

STATE OF DEPENDENCY

How a broken benefit system is
holding Britain back

Part one of the Welfare 2030 inquiry

October 2026



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About the Centre for Social Justice

Established in 2004, the Centre for Social Justice (CSJ) is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions.

The CSJ's vision is to give people in the United Kingdom (UK) who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential. The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report, *Breakthrough Britain*. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the political landscape by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, the CSJ provided the blueprint for the most significant reforms to welfare in a generation with the introduction of single working-age benefit, Universal Credit. Its research led to the introduction of the first ever Modern Slavery Act, as well as 'cuckooing' becoming a standalone statutory offence in 2026. Legislation in 2026 established the CSJ's Into Work Guarantee in law, allowing disabled people to try work without the fear of this triggering an automatic reassessment. And the CSJ's pioneering model of Family Hubs has grown into a major government programme, with hundreds today bringing family support services together in communities across England.

Our research is informed by experts including prominent academics, practitioners and policymakers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises, and other grassroots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2026 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

Acknowledgements

We are very grateful to the individuals and organisations who gave up their time to meet with us, host us, and share their expertise with us over the last year.

To draw on frontline insights from charities and employers across the UK, we conducted 10 focus groups and roundtables and travelled a combined 3,000 miles to visit charities, employers and claimants. This included hosting three Big Listen events – one in Leicester and two in Newcastle-upon-Tyne – within the Welfare 2030 project, bringing together over 210 organisations: over 150 small charities and 60 businesses.

We are grateful to all the organisations and individuals who shared their insights, including:

- › Melton and District Money Advice Centre
- › Wesley Hall Community Centre
- › Charity-link
- › Charnwood Borough Council
- › Grace Enterprises
- › Reaching People
- › Carpenters Arms
- › Leicestershire Cares
- › Helping Hands Community Trust
- › Leicester, Leicestershire and Rutland Community Foundation
- › Samworth Brothers Foundation
- › Fatherhood Solutions
- › IPIP
- › One-Eighty
- › Switch Up
- › Fenwick
- › Newcastle Diocese
- › Changing Lives
- › VONNE
- › The Squires Foundation
- › Newcastle United Foundation
- › Daisy Chain
- › Schools North East
- › HM Treasury
- › Action For Children
- › Back On The Map
- › High Tide Foundation
- › Recyke Y’Bike
- › The Key
- › Three13
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- › SEND Foundation
- › Acts Trust
- › In to Out
- › The Hub Project
- › University of Leicester

- › Berwick Youth Project
- › Building Self Belief
- › Clean Slate Solutions
- › Cumbria Youth Alliance
- › Family Gateway
- › Halty Youth Project
- › If U Care Share Foundation
- › Kids Kabin
- › MCR Pathways
- › NE Youth
- › North East Young Dads and Lads
- › Power of Women
- › Projects4Change
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- › Soft Touch
- › Tandem
- › The Children's Foundation
- › The Corner House Youth Project
- › The Oswin Project
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- › The Recruitment Junction
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We are grateful to everyone who shared their insights with us. The views expressed in this report are those of The Centre for Social Justice alone and do not necessarily reflect the views of the individuals and organisations listed above. Inclusion in these acknowledgements should not be taken as an endorsement of the report's findings or recommendations.



Foreword

I founded the Centre for Social Justice over two decades ago to tackle the deep roots of poverty in Britain.

As leader of the Conservative Party, I had frequently visited areas left behind by society, where addiction, family breakdown, severe indebtedness and educational failure were rife. I was particularly struck witnessing individuals, generations of families, indeed entire communities retreating from the world of work and into a spiral of economic dependency.

Our answer to this problem came in 2009. In those days, the state paid over £74 billion every year on non-pensioner welfare, funding a mess of 51 different benefits that stripped those trying to work of over 90p in every extra pound they earned. We designed Universal Credit and a programme of radical reform to clean up the mess.¹

It worked. Between 2010 and 2019, the number of workless households was driven down to a record low, over 1,000 jobs were created every day and the number of children growing up without seeing a parent go out to work in the morning fell by three quarters of a million. One million more disabled people entered work, while youth unemployment was cut in half.²

In short, intergenerational worklessness was being rooted out and the emerging “underclass” we had identified was being raised to independence and self-reliance.

In today’s money, almost £28 billion was taken off the benefit bill, but more importantly, lives were transformed by all the advantages that come with a job. I will never forget a letter from a man who bought his mother flowers every Friday, describing the emotion he felt when, for the first time, he could pay for them with the money he had earned for himself.

Then Covid arrived. The very shock that burnished Universal Credit’s reputation as a modern benefit, able to withstand seismic economic events, revealed cracks throughout the rest of the welfare system. A further explosion in mental health-related claims tested, and continues to test, the assumptions that held it together.

Subsequent decisions compounded the problem, with conditionality weakened and face-to-face assessments all but phased out. But despite the ballooning bill – up £50 billion in real terms since 2019 – successive governments either ducked the problem or reached for hurried savings without a serious plan for reform.

That is why I agreed to chair the CSJ’s *Welfare 2030* inquiry. Nearly two decades after *Breakdown Britain* and *Breakthrough Britain* helped lay the foundations for Universal Credit, it was time to examine what had changed, what had gone wrong and what the next generation of welfare reform must achieve.

Some important conclusions emerge in the initial phase of this work, informed by a wealth of new evidence from those tackling poverty on the frontline.

¹ Centre for Social Justice (Sep 2009), ‘*Dynamic Benefits: Towards welfare that works*’. Accessed via: [CSJ-dynamic-benefits.pdf](#) (Accessed: 5 December 2025)

² Department for Work and Pensions (Aug 2019), ‘*Record number of women in work as wages continue to outstrip inflation*’. Accessed via: [Record number of women in work as wages continue to outstrip inflation - GOV.UK](#). Office for National Statistics (Sep 2026), ‘*Children in households by combined economic activity status of household members: Table K*’. Accessed via: [Children in households by combined economic activity status of household members: Table K - Office for National Statistics](#). Department for Work and Pensions (Oct 2018), ‘*Youth unemployment down 50% since 2010*’. Accessed via: [Youth unemployment down 50% since 2010 - GOV.UK](#) (All accessed: 5 October 2026)

First, where the 2010s were a battle against unemployment, the 2020s have seen a retreat into benefit dependency and economic inactivity, almost all health-related. The 61 per cent increase in incapacity claims since 2019, fuelled by soaring mental health-related benefits, has produced a crisis of “hidden unemployment”, with nearly seven million people in total out of work and on welfare today.

This is despite all of the evidence, as acknowledged by the NHS, that the routine, activity and rewards of a job both support and safeguard mental health. Unlike many of our European comparators, Britain’s system has relied far too heavily on blunt cash payments rather than the personalised support people need to get on and thrive.

Second, a web of passported benefits, an assessment system that punishes participation, and unguarded health-related top-ups that can raise benefit income to over £16,500 more than earnings from the average part-time job, have all coincided to produce a new benefit trap for the 2020s. Layers of combined entitlements and exemptions have distorted the simplicity of Universal Credit. Real incentives must be restored.

Third, the report shows that this crisis extends beyond the benefit system. The truth is that successive governments have used welfare over decades to compensate parts of the country for economic failure rather than creating the conditions for prosperity.

Compounding this, ministers have repeatedly pulled the easy lever of immigration rather than providing a better deal for left behind communities. Just one in five added payroll jobs in the decade to 2025 went to British nationals, while broken forecast models have hidden the costs beyond the five-year fiscal forecast horizon. As a result, an estimated 1.4 million foreign nationals now receive over £14 billion in working-age benefits. Welfare reform, immigration and regional growth must now be treated as parts of the same challenge.

We must not hesitate. A new generation is being drawn into dependency, and we are now paying almost £140 billion per year to see the same places I visited twenty years ago slip back into worklessness, ill-health, and social breakdown. Although the future is far from certain as we enter the age of artificial intelligence, we begin that transition with millions already languishing outside the labour market.

The next stage of welfare reform will be no easier than the last, but *State of Dependency* shows why it grows more urgent by the day. The *Welfare 2030* inquiry is now developing a programme of reform capable of ending the crisis, restoring sustainability to the welfare state and transforming the lives of millions of people across Britain.

We have proved before that change is possible. We must now find the courage to finish the job.



Rt. Hon. Sir Iain Duncan Smith MP

Chairman of the Centre for Social Justice
and MP for Chingford and Woodford Green.

Foreword

Building a business teaches you how much people can achieve when someone recognises their potential and gives them the opportunity to develop it. A first job, a new skill or an employer prepared to offer a chance can change the direction of a life. The benefits reach families, communities and the wider economy.

I know from my own experience how much opportunity shapes life chances. Having arrived in Britain as a child refugee, I was able to pursue an education and build a pharmaceutical business that went on to export to more than 120 countries. I remain deeply grateful for the opportunities this country gave me, and determined to help others find their own route forward.

That belief runs through the work of the Randal Foundation. Our ambition is to save and significantly improve the lives of one million people in the UK and around the world. We support organisations tackling poverty, mental ill-health, educational disadvantage and more, with a clear focus on creating direct and lasting improvements in people's lives.

It is also why we invested in the Centre for Social Justice's *Welfare 2030* inquiry. Through our many charitable partnerships across the UK, we see the barriers that can prevent people from moving forward: poor health, extreme poverty, addiction, violence against women, low confidence, limited skills and a lack of opportunity close to home. Many remarkable charitable and social entrepreneurial organisations do extraordinary work to overcome these barriers. But their efforts must be matched by a welfare system within an economy that enables people to thrive.

State of Dependency shows how urgently that change is needed. Across Britain, 6.7 million people receive at least one out of work benefit. Behind that figure are people whose skills, experience and aspirations are missing from our society: a gap in our economy.

Business has responsibilities in this too. Employers can offer work experience, shape training alongside colleges and universities, and create opportunities for people whose route into work has been less straightforward. Flexible arrangements and a gradual return can help people with health conditions remain connected to employment.

But employers need confidence and practical support. We should make it easier for employers to maintain constructive contact with those absent from work, without fear of repercussion, underpinning a supported return, enabling positive employee contributions to the workplace, once more.

The inquiry's engagement with charities and businesses was particularly important to us. Its three Big Listen events brought together more than 210 organisations, including over 150 small charities and 60 businesses. Those who deeply understand their communities and local labour markets must help shape the solutions.

Philanthropy, too, can be a key part of the solution. Alongside meeting immediate needs, we can help establish what works, bring people together and directly shape policies capable of improving lives on a much larger scale. This inquiry brings frontline experience into a national debate that too often can't, or won't listen to those voices.

