,607
2009	10,179	4,580	14,759
2010	8,306	3,597	11,903
2011	9,246	2,657	11,903
2012	10,400	6,352	16,752
2013	12,497	9,494	21,991

It is also clear, from a comparison with the Live Register closures data, that transfers from job-seekers' payments account for only a small fraction of newly-awarded disability payments.

3 Conclusions

There was a significant increase in the numbers receiving disability-related payments in the years prior to the recession, but this increase was driven substantially by the growth of the working-age population and by changes in its age structure. Where rates of take-up for particular age-groups did rise, this was concentrated in the youngest and oldest age-groups.

Since the recession started, the further increase in recipient numbers has been marginal, with some schemes showing declines. Particularly after 2010, falls in the rate of take-up within individual age-groups have offset the impact of continuing changes in the age-structure of the population.

Information on the destination of people leaving the Live Register shows no significant change in transfers to long-term illness disability schemes as closure reasons. Such transfers account for less than one third of one percent of Live Register closures.

In parallel, the medical assessment process appears to be working effectively to ensure that only legitimate claims to long-term disability payments are being awarded.

Overall, therefore, there is no evidence of a flight from jobseeker payments to inactive illness/disability payments.