The next phase must turn that evidence into practical reform. Britain has enormous talent. Unlocking it will require a step change. It will require government, employers, educators and charities to work together. The Randal Foundation is proud to support an inquiry dedicated to that task – and to the better lives and stronger communities it can help make possible.



Dr Nik Kotecha OBE DL

Board Member of the Centre for Social Justice
and Chairman of the Randal Charitable Foundation.

Executive summary

"We're using benefits to sustain people in a state of despair rather than rooting out the problem."

Big Listen North East participant

Welfare 2030 began as a major examination of Britain's welfare system – where it is succeeding or failing, and how it should be reformed for the coming decade. But searching through the labyrinth has revealed a more disturbing conclusion. Britain's welfare crisis is the symptom of a sickness going to the heart of our national economic model.

Welfare has become an economic opiate. At best, numbing the pain of two decades of stagnant growth, though ignoring its underlying causes; at worst, aggravating the condition itself by rewarding worklessness, masking Britain's lack of investment and reliance on low-skill migrant labour, while converting temporary setbacks into permanent dependency.

There is now widespread recognition that something must change.³ Britain spends almost **£140 billion** a year on working-age benefits, up £50 billion since 2019 in today's money, an increase worth around £1,200 per taxpayer.⁴ But the greater cost is measured in lost human potential. Eighty years after his famous report, Beveridge's giant evils – want, idleness, ignorance, disease, and squalor – still haunt this island.

This report lays bare how Britain arrived here – and maps out a plan to restore the welfare state to its founding principles of contribution and reciprocity. Because, while fixing welfare is often mistaken for a niche exercise in benefit design, we believe it is central to the job of repairing a nation that, for most people, feels increasingly broken.⁵

Hidden unemployment

Our first conclusion is that the scale of worklessness in Britain is far greater than conventional unemployment statistics make out. Across England, Wales and Scotland around **6.7 million people** now receive at least one out-of-work benefit – nearly one in every six working-age adults. In Birmingham alone, 200,000 now rely on out-of-work benefits for income, over one in four working-age residents.

Yet new analysis for *State of Dependency* reveals deeper concentrations of the crisis. We identify **3,400 welfare hotspots** – areas of around 250 people on average and collectively home to 860,000 people –

3 Net support for "spending more on welfare benefits for the poor" has plummeted from +18 points before the pandemic to -15 today. National Centre for Social Research (2026), 'BSA 43, Attitudes to welfare', British Social Attitudes: The 43rd Report Accessed via: [BSA 43 | Attitudes to welfare | National Centre for Social Research](#) (Accessed: 10 September 2026)

4 Working-age benefit expenditure is £136.1 billion in 2026/27 compared to 86.5 billion in 2019/20 (in 2026/27 prices). The £49.6 billion increase is equivalent to an extra £1,200 for every income taxpayer. Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'. Accessed via: [Benefit expenditure and caseload tables 2026 - GOV.UK](#) (Accessed: 31 July 2026)

5 Asked whether Britain is broken or working well, 77 per cent said broken: BMG Research (Sep 2025), 'They broke it, and they can't fix it'. Accessed via: ['broken Britain' fuelling Reform's surge - BMG Research](#) (Accessed: 14 September 2026)

where the number of out-of-work benefit claimants are estimated to account for *more than half* of the local working-age population.⁶ The analysis suggests that there are almost 19,000 neighbourhoods where more than one in three working-age adults are on out-of-work benefits.⁷

Memories of regional mass unemployment in the 1980s remain etched in the national consciousness, yet in the 2020s concentrated communities of worklessness have become accepted as a fact of life.

Worklessness today, however, appears not primarily as ‘unemployment’ in its conventional form, associated with cycles of boom and bust, but rather as ‘incapacity’. Since 2019, the number of working-age benefit claimants facing no requirement to seek or prepare for work has increased by almost 1.7 million (within a total increase of 2.5 million).⁸ The incapacity benefit caseload has grown by 61 per cent even as the prevalence of disability among the working-age population has risen by only 16 per cent.⁹

But Britain is an international outlier. Our analysis found that the only comparable country to come close to Britain’s soaring health-related claims – Denmark – experienced a rise less than half of Britain’s increase since 2019. Austria, Canada, Ireland, Sweden, France, and the United States even saw claims fall.

The changing understanding of mental health and disability has had profound consequences for our welfare state. Between 2012/13 and 2024/25 the number of working-age people reporting a mental-health difficulty increased by **180 per cent**, or 3.2 million.¹⁰

In the inflationary surge following the Ukraine war, monthly claims for the main disability benefit – Personal Independence Payment (PIP) – rose sharply, with psychiatric conditions now accounting for around 1.6 million claimants.¹¹ Mental-health related economic inactivity among under-34s rose by 76 per cent between 2019 and 2024.¹²

Strikingly, aided by the still new mental health inclusive definition of disability,¹³ we found that working-age disability rose more quickly following the pandemic than it did following the First World War.¹⁴

We reject the view that mental health conditions are inherently incompatible with employment. The evidence resounds that the routine, purpose and wages that come with work protect against poor mental health and promote positive health outcomes.¹⁵

Yet today’s benefit system is woefully ill-equipped to respond to this age of anxiety. Blunt cash awards provide a substantial increase in income, rather than personalised support, and the process of claiming requires people to concentrate on what they cannot do. We repeatedly heard evidence from frontline

6 CSJ analysis of DWP Benefit Combinations data and ONS small-area population estimates. March 2026 out-of-work claimant counts were compared with official mid-2024 population estimates for residents aged 16–64 in Census Output Areas. Areas with fewer than 50 estimated residents aged 16–64, or failing population-consistency checks, were excluded, together accounting for 0.4 per cent of Output Areas in England and Wales.

7 Ibid

8 CSJ analysis of Stat-Xplore data. Claims with work requirements include Jobseeker’s Allowance, Income Support based on something other than incapacity where Carer’s Allowance is not also in payment, and any out-of-work Universal Credit claim with work requirements. Claims without work requirements include Incapacity Benefit, Severe Disablement Allowance, Employment and Support Allowance, any Universal Credit claim with no work requirements and Income Support for incapacity.

9 CSJ analysis of the Family Resource Survey and DWP administrative data. Disability prevalence is measured using the Government Statistical Service harmonised definition of disability, based on the core definition in the Equality Act 2010.

10 CSJ analysis of Family Resources Survey data

11 Department for Work and Pensions (June 2026), ‘*Personal Independence Payment: Official Statistics to April 2026*’. Accessed via: [Personal Independence Payment statistics to April 2026 - GOV.UK](#) (Accessed: 9 September 2026)

12 Department for Work and Pensions (Nov 2025), ‘*Keep Britain Working: Final Report*’. Accessed via: [Keep Britain Working: Final report - GOV.UK](#) (Accessed: 9 September 2026)

13 The Equality Act 2010 placed long-term mental and physical impairments on the same statutory footing within the definition of disability.

14 CSJ analysis of Department for Work and Pensions, *Family Resources Survey*, and Hansard. Working-age disability rose from 19 per cent in 2019/20 to 23 per cent in 2024/25, equivalent to roughly 1.8 million additional people. By March 1923, more than 1.6 million servicemen had established claims for disablement arising from First World War service. While the measures are not directly equivalent, the comparison shows that the absolute increase recorded on the modern measure following the pandemic exceeded the recognised war-disablement total accumulated after the First World War.

15 Sterud, T. et al. (2025), ‘*Mental health effects of unemployment and re-employment: a systematic review and meta-analysis of longitudinal studies*’, *Occupational and Environmental Medicine*. Accessed via: [Mental health effects of unemployment and re-employment: a systematic review and meta-analysis of longitudinal studies - PubMed](#) (Accessed: 9 September 2026)

organisations that the system today is encouraging claimants to prove and preserve their incapacity rather than helping them to live independently.

"If your livelihood depends on having mental health symptoms, then you're going to focus on those symptoms and focusing on those symptoms is going to worsen your wellbeing."

NHS general practitioner

In short, Britain's ostensibly low rate of unemployment obscures the rise of medicalised worklessness – what we call hidden unemployment – as people have moved from conditional support onto more generous benefits, which carry few or no expectations of future work.

The new benefit trap

Universal Credit was the great welfare reform of the 2010s. It replaced six overlapping benefits with a single system, strengthened the principle that work should pay and helped to drive down worklessness to record lows before the pandemic.

But the reform was unfinished. Like an unmaintained garden, health-related benefits, exemptions and "passported" top-ups have colonised much of Universal Credit's original design. Today, Britain faces a new benefit trap, where taking on full-time work can still bring too little reward compared to the security, cash and ease of combined benefit packages.

A single economically inactive claimant receiving Universal Credit health and housing support alongside PIP can receive around £24,700 a year.¹⁶ For a claimant receiving fully enhanced PIP (the most common award for recent claimants)¹⁷ this rises to £27,400 a year, tax free. A worker on the National Living Wage (NLW) would need to earn more than £33,000 to take home the same amount; that is, more than 50 hours, or six days of work, per week. For context, it is worth around **£16,500** – over £300 a week – more annually than the average part-time Living Wage job.¹⁸

With the explosive rise in mental health claims, these are no longer edge cases. Around 1.3 million people are estimated to have layered the combination of employment, health and housing support modelled here.¹⁹ Meanwhile, we estimate that over six million full-time workers now take home less than the combined benefit package – around a quarter of the entire workforce.²⁰

16 This rises to approximately £25,914 net once council tax support is considered, assuming the individual pays the national median of Band A Council Tax with the 25 per cent single person discount on the national default Council Tax Support scheme. Although PIP may be claimed in work, fewer than one in six claimants are in work. Around two thirds of working-age PIP/DLA claimants also receive UC Health, and there is growing evidence it has become a *de facto* element of the out-of-work benefit system. Department for Work and Pensions (2026), 'Benefit Combinations: Official Statistics to August 2025'. Accessed via: [Benefit Combinations: Official Statistics to August 2025 - GOV.UK](#) (Accessed: 14 September 2026)

17 In July 2026 around a third of all PIP clearances received both the enhanced daily living and mobility components making it the most common award type, rising to 53 per cent of those aged 16 to 24. Department for Work and Pensions (Aug 2026), 'Personal Independence Payment statistics to July 2026'. Accessed via: [Personal Independence Payment statistics to July 2026](#). (Accessed: 9 September 2026), award-clearance data accessed via Stat-Xplore.

18 Part-time workers average 16.5 hours according to the ONS, which translates into about £210 a week (£10,905 a year) on the National Living Wage compared to the combined benefit package of £527 per week (a gap worth just under £16,500 per year).

19 CSJ analysis of DWP Universal Credit household and claimant data, applying the estimated overlap with PIP to those receiving health and housing support.

20 CSJ analysis of ONS Annual Survey of Hours and Earnings and Labour Force Survey data estimates that 6.2 million full-time workers, around one in four, took home less than the modelled combined benefit package.

For couple households combining multiple elements, for example additional child health benefits for conditions like Attention Deficit Hyperactivity Disorder (ADHD), take home award packages can soon rise to as much as £46,000.²¹ Factoring in council tax support, this translates into a higher take home than a salary of over £70,000. For context, the average household income after tax is £37,000.

Meanwhile, wage compression has seen minimum earnings move increasingly close to the ordinary local pay. Low hours of work – or ‘under-employment’ – now sees over one quarter of workers earning less than a full-time job on the NLW.²² Taxes on employment have risen, pay differentials have narrowed and the rewards for acquiring skills, accepting promotion or working additional hours have weakened.

Universal Credit’s basic allowance remains modest, still five per cent lower in real terms than its 2010/11 equivalent, but health-related top-ups, benefit-cap exemptions and a growing web of passported support have steadily raised the value of being outside work for many claimants while wages and productivity across much of Britain have barely moved.²³

The growing gap between what the state guarantees outside work and what the market rewards within it means that, for many, the risk of taking a job is simply too great.²⁴

A state of dependency or investment?

Our next conclusion is that Britain’s welfare crisis has its roots in a generational shift away from investment – both public and private – in the productive foundations of prosperity, towards ever larger fiscal transfers to sustain incomes in ‘left behind’ parts of the country.

Between 1949 and 1975, Britain spent an average of approximately 4.6 per cent of Gross Domestic Product (GDP) on public investment and 2.4 per cent on non-pensioner benefits. Since then, those proportions have broadly reversed: non-pensioner benefits have averaged 5.2 per cent of GDP since 1975 while public investment has averaged 2.5 per cent.

To take another example, the state today spends around £38 billion a year on housing benefit yet just 12 per cent of total housing support goes into buildings, down from 96 per cent in the mid-1970s; private housebuilding, meanwhile, is increasingly hamstrung by taxes and regulatory costs.²⁵

In total, the last two decades saw the state spend £1.6 trillion on working-age benefits – over **£1.1 trillion** more than its capital investment on transport, science and technology, and housing *combined*.²⁶

The imbalance is striking geographically. Our analysis shows that between 2000 and 2025, public capital investment in ‘economic affairs’ averaged almost £800 per person each year in London, but less than £370 in Yorkshire and the Humber, the East Midlands and the North East. In 2023/24 the North East

21 Centre for Social Justice (Nov 2025), *The Benefits Budget: The need to repair broken Britain*. Accessible via: [The Benefits Budget](#)

22 CSJ analysis of Annual Survey of Hours and Earnings.

23 Elsom, C. (2026), ‘The Hidden Benefits Bill: How Universal Credit claimants get £10 billion in extra benefits’, Onward. Accessed via: [The Hidden Benefits Bill: How Universal Credit claimants get £10 billion in extra benefits](#) | Onward (Accessed: 9 September 2026)

24 See, for example, Department for Work and Pensions, *Young people and work: interim report*, Figure 28, August 2026.

25 DWP (Apr 2026); Social Democratic Party (2026), *The Investment State*, Figure 27, drawing on Mould, R. (2024), ‘Disentangling demand and supply subsidy in UK housing’, *UK Housing Review 2024*; Home Builders Federation (2026), *The Viability Crunch*.

26 CSJ analysis of DWP (Apr 2026) and ONS (May 2026), ‘Country and regional public sector finance expenditure tables’. Working-age benefit expenditure is compared with public-sector capital expenditure on economic affairs and housing and community amenities between 2006/07 and 2024/25. Figures are expressed in 2026/27 prices using HM Treasury GDP deflators. Accessed via: [Benefit expenditure and caseload tables 2026](#); [Public Expenditure Statistical Analyses 2010](#); [Country and regional public sector finances expenditure tables](#) - Office for National Statistics; and [GDP deflators at market prices](#) (Accessed: 25 August 2026).

received more social-protection spending per person than London, yet London received more than twice as much per person on transport and almost twice as much on business and economic development.²⁷

Meanwhile, national economic policy has failed to respond to the needs of our weakest local economies. The NLW is now equivalent to around 94 per cent of median hourly wages in Blackpool, compared with 55 per cent in Bristol. The recent rise in employer National Insurance Contributions (NICs) fell disproportionately on the local areas struggling the most.²⁸

Areas across the North East, South Wales, the M62 corridor and pockets of the Midlands and South have stagnated for more than twenty years. Between 1998 and 2023, economic output per person increased by only £880 in Bradford. In Hartlepool and Stockton-on-Tees, annual growth averaged just 0.63 per cent per person. In 2024, Islington had 1.7 jobs for every working-age resident; Hartlepool had 0.57 and Blaenau Gwent only 0.46.

“The working-class pride is gone and people are patronised. People talk about getting their wages when they talk about benefits. They feel infantilised.”

Big Listen North East Frontlines participant

We find that workers towards the bottom of the earnings distribution in Hartlepool, South Tyneside, Rossendale and North Lincolnshire earn less than £50 a week more in real terms than equivalent workers did in 1998. Last year, Knowsley generated only 11 job adverts per 1,000 workers each month, compared to more than 40 in Manchester.

Weak local economies produce low wages, poor health and worklessness. Welfare compensates people for those outcomes but does very little to address the conditions that produced them. Rising expenditure then leaves less fiscal room for the investment and tax regimes needed to rebuild regional economies.

A system neglecting the domestic labour force

More recent choices have worsened the picture further, as our economic model has neglected a growing benefit ‘underclass’ while relying on low-skilled migrant labour instead.

For two decades, policymakers have placed increasing weight on expanding the workforce as a route to economic growth. In the mid-2000s, Treasury analysis explicitly credited migration-driven growth in the working-age population with boosting output, even while acknowledging there was no quantitative evidence of its impact on GDP per head.²⁹

In the era of mass immigration that followed between 2006 and 2025, GDP grew by around 26 per cent in real terms, but GDP per person rose by just 10 per cent. That is, less than half a per cent a

27 Boileau, B., Warner, M. and Zaranko, B. (2025), ‘Exploring regional differences in public spending across England’, Institute for Fiscal Studies. Accessed via: [Exploring regional differences in public spending across England | Institute for Fiscal Studies](#) (Accessed: 4 September 2026)

28 Resolution Foundation (2025), *Minimum wage, maximum pressure?: The impact of 2025’s minimum wage and employer NICs increases*. Accessed via: [Minimum wage, maximum pressure? • Resolution Foundation](#). (Accessed: 9 September 2026). The combined changes increased labour costs by an estimated 6.6 per cent for workers in the lowest-paid decile, compared with 1.7 per cent for the highest-paid

29 HM Treasury evidence to the House of Lords Economic Affairs Committee stated that migration affected trend growth principally through changes in the working-age population while acknowledging that “there is no quantitative evidence available on the impact of immigration on GDP per head”. House of Lords Economic Affairs Committee (2008), ‘The Economic Impact of Immigration: Evidence’ Accessed via: [House of Lords - Economic Affairs - Minutes of Evidence](#) (Accessed: 4 September 2026)

year, compared with 58 per cent growth over the preceding twenty years.³⁰ The Office for Budget Responsibility (OBR) now explicitly acknowledges that migration can increase aggregate output while having little or no effect on GDP per person.³¹

Rather than addressing the prospects, skills and productivity of the domestic population, ministers increasingly gave into public and private interest groups calling for importing labour.³² Worse still, after the pandemic, turbocharged immigration – the so-called ‘Boriswave’ – was explicitly used to depress wages, which policymakers feared were feeding inflation.³³

Between 2014 and 2025 approximately 3.7 million jobs were added to payrolls, often touted as a major policy success. But new analysis here reveals that only around 734,000, just **one in five**, went to British nationals. EU nationals accounted for an additional 408,000, while payroll jobs held by non-EU nationals increased by approximately **2.5 million**.³⁴

Most of the increase has come since January 2020. Non-EU payroll positions rose by 2.1 million even as the number of people receiving out-of-work benefits grew by approximately **2.3 million**, and annual spending on unemployment and incapacity benefits increased by £21 billion in real terms.³⁵ This is a tragedy of wasted potential.

Britain has practiced a form of ‘human quantitative easing’, importing workers to expand headline GDP (thus facilitating extra borrowing) while writing off millions of people who are drifting away from the labour market. Employers have gained unprecedented access to overseas labour while taxpayers have absorbed the growing cost of domestic worklessness.

But high immigration has also added substantially to the welfare bill. Visas issued to ‘dependants’ rose by fivefold between 2019 and 2024.³⁶ As many migrants become eligible for benefits after five years the resulting costs emerge just beyond the OBR’s main forecast horizon. Yet our analysis reveals that around £16 billion a year of non-contributory welfare is now flowing to foreign nationals living in Britain, rising towards £17.5 billion by the end of the decade.³⁷ This represents a major change in scope to a welfare state founded on the principle of contribution and reciprocity.

Migration, welfare and taxation emerge as interconnected parts of the same broken economic model. For too long, policy has prioritised adding migrants to the economy rather than unlocking the potential of even a fraction of the 6.7 million people in the hidden unemployment crisis.

30 CSJ analysis of Office for National Statistics (2026), *Gross Domestic Product: chained volume measures*, series ABMI Accessed via: *Gross Domestic Product: chained volume measures: Seasonally adjusted £m - Office for National Statistics* (Accessed: 4 September 2026). Office for National Statistics (2026), *Gross domestic product per head: chained volume measures*, series IHXW. Accessed via: *Gross domestic product (Average) per head, CVM market prices (reference year = 2023) £: SA - Office for National Statistics* (Accessed: 4 September 2026)

31 Office for Budget Responsibility (2026), *Economic and fiscal outlook – March 2026*. Accessed via: *Economic and fiscal outlook – March 2026 - Office for Budget Responsibility* (Accessed: 4 September 2026) The OBR estimates that lower net migration reduces aggregate potential output but states that the resulting change in migration has “no impact on GDP per person”, which it identifies as an indicator of average living standards.

32 See, for example, Confederation of British Industry (2022), *Overcoming Shortages: How to Create a Sustainable Labour Market*, which called for an ‘immigration for growth’ approach, including an immigration route for entry-level workers in sectors including construction, logistics, retail and hospitality.

33 In an interview with The Telegraph, October 2025, Boris Johnson said the Treasury believed surging inflation was being driven partly by the labour market “seizing up” and shortages of workers, and that “there had to be a fix for that”.

34 CSJ analysis of HMRC (2026), *UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025*.

35 CSJ analysis of DWP (2026) *Benefit Combinations* and DWP (Apr 2026)

36 Home Office (2024), *Why do people come to the UK? Work*. Accessed via: *Why do people come to the UK? Work - GOV.UK*. (Accessed: 9 September 2026); Work-related dependant visa grants increased from around 55,000 in 2019 to 290,246 in the year ending March 2024, a rise of 423 per cent. Adding student-related dependants takes the figure considerably higher.

37 CSJ modelling using DWP administrative data, Home Office Migrant Journey data, the Family Resources Survey and published benefit caseloads and rates.

A hamstrung department as the age of AI begins

Our final conclusion is that the British state has become highly effective at financing worklessness but remarkably ineffective at reversing it.

The Department for Work and Pensions (DWP) is the largest spending department in government. It distributes approximately £309.5 billion a year to 23 million people – more than the budgets for defence, education and policing combined. As a vast payments engine, it generally performs well. But when asked to deliver the intensive, personalised support necessary to restore people to work, it repeatedly struggles.

“You only get ten minutes with the work coach. It’s too short... their sessions are just ten minutes of bureaucracy.”

Big Listen North East participant

The DWP has not properly evaluated the effectiveness of its central employment-support model for more than a decade. The proportion of intensive-work-search claimants moving into work each month fell from 9.7 per cent in 2021/22 to 8.2 per cent in 2023/24.³⁸ A recent official study of sickness benefits found that, two years later, just **0.3 per cent** had moved off benefits and into work.³⁹ But the Department cannot distinguish the effect of its own interventions from changes in the wider labour market.

Where intensive support is outsourced, large national contracts often struggle to reach those furthest from work, while smaller charities with the specialist knowledge and trusted relationships required remain locked out or trapped by short-term funding. Responsibility is fragmented between Jobcentres, contractors, assessment providers, local government and other departments, leaving nobody clearly accountable for the claimant’s journey as a whole.

The legal architecture is fractured too. Decades of secondary legislation, tribunal judgments and judicial interventions have progressively reshaped eligibility rules benefit by benefit. Legal challenge is an essential safeguard, but the cumulative effect is a system governed through overlapping duties, precedents and retrospective correction rather than coherent design. Universal Credit meanwhile acts as a passport to support administered across almost every domestic policy department, with no single institution accountable for how the whole system operates.

Artificial intelligence (AI) could make these weaknesses far more consequential. The future labour market is highly uncertain, but the scale of possible disruption is not. Entire job categories may disappear, occupations reshaped, and the value of existing skills transformed overnight. Britain is approaching that transition with millions already outside the labour market and a welfare system that struggles to move people back into work.

AI may also remove much of the administrative friction on which existing systems implicitly depend. Routine administration, triage and casework can increasingly be automated, freeing work coaches and specialist advisers to spend more time face to face with claimants; benefit applications are already

38 National Audit Office (Mar 2025), ‘Supporting people to work through jobcentres’, p.9. Accessed via: [Supporting people to work through jobcentres](#). (Accessed: 18 September 2026)

39 Department for Work and Pensions (Oct 2025), ‘Pathways to Work: Evidence pack: Chapter 3 supporting people to thrive’. Accessed via: [Pathways to Work: Evidence pack: Chapter 3 supporting people to thrive - GOV.UK](#). (Accessed: 18 September 2026)

being made using AI, making human-dependent gateways even more important. Better data can help identify changing labour market risks earlier, target retraining more intelligently and connect people with emerging opportunities faster.

The DWP should therefore become the central institution responsible for helping the domestic workforce navigate the transition into the age of artificial intelligence.

From benefit Britain to breakthrough Britain

We believe that Britain needs a new welfare settlement that protects those who cannot work while relentlessly supporting those who can towards recovery, employment and independence. Welfare reform cannot achieve that alone. It must form part of a broader economic strategy to raise productivity, restore contribution and fairness, rebuild local economies and make work pay.

Part Two of *Welfare 2030* will outline detailed proposals for reform, but our research so far identifies some core themes for change:

- › **Overhaul health-related benefits** so that the system better protects people with severe needs, becomes financially sustainable, and removes ‘perverse incentives’ driving rising number of people into ‘hidden unemployment’. This should simplify the cash support currently spread across Universal Credit Health and PIP, providing much more personalised support at the local level, following successful international examples.
- › **Engage employers and occupational-health services earlier**, before people fall permanently out of work, learning from countries that have successfully narrowed their disability employment gaps.
- › **Restore work incentives and contribution**, ensuring that full-time work, additional hours and progression are rewarded at least as strongly as initial entry into employment.
- › **Join welfare, migration, taxation and skills policy together**, ending a model that imports labour to work around domestic economic exclusion.
- › **Redirect the state from entitlement towards investment**, using the fiscal gains from lower worklessness to strengthen transport, skills, health provision and productive enterprise across Britain.
- › **Simplify passported and in-kind benefits**, replacing overlapping thresholds and cliff edges with a coherent system that is easier to understand and less likely to punish work or saving.
- › **Rebuild employment support around people and places**, separating support from benefit policing and giving specialist local organisations a meaningful role in helping those furthest from work.
- › **Restructure the Department for Work and Pensions**, allocating payment administration, compliance and personalised support to the institutions best equipped to perform each task and establishing clear end-to-end accountability.

The objective of welfare reform goes beyond a smaller benefit bill to a country in which fewer people claim benefits because the skills, resilience and opportunities needed are already in place. For many years, Britain has used welfare to anaesthetise the symptoms of economic failure. The task for the coming decade, changing the lives of millions of people, is to treat the sickness itself.

Introduction

State of Dependency is the first volume in our *Welfare 2030* investigation. It is built on a year of detailed research, extensive data analysis, and the insights of the CSJ Alliance, our 1,000-strong network of frontline charities. We brought together over 210 organisations – including 150 small charities and 60 businesses – across three Big Listens, one in Leicester and two in Newcastle-upon-Tyne, and visited charities across the country to speak with both welfare claimants and those working with and for them.

These first-hand, frontline insights are the foundation of *State of Dependency*. Across Britain, frontline charities, local businesses, and many benefit claimants themselves were clear not only that the welfare system is failing them and their communities, but that our entire economic model has abandoned them.

To cover this ground, *State of Dependency* is divided into two parts. Part 1 is explanatory, and Part 2 turns from explanation to evaluation. We list the objectives for repairing the welfare state that our diagnosis leads us to throughout Part 2. A full list of these objectives can be found at the end of the report.

Part 1, covering Chapters 1 to 3, aims to get readers up-to-speed on the current workings of the British welfare state. Chapter 1 digs into the history of British welfare, highlighting recurrent debates and cyclical trends in welfare. England had ‘the world’s first nationwide, publicly funded welfare system’ and there is no new debate under the sun.⁴⁰ Chapter 2 works through each of the major benefits funded by the DWP. Chapter 3 explores the Department itself, as well as the web of in-kind and passported benefits flowing out of the rest of government.

Part 2, covering Chapters 4 to 7, presents our analysis. Chapter 4 argues for a welfare system that, while supporting those unable to support themselves, roots out poverty by reducing worklessness, supports stable families, and encourages saving. Chapter 5 steps back to survey the effects of the current welfare system on the places most reliant on it. Benefit Britain is still stalked by Beveridge’s giant evils. The welfare system has slowed the poison, but it has not excised it. Chapter 6 breaks down the causes of this failure within each benefit, and Chapter 7 does the same for the state.

Benefit Britain is broken. The first step to fixing it is diagnosing its ills.

⁴⁰ Waddell, Brodie (2021), ‘The Rise of the Parish Welfare State in England, c. 1600–1800’, *Past & Present*, Vol 253, p. 151. Accessed via: doi.org/10.1093/pastj/gtaa027 (Accessed: 12 December 2025)

PART 1:

The British welfare state

"Social security must be achieved by co-operation between the state and the individual. The state should offer security for service and contribution. The State in organising security should not stifle incentive, opportunity, responsibility... it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family."

W.H. Beveridge, 'Social insurance and allied services'

*"The first thing to do is to form the committees:
The consultative councils, the standing committees
committees and sub-committees"*

T.S. Eliot, 'The Difficulty of a Statesman'

"We need a fundamental reboot of the system. It's not about the DWP being a bit harsher... This system is rewarding the wrong things."

Big Listen East Midlands participant

Chapter 1:

A short history of British welfare

It is generally accepted that the British welfare state evolved between 1906 and 1951. Long before Britain had a welfare state, however, England had a welfare system.⁴¹ Indeed, as one historian states, 'the world's first nationwide, publicly funded welfare system emerged and solidified in England over the course of the seventeenth and eighteenth centuries,' over 300 years before Beveridge's famous report.⁴²

Before we assess Britain's current welfare state, it is worth pausing to consider this history. *Welfare 2030* is not entering into the beginning of a conversation, but almost half a millennium through. The history of welfare offers practical lessons in the successes and failures of past welfare policy – returned to throughout this report – as well as showing how the philosophy of welfare has mutated.

Ultimately, any reform must be, in the words of Beveridge, a British revolution: 'in some ways a revolution, but in more important ways... a natural development from the past.'⁴³

1.1 The Poor Laws

England developed 'the world's first nationwide, publicly funded welfare system' over 300 years before Beveridge's famous report and the foundation of the welfare state.⁴⁴ The Tudor monarchs introduced the Poor Laws in response to the dissolution of the monasteries, the decline of real wages throughout the 16th century, and the decay of feudal support. The Laws provided for a nationwide system of relief. Parish overseers levied poor rates, a form of property tax, and used the funds to provide 'poor relief'.⁴⁵

The Poor Laws persisted for almost 250 years. By 1818, the UK spent approximately 2.4 per cent of its GDP on poor relief.⁴⁶ The system allowed a great degree of local latitude on the form of poor relief. The two main forms were 'outdoor relief', which included grants of cash, food and clothing, and 'indoor relief' in workhouses.⁴⁷

Local latitude led to local innovation. The 1832 Royal Commission into the Operation of the Poor Laws found both a proto-minimum income standard and proto-housing benefit. In some rural parishes, the

41 See glossary of terms: a welfare state is a state where the government takes primary responsibility for providing social protection and services. A welfare system can involve a 'mixed economy' of institutions, including but not limited to the state, providing social protection and services.

42 Waddell (2021), p. 151.

43 Beveridge, William (1942), 'Social Insurance and allied services', His Majesty's Stationery Office, p. 17. Accessed via: [news.bbc.co.uk/1/shared/bsp/hi/pdfs/19_07_05_beveridge.pdf](https://www.bbc.co.uk/1/shared/bsp/hi/pdfs/19_07_05_beveridge.pdf). (Accessed: 12 December 2025).

44 Waddell (2021), p.151.

45 McIntosh, Marjorie K (2012), 'Poor Relief in England 1330 – 1600', Cambridge University Press, pp. 274–281. Accessed via: assets.cambridge.org/9781107015081/frontmatter/9781107015081_frontmatter.pdf. (Accessed: 12 December 2025)

46 Bavel, Bas van; Rijpma, Auke (2016); 'How important were formalised charity and social spending before the rise of the welfare state? A long-run analysis of selected western European cases, 1400–1850', *Economic History Review*, p. 173. Accessed via: onlinelibrary.wiley.com/doi/pdfdirect/10.1111/ehr.12111 (Accessed: 3 December 2025)

47 McIntosh (2012), pp. 280–281.

‘Speenhamland system’ of allowances raised rural labourers’ incomes to a minimum set by the price of bread and their family size,⁴⁸ while ‘in a great number of cases, the labourer, if a parishioner, is not only exempted from rates, but his rent is paid out of the parish fund.’⁴⁹

Many of these innovations reflected desperate attempts by rural rate-payers – that is, landowners – to retain agricultural labourers. Rapid industrialisation in the late 18th and early 19th centuries drew workers to cities and killed the cottage industries that previously mitigated the seasonality of agriculture. With wheat prices soaring 76.3 per cent in 30 years, landowners also found it more profitable to pay higher poor rates and evict cottagers from the allotments they otherwise relied on for security.⁵⁰

The Royal Commission, however, was horrified by these innovations. The leading commissioners were Benthamites, believing, like the founder of Utilitarianism, that the Poor Laws threatened the country’s wealth by making the lives of the dependent poor ‘more eligible than that of persons maintained by their own labour.’⁵¹ They also feared, in the Malthusian temper of the age, that the Poor Laws increased the poor’s ability to have children above the food supplies available to support them.⁵²

The Poor Law Amendment Act 1834 that followed the Commission sought to severely restrict parish relief by limiting outdoor relief and instituting the widespread construction of workhouses.⁵³ The implementation of the Poor Law Amendment Act was never as full as the Commission hoped, nor as Dickens satirised. Outdoor relief was never fully abolished and workhouses never universal – only 16 per cent of relief recipients were placed into workhouses by 1842 – but the per capita generosity of cash grants still fell over 40 per cent in real terms.⁵⁴

1.2 Mutualism to Beveridge

One consequence of the Poor Law Amendment Act was that the membership of the network of mutuals and friendly societies first popularised and regulated in the Napoleonic Wars surged among the working classes. There were 9,762 friendly societies with 704,350 members in 1803.⁵⁵ That rose to four million people by 1870.⁵⁶

The friendly society system was complex, with myriad different localised forms. An 1875 Royal Commission report devoted 150 pages to classifying them into 17 separate groupings.⁵⁷ In general, for a weekly or monthly subscription, friendly societies offered their contributors sickness and burial benefits,

48 Poor Laws Commission (1834), ‘Poor Law Commissioners’ Report of 1834’, His Majesty’s Stationery Office, pp. 21–22. Accessed via: oll.libertyfund.org/titles/chadwick-poor-law-commissioners-report-of-1834 (Accessed: 11 December 2025)

49 Poor Laws Commission (1834), p. 15.

50 Boyer, George R (1985), ‘An Economic Model of the English Poor Law circa 1780–1834’, *Explorations in Economic History*, pp. 129–167. Accessed via: reparti.free.fr/gboyer1985.pdf (Accessed: 11 December 2025)

51 Bentham, Jeremy (2001), ‘Writings on the Poor Laws: Volume 1’, ed. Quinn, Michael, Oxford University Press, p. 39. Accessed via: oxfordscholarlyeditions.com/display/10.1093/actrade/9780199242320.book.1/actrade-9780199242320-book-1 (Accessed: 12 December 2025)

52 Nassau Senior, one of the commissioners, delivered two lectures on Malthus’s population principle at the University of Oxford three years before the Poor Law Commission. Senior published the lectures in 1831 with his correspondence with Malthus appended, in which he agreed with Malthus’s criticisms of the Poor Laws, stating, ‘and yet in England we have many disturbing causes. We have the poor laws to increase our numbers.’ See Senior, Nassau William (1828), ‘Two Lectures on Population delivered before the University of Oxford in Easter Term 1828’, p. 75. Accessed via: oll.libertyfund.org/titles/malthus-two-lectures-on-population (Accessed: 11 December 2025)

53 Harris, Bernard (2004), ‘The Origins of the British Welfare State, 1800–1945’, Palgrave Macmillan, p. 49. Accessed via: pureportal.strath.ac.uk/en/publications/the-origins-of-the-british-welfare-state-society-state-and-social (Accessed 12 December 2025)

54 Clark, Gregory; Page, Marianne E (2018), ‘Welfare reform, 1834: Did the New Poor Laws in England produce significant economic gains?’, *Cliometrica*, p. 222. Accessed via: link.springer.com/article/10.1007/s11698-018-0174-4 (Accessed: 10 December 2025)

55 Finlayson, Geoffrey (1994), ‘Citizen, State and Social Welfare: 1830–1990’, Oxford University Press, p. 24. Accessed via: tandfonline.com/doi/abs/10.1080/03612759.1995.9946219 (Accessed: 11 December 2025)

56 Wallis, Patrick (2018), ‘Guilds and Mutual Protection in England’, *Economic History Working Papers No 287*, pp. 25–26. Accessed via: researchonline.lse.ac.uk/id/eprint/90464/1/WP287.pdf (Accessed: 11 December 2025)

57 Cordery, Simon (2003), ‘British Friendly Societies, 1750–1914’, Palgrave Macmillan, p. 23. Accessed via: link.springer.com/book/10.1057/9780230598041 (Accessed: 12 December 2025)

'sick visitors', and, in some cases, pseudo-unemployment benefits in the form of travelling benefits to cover the costs of finding new work.⁵⁸

Central government attempted to regulate the friendly societies several times, with Acts in 1793, 1829, and 1849, but regulation was largely voluntary and societies fiercely defended their independence.

It was only in the last quarter of the 19th century that societies became amenable to government intervention. Rising longevity strained societies' finances while changing leisure patterns undermined their convivial, amateur governance structures. Consequently, when the Friendly Society Act 1875 offered societies legal protection and central audits, more societies were willing to register, abandoning their scepticism of actuarial methods and accepting some degree of professionalisation. The number of registered societies and branches soared 64 and 440 per cent respectively between 1876 and 1885.⁵⁹

By the turn of the 19th century, the friendly society movement was a sizeable and increasingly professional, though still member-owned and non-profit, sector within British society. In 1911, over 6.6 million people were members of a friendly society, and more than nine million were part of any form of mutual aid association.⁶⁰ When the 1906–1915 Liberal government began their piecemeal social reforms, their centrepiece working-age reform built upon this creation of the (mostly skilled) working classes.

1.2.1 Liberal reform

To create a system for health insurance and sickness benefits, the Liberals brought friendly societies, trade unions, and non-profit subsidiaries of private insurers under government oversight to collect 'National Insurance' contributions and administer benefits as 'approved societies', effectively nationalising and subsidising mutuals' subscriptions.⁶¹ All manual labourers over 16 years old with an annual income below £160 had to insure themselves against sickness by subscribing 4d per week (3d for women) to an approved society, topped up by employer contributions of 3d per week. Central government held the funds collected by approved societies and paid a 2d subsidy for every 9d of benefits distributed.⁶²

The statutory benefits offered by approved societies were limited. They included GP care, sickness benefits of 15s per week, or 12s for women, a disablement benefit worth 7s 6d per week and a maternity benefit of 40s.⁶³ However, societies could offer additional benefits if they had a surplus of contributions over payments, which most did: in 1938, more than 80 per cent of the scheme's 20.3 million members, in a total population of 47.5 million, received additional benefits from their society.⁶⁴

The Liberal Government's decision to build upon mutualism partly reflected political and administrative pragmatism – three quarters of the 12 million people originally covered by the scheme in 1911 were already part of a mutual aid association – but it also reflected a philosophical commitment to voluntarism within New Liberalism.

58 Green, David G (1999), 'The Friendly Societies and Adam Smith Liberalism' in 'Before Beveridge: Welfare before the Welfare State', Civitas, Choice in Welfare No. 47, p. 21. Accessed via: civitas.org.uk/pdf/cw47.pdf (Accessed: 11 December 2025)

59 Fink-Jensen, Jonathan (2020), 'Mutual efforts, collective benefits? Mutual sickness insurance and welfare states in Denmark, the Netherlands, and the United Kingdom, 1870–1973', European University Institute, p. 59. Accessed via: 2017.iasc-commons.org/wp-content/uploads/2017/06/4C_Jonathan-Fink-Jensen.pdf. (Accessed 12 December 2025)

60 Green (1999), p. 18.

61 Fink-Jensen (2020), p. 102.

62 Ibid., p. 101.

63 Bureau of Labour Statistics (1923), 'National Health Insurance in Great Britain, 1911 to 1921', St Louis Fed, pp. 4–7. Accessed via: fraser.stlouisfed.org/files/docs/publications/bls/bls_0312_1923.pdf (Accessed: 27 February 2026)

64 Beveridge (1942), p. 26.

The most influential thinker on New Liberalism was the idealist philosopher Thomas Hill Green. He served as a Liberal councillor in Oxford, where he tutored the young Henry Herbert Asquith.⁶⁵ Green propounded a perfectionist ethic, arguing that the greatest human good was self-realisation, when a person's will is perfectly aligned with reason. He differentiated between 'juridical freedom' – freedom from compulsion and restraint – and 'real freedom' – where an individual can achieve self-realisation. The latter recognised poverty as a barrier to freedom, granting a far greater latitude for government intervention.⁶⁶

Yet, as Green allowed for government intervention, he also promoted the importance of 'association'. He was insistent that the self could only be fully realised in association with others, when a person treats their associates as integral to their own good. These associations were not abstract to Green, but very real communities within late Victorian Britain: the churches, trade unions, voluntary groups, and mutual aid organisations spread across the country. The Idealist influence on Liberal thought, both directly and indirectly, pushed the Party towards promoting exactly those associations.⁶⁷

Of course, where there were few existing associations, the Liberals built a wholly state-run system. The closest that most friendly societies came to providing unemployment benefits were 'travelling benefits' and trade union provision was patchy and largely limited to skilled workers, so the Liberal Government constructed a system for unemployment benefits outside the approved society system.⁶⁸

Part 2 of the National Insurance Act 1911 required workers and employers in construction, shipbuilding, mechanical engineering, iron founding, sawmilling, and vehicle manufacturing each to pay 2½d per week into an Unemployment Fund managed by the Board of Trade. Taxpayers contributed 3d. After one week of unemployment, the worker could claim 7 shillings per week for up to 15 weeks collectible from government-run Labour Exchanges.⁶⁹ Average weekly wages in the railway industry were over 24 shillings at the time, meaning the benefit was worth a little more than a quarter of worker's wages.⁷⁰

The unemployment scheme was extended to all manual workers in 1920. Mass unemployment throughout the 20s, however, drove the Unemployment Fund into insolvency. Two inquiries between 1922 and 1924 even investigated bringing its administration under the approved society system, but resistance from trade unions and the Ministry of Labour killed the idea.⁷¹ Instead, a 'not genuinely seeking work' test was introduced in 1922 to limit long-term claims, which was scrapped by Labour in 1930 and replaced with a household means-test under the National Government.⁷²

Working-class communities resented the intrusiveness of the household means-test, motivating Beveridge to prioritise contributions and insurance in his 1942 blueprint for the welfare state, *Social Insurance and Allied Services*.⁷³ The same report brought an end to the approved society system and moved the UK towards an entirely state-run welfare system: a welfare state.

65 Smith, Neil (1972); 'Social reform in Edwardian liberalism: the genesis of the policies of national insurance and old age pensions, 1906–11', p. 90. Accessed via: etheses.dur.ac.uk/10241/1/10241_7035.PDF (Accessed: 26 February 2026)

66 Brink, David (2022); 'Thomas Hill Green' in 'The Stanford Encyclopedia of Philosophy (2022 Edition)', ed. Zalta, Edward N & Nodelman, Uri, Stanford University Press. Accessed via: plato.stanford.edu/entries/green/#ideaMetaEpis (Accessed: 26 February 2026)

67 Brink (2022).

68 Whiteside, Noel (2015), 'Who were the unemployed? Conventions, classifications and social security law in Britain (1911–1934)', Historical Social Research, pp. 150–169. Accessed via: Who were the Unemployed? Conventions, Classifications and Social Security Law in Britain (1911–1934) on JSTOR (Accessed: 9 March 2026)

69 National Insurance Act 1911, c. 55. Accessed via: National Insurance Act 1911 (Accessed: 9 March 2026)

70 Anderson, Peter (2017), 'Tall and Lithe – The wage-height premium in the Victorian and Edwardian British railway industry', Explorations in Economic History, vol. 67. Accessed via: (PDF) 'Tall and lithe' – The wage-height premium in the Victorian and Edwardian British railway industry (Accessed: 31 July 2026)

71 Whiteside, Noel (1999), 'Private Provision and Public Welfare: Health Insurance Between the Wars' in 'Before Beveridge: Welfare before the Welfare State', Civitas, Choice in Welfare No. 47, pp. 31–32. Accessed via: civitas.org.uk/pdf/cw47.pdf (Accessed: 11 December 2025)

72 Whiteside (2015), p. 165.

73 Crafts, Nicholas (2024), 'The welfare state and inequality: were the UK reforms of the 1940s a success?', Oxford Open Economics, p. 1193. Accessed via: doi.org/10.1093/oec/odad054 (Accessed: 27 November 2025)

1.2.2 Beveridge and the rise of the welfare state

Beveridge did not intend to completely remove mutuals from welfare provision, however. He criticised the approved society system for administrative duplication, opacity, the presence of commercial interests, and for allowing different benefits for the same statutory contributions, but he still recommended keeping societies as responsible agents to distribute standardised sickness benefits, so long as they had no commercial links and offered additional, voluntary insurance.⁷⁴

Beveridge planned a revolution in British welfare, but he was very clear that he wanted a British revolution: 'in some ways a revolution, but in more important ways... a natural development from the past.'⁷⁵ He envisioned a standardised, state-led, 'national minimum', which voluntary and mutual associations could build upon rather than the state assuming total, sole responsibility. On the day he was elevated to the Lords, Beveridge intervened in a debate on the National Insurance Bill, saying it 'frankly sent a chill to [his] heart' that the Bill removed friendly societies entirely from the administration of benefits.⁷⁶

Ultimately, the same Idealist milieu that produced New Liberalism had formed Beveridge. In 1948, he authored an often-forgotten report – *Voluntary Action: A Report on Methods of Social Advance* – setting out an idealist, associational view of society:

*'So, at last human society may become a friendly society—an Affiliated Order of branches, some large and many small, each with its own life in freedom, each linked to all the rest by common purpose, and by bonds that serve that purpose.'*⁷⁷

Beveridge was not alone in opposing the decision to remove societies from welfare administration. In the 1945 election, 199 Labour candidates pledged to support the role of trade unions and friendly societies in welfare.⁷⁸ One Labour MP, Percy Daines of East Ham North, even argued in favour of retaining the commercial offices, pronouncing:

*'I plead for human administration, such as was given personally by the industrial agent in the past. A type of service in which, when sickness came, the people found that they had someone in the agent who was friendly and who helped or advised them or, when death came, the widow found there was someone who took the emotional load off her'*⁷⁹

Percy Daines' views were less controversial for a Labour MP than they seem. The National Insurance Act 1911 required approved societies to be non-profit, meaning commercial agencies set up societies as separately managed and run subsidiaries. Profit was made by selling additional insurance policies, with National Insurance benefits as a loss leader.⁸⁰ Consequently, private agencies had a strong incentive to

74 Beveridge (1942), pp. 28–33, 249–276.

75 Beveridge (1942), p. 18.

76 Hansard HL Deb (25 Jun 1946), vol. 141, col. 1109. Accessed via: National Insurance Bill - Hansard - UK Parliament (Accessed: 27 February 2026)

77 Beveridge, William H (1948), *'Voluntary Action: A Report on Methods of Social Advance'*, Allen and Unwin, p. 320. Accessed via: babel.hathitrust.org/cgi/pt?id=uc1.b4265954&seq=7. (Accessed 27 February 2026).

78 Whiteside (1999), p. 39.

79 Ibid.

80 Ibid., p. 35.

the responsiveness that Daines praised. Agents of the four Prudential Approved Societies – established by the Prudential Assurance Company – were ordered to be prompt and attentive even when approached by people who were not their clients.⁸¹

The post-war political mood was not in favour of such commercial offices, however. Beveridge rejected them as responsible agents, and the Labour government abolished them with the entire approved society system. The National Insurance Act 1946 introduced flat-rate, contributory unemployment and sickness benefits administered by the state and buttressed by discretionary subsistence payments for those unable to make sufficient NICs under the National Assistance Act 1948.⁸²

1.3 After Beveridge

The welfare system instituted by the 1945–51 Labour Government remained more or less the same until 1966. Labour boldly proclaimed it had abolished destitution in its 1950 and 1951 manifestos, with some foundation: Seebohm Rowntree's third social survey suggested only 2.8 per cent of people were in poverty nationally in 1951, though later evidence suggests Rowntree miscounted his own results, with the actual rate at 11.8 per cent.⁸³

The over-optimism of the 1950s was soon overturned, however, with the 're-discovery of poverty'. In 1965, Brian Abel-Smith and Peter Townsend published *The Poor and the Poorest* claiming that poverty had increased from 10.1 per cent in 1953/54 to 17.9 per cent in 1960.⁸⁴

Abel-Smith and Townsend redefined poverty as much as they rediscovered it. Where Rowntree chose a restrictive measure of 'human needs', Abel-Smith and Townsend chose a relative, income-based measure, assessing those earning less than 140 per cent of the value of the benefit paid by National Assistance as poor.⁸⁵ Townsend later argued for the now standard relative measure of those with incomes below 60 per cent of the average, making the case – in his *Poverty in the UK* – that there was a significant increase in deprivation and social exclusion below that level.⁸⁶

Beveridge had argued that the main driver of 'want' was the 'interruption or loss of earning power' solvable by state insurance, with NICs returning in flat-rate benefits.⁸⁷ Abel-Smith and Townsend's conclusions, however, suggested that the contributory system was failing to solve poverty. Their definition of poverty also implicitly undermined the case for contribution and promoted that for means-testing. Where contribution risked embedding the very inequalities captured by relative low-income, means-testing could target those below the low-income line.

The re-definition of poverty followed and strengthened an earlier philosophical shift towards seeing welfare as a human right. Thomas Humphrey Marshall exemplified this thinking in 1950, when he

81 Heller, Michael (2007), 'The National Insurance Acts 1911–1947, the Approved Societies and the Prudential Assurance Company', p. 8. Accessed via: researchgate.net/publication/23649985_The_National_Insurance_Acts_1911-1947_the_Approved_Societies_and_the_Prudential_Assurance_Company (Accessed: 27 February 2026)

82 Crafts (2024).

83 Ibid.

84 Gazeley, Ian; Rufrancos, Hector G (2017), 'The Poor and the Poorest, 50 years on: evidence from British Household Expenditure Surveys of the 1950s and 1960s', Journal of the Royal Statistical Society, p. 455. Accessed via: [jstor.org/stable/44682860](https://www.jstor.org/stable/44682860) (Accessed: 3 December 2025)

85 National Assistance rates in 1953/54 were 35 shillings for a single householder and 59 shillings for a married couple, excluding rental support. Rates increased to 50 shillings and 85 shillings, respectively, in 1960. Hansard HC Deb (20 Dec 1954), vol. 535, col. 2449–2557. Accessed via: NATIONAL ASSISTANCE (Hansard, 20 December 1954) (Accessed: 31 July 2026). Hansard HC Deb (2 Nov 1960), vol. 629, col. 170. Accessed via: Pensions And Benefits - Hansard - UK Parliament (Accessed: 31 July 2026)

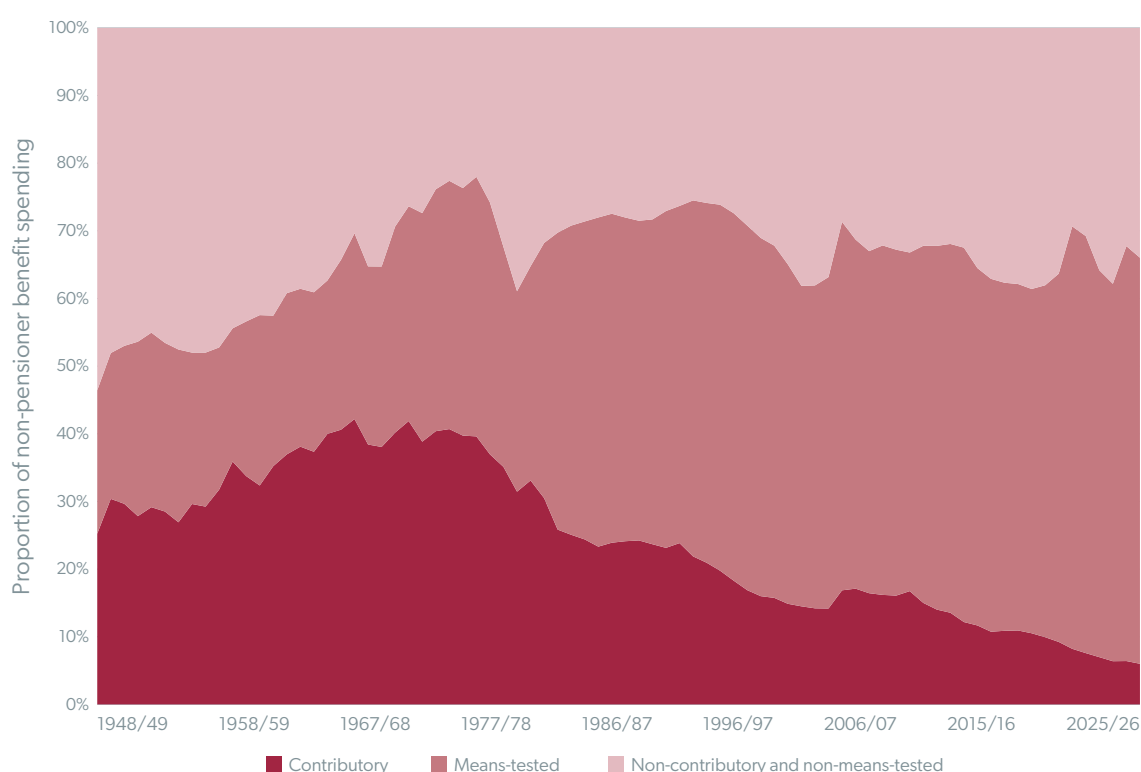
86 Townsend, Peter (1979), 'Poverty in the United Kingdom: A Survey of Household Resources and Standards of Living', pp. 237–271. Accessed via: poverty.ac.uk/system/files/townsend-book-pdfs/PIUK/piuk-whole.pdf. (Accessed: 27 February 2026)

87 Beveridge (1942), p. 7.

published his lecture *Citizenship and Social Class*. Marshall argued that the 20th century had added social rights to the civil and political rights of citizens won in the 18th and 19th centuries.⁸⁸ Social rights meant ‘the whole range from the right to a modicum of economic welfare and security to the right... to live the life of a civilized being according to the standards prevailing in the society.’⁸⁹

Welfare, following Marshall’s argument, was necessary to secure such social rights. Individuals had a right to benefits, not because they had paid into the system, but because it ensured their rights were met. Very soon welfare shifted from a *means* to a human right to the right itself. After Supplementary Benefit replaced National Assistance in 1966, replacing discretion with clear rules for eligibility, Harold Wilson proclaimed ‘hundreds of thousands of the least well-off members of the community [have] now claimed their rights.’⁹⁰

Figure 1.1: Share of means-tested and contributory benefits in non-state pension welfare expenditure from 1948/49 to 2025/26, 2026/27 prices



Source: Department for Work and Pensions (Apr 2026), ‘Benefit expenditure and caseload tables 2026’

Over the next decade, the interaction between Marshall’s social rights and Abel-Smith and Townsend’s re-discovery of poverty drove both Labour and Conservative Governments to layer on new, mostly means-tested, benefits. National Assistance became Supplementary Benefit under Labour. Edward Heath’s Conservatives legislated for local authorities to institute ‘allowance’ schemes to cover private tenants’ rents ‘by reference to their needs and their resources’ in 1972 (building on pre-existing rebate schemes for social tenants), introduced the Family Income Supplement in 1971 to tackle child poverty,

88 Marshall, Thomas H (1950), ‘*Citizenship and Social Class*’, Cambridge University Press, p. 11. Accessed via: s3.us-west-1.amazonaws.com/p-library/books/b22baab-2fe1f967c2346fb58c091c630.pdf. (Accessed 27 February 2026)

89 Marshall (1950), p. 11.

90 Timmins, Nicholas (1995), ‘*The Five Giants: A Biography of the Welfare State*’, p. 228.

and created Invalidity Benefit (IVB) for those whose incapacity had left them out of work for more than six months.⁹¹ Then, in 1976, the returned Labour Government added the Invalid Care Allowance (ICA) to support disabled people with their additional living costs.⁹²

The scale of new payments meant the non-pension welfare bill more than doubled in real terms in the twelve years between 1966 and 1978.⁹³ Inevitably, the scale of the increase triggered a backlash, and the Conservatives re-entered government in 1979 with a clear intention to rein in welfare expenditure. While they resisted the rights-based justification of welfare, the Conservative Government embraced means-testing. Their acceptance stemmed less from Abel-Smith and Townsend's arguments than means-testing's usefulness for limiting eligibility, which they balanced with a greater focus on the rates of benefit withdrawal to incentivise work.

The Thatcher Government's first step was to abolish the earnings-related supplement to Unemployment Benefit.⁹⁴ They standardised the rent rebate and allowance schemes into Housing Benefit in 1983, with a 'needs allowance' after which payments were withdrawn at 65p for every extra pound of income.⁹⁵ Income Support replaced Supplementary Benefit for those unavailable for full-time work in 1988, whether due to caring responsibilities or disability, allowing claimants to work up to 16 hours per week with earnings below a given disregard.⁹⁶ Family Credit, likewise, replaced the Family Income Supplement bringing in a lower eligibility requirement of 16 hours of work and a withdrawal rate of 70 per cent.⁹⁷

Reforms continued in a similar direction throughout the 1990s. The Major Government introduced Jobseeker's Allowance (JSA) to replace Unemployment Benefit in 1996 – it had stricter conditions and greater job-search requirements – and Incapacity Benefit to replace IVB.⁹⁸ The main innovation in Incapacity Benefit was a new 'all work test', later renamed the 'Personal Capability Assessment', to determine incapacity. Claimants had to take the test after six months. The Benefits Agency administered the test to assess claimant's ability to undertake any form of work, rather than just their previous occupation.⁹⁹

These reforms reflected a fear that GPs – IVB's gatekeepers – were too susceptible to pressure from claimants to sign them off work. The number of Invalidity Benefit claimants had risen from 880,000 in 1979 to 1.5 million in 1993.¹⁰⁰ The increase was concentrated in de-industrialising communities, partly because the Benefits Agency was incentivised to direct new claimants towards incapacity benefits to hold down the claimant count measure of unemployment. The 'all work test' sought to re-direct those claimants into new occupations.¹⁰¹

91 Housing Finance Act 1972, c. 47. Accessed via: legislation.gov.uk/ukpga/1972/47/pdfs/ukpga_19720047_en.pdf (Accessed: 5 December 2025). Centre for Social Justice (Sep 2009), 'Dynamic Benefits: Towards welfare that works', p. 62. Accessed via: centreforsocialjustice.org.uk/wp-content/uploads/2018/03/CSJ-dynamic-benefits.pdf. (Accessed: 5 December 2025)

92 Glennerster, Howard (2011); 'Peter Brereton Townsend 1928–2009', Proceedings of the British Academy, pp. 314–316. Accessed via: thebritishacademy.ac.uk/documents/1686/172p303.pdf (Accessed: 15 December 2025)

93 Department for Work and Pensions (2025), 'Benefit expenditure and caseload tables 2025'. Accessed via: [Benefit expenditure and caseload tables 2025 - GOV.UK](https://benefit-expenditure-and-caseload-tables-2025.gov.uk) (Accessed: 19 December 2025)

94 CSJ (Sep 2009), p. 57.

95 The Housing Benefit Regulations 1982, SI 1982/1124. Accessed via: legislation.gov.uk/uksi/1982/1124/made (Accessed: 18 December 2025)

96 CSJ (Sep 2009), p. 65.

97 Dilnot, Andrew; McCrae, Julian (1999), 'The Family Credit System and the Working Families' Tax Credit in the United Kingdom', Institute for Fiscal Studies: Briefing Notes, p. 4. Accessed via: ifs.org.uk/sites/default/files/output_url_files/bn3.pdf (Accessed: 11 December 2025)

98 CSJ (Sep 2009), p. 62.

99 Beatty, Christina; Fothergill, Stephen (2005); 'The diversion from 'unemployment' to 'sickness' across British regions and districts', Centre for Regional Economic and Social Research, pp. 837–853. Accessed via: [tandfonline.com/doi/abs/10.1080/00343400500289804](https://doi.org/10.1080/00343400500289804) (Accessed: 21 December 2025)

100 CSJ (Sep 2009), p. 62.

101 Beatty and Fothergill (2005), p. 845.

1.3.1 New Labour, new welfare?

The New Labour Government, elected in 1997, embraced the welfare critiques of their Conservative predecessors, placing a similar emphasis on means-testing and moving claimants into work. They combined this with a renewed focus on in-work poverty, defined by relative low-income, seeking to 'make work pay' as they strengthened job-search requirements and introduced new active labour market programmes to support claimants into work.¹⁰²

The primary manifestation of the former aim was the introduction of Working Families' Tax Credits (WFTC) to replace Family Credit in 1999. Like Family Credit, any family with an adult working over 16 hours was eligible, but the WFTC raised the earnings disregard to £90 per week and reduced the withdrawal rate from 70 to 55 per cent.¹⁰³ WFTC was also administered by His Majesty's Revenue and Customs (HMRC) rather than the Department for Work and Pensions (or Department of Social Security as it then was). In 2003, WFTC became the Working Tax Credit (WTC), expanding support beyond parents to all low-income workers, while various means-tested child benefits were merged into Child Tax Credit (CTC).¹⁰⁴

The tightening of job-search requirements, meanwhile, manifested in New Labour's introduction of Employment and Support Allowance (ESA) in 2008 to replace Incapacity Benefit and the disability claim for Income Support. ESA removed age-related top ups and added an intermediary work-related category, who were eligible for lower payments and required to attend the Pathways to Work scheme. The 'Personal Capability Assessment' similarly became the 'Work Capability Assessment' (WCA) with the aim of discovering the work a potential claimant could do instead. In its first year of operation, two-thirds of applications to ESA were rejected compared to a rate of one-third among its predecessors.¹⁰⁵

Finally, the Government significantly expanded the UK's active labour market programmes to support people into work. In 1998, several 'New Deals' were introduced: a New Deal for Young People, New Deal for 25 plus, for lone parents, disabled people, and 50 plus. The New Deal for Young People added a four-month intensive period of job search for 18- to 24-year-olds who had claimed JSA for six months or more, with subsidised job placements, education, and voluntary or environmental work. The other New Deals had similar periods of tailored work experience or training offers for the various cohorts after the gateway elapsed.¹⁰⁶

New Labour's policies were somewhat successful. Unemployment rates fell and employment rates for disabled people and lone parents converged with average rates. However, the improvement did not reach those furthest from the labour market with employment falling among the low-skilled and rates of inactivity barely budging.¹⁰⁷ Even the fall in unemployment swiftly reversed as economic tailwinds gave way to the headwinds of the financial crisis in 2008, rising from 5.2 per cent to 8 per cent between the first quarter of 2008 and first quarter of 2010.

102 De Giorgi, Giacomo (Sep 2005), 'The New Deal for Young People Five Years On'. Accessed via: [jstor.org/stable/24440071](https://www.jstor.org/stable/24440071) (Accessed: 3 March 2026)

103 Dilnot and McCrae (1999), p. 4.

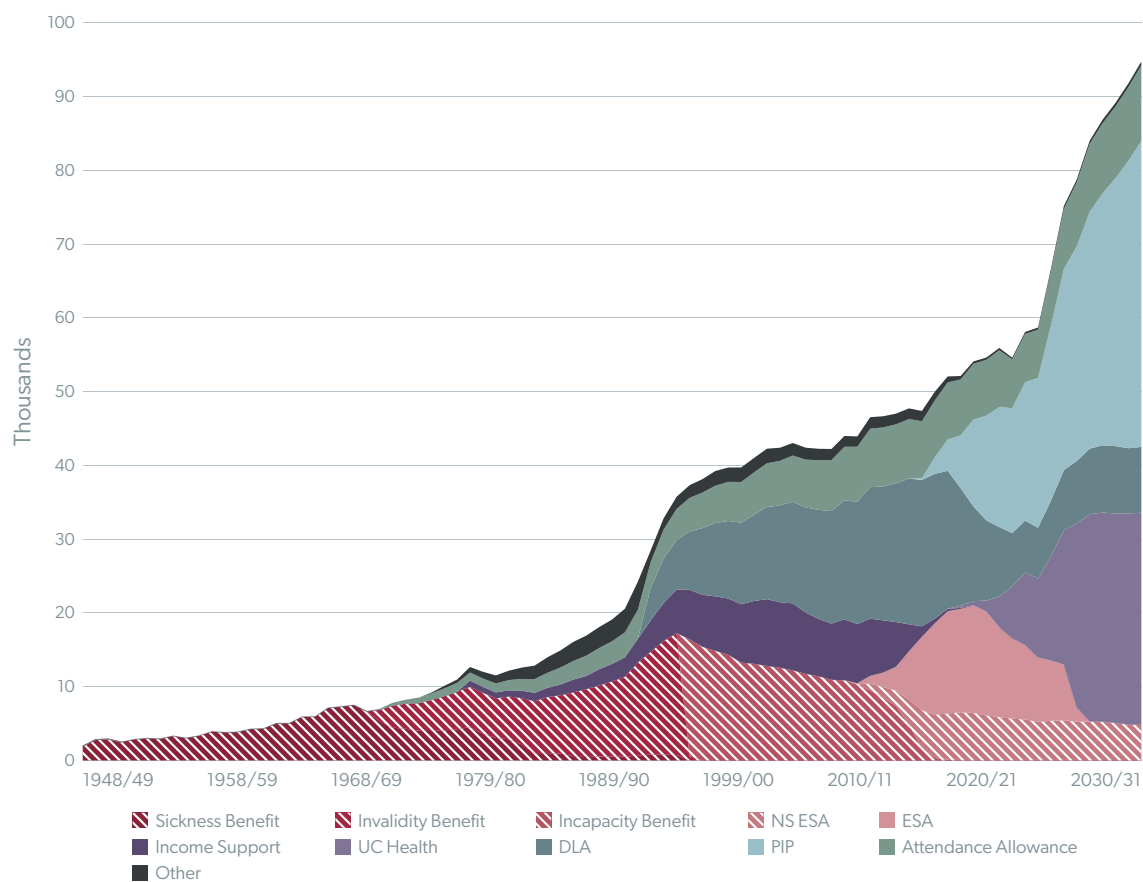
104 CSJ (Sep 2009), p. 75.

105 Ibid., pp. 65–66, 128.

106 Brewer, Mike (2007), 'Welfare reform in the UK: 1997–2007', The Institute for Fiscal Studies WP20/07. Accessed via: [Welfare reform in the UK: 1997 - 2007](#) (Accessed: 4 March 2026)

107 Brewer (2007), pp. 14–16.

Figure 1.2: Spending on health-related benefits from 1948/49 to 2025/26, £ million
2026/27 prices



Source: Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'

Note: Incapacity benefits in red (contributory benefits are patterned). Disability benefits in blue.

1.4 The last 16 years

1.4.1 Dynamic Benefits

The shortcomings of New Labour's success, ultimately, reflected the limits of focusing on individual benefits, without regarding the whole welfare system. After 43 years of tinkering, Britain had a far more targeted but also a far more confused system in 2009 than it had in 1966. The welfare system had 51 different benefits, up from 27 in 1979 and 7 in 1948, including three main out-of-work benefits, in-work tax credits managed by HMRC, multiple additional payments to support living costs, and a smorgasbord of passported support.¹⁰⁸

Table 1.1: Common passported benefits in 2009

Passported benefit	Passport
Free school meals	Income Support, JSA, ESA, CTC
School clothing grant	Income Support, JSA
Prescriptions, dental and hospital fares	Income Support, JSA
Health costs	Income Support, JSA, CTC
Home Energy Efficiency Scheme	Income Support, JSA, Disability Living Allowance
Bus pass	Disability Living Allowance
Free car tax	Disability Living Allowance
Blue parking badge	Disability Living Allowance
Railcard	Disability Living Allowance
Taxi card	Disability Living Allowance
Legal Aid	
Housing grants	
Social Fund Payments	

Source: CSJ (Sep 2009), p. 49

It was in this context that the Centre for Social Justice (CSJ) released *Dynamic Benefits*. That report set out to simplify Britain's sprawling system, following six objectives: that the system should relieve poverty, reduce worklessness, increase fairness, support positive behaviour, reduce benefit dependency, and increase affordability.¹⁰⁹

The welfare system of 2009 fell short. 1.4 million more people were in relative low-income after housing costs in 2007/8 than in 2004/5. New Labour's previous poverty-fighting success reflected a 'quick win' of pulling those just below 60 per cent of the median income to just above it. The UK also had the highest proportion of children living in workless families in the EU, at over 16 per cent.¹¹⁰

The system's complexity militated against the positive behaviours that create sustainable routes out of poverty – we evidence the relationship between these behaviours and poverty in Chapter 4. Claimants faced a myriad of eligibility regimes and could lose over 75 per cent of their earnings from moving into

¹⁰⁸ CSJ (Sep 2009), pp. 17–21, 131.

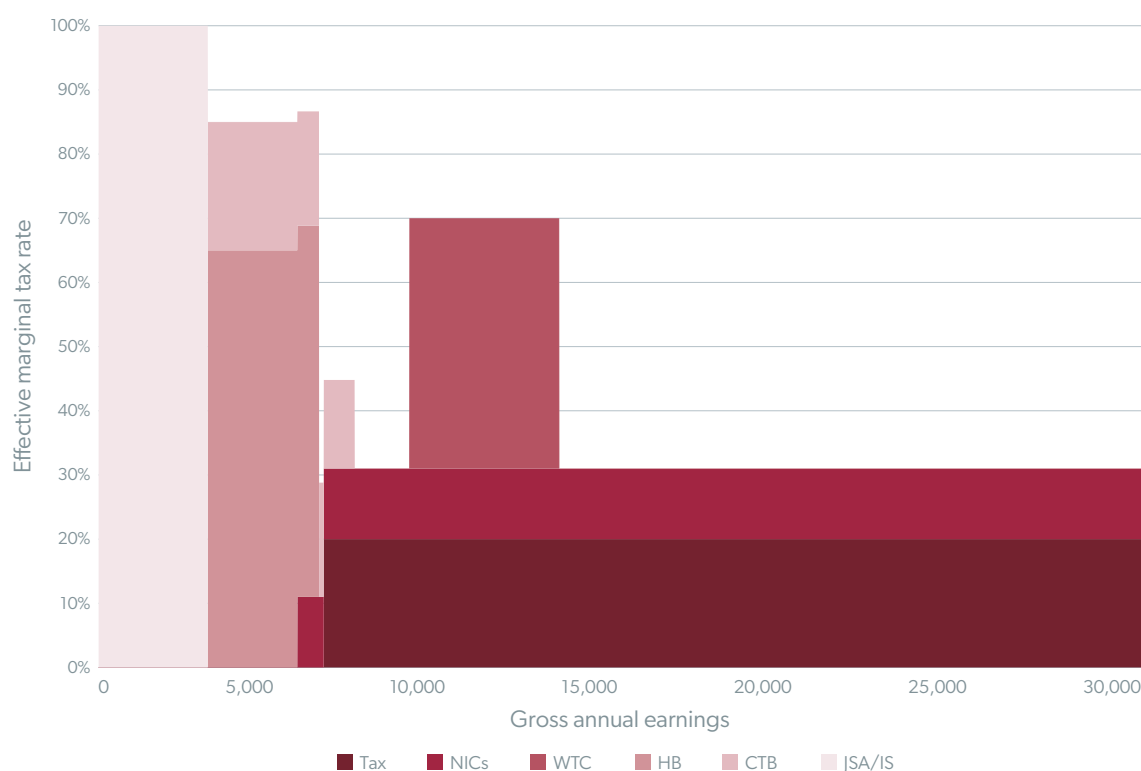
¹⁰⁹ Ibid., p. 36.

¹¹⁰ Ibid., pp. 43–53.

work, even before factoring in the additional living costs from lost passported benefits. Once in work, some claimants could lose more than 85p for every extra pound they earned, disincentivising in-work progression and exacerbating the rate of in-work poverty.¹¹¹

There were similar disincentives beyond work. Approximately 1.8 million couples would have been better off living apart in 2009, by an average of £1,336 per annum. The earnings disregard for lone parents on JSA/IS was twice that of a couple and, if one partner in a couple worked more than 24 hours per week, the other partner would lose eligibility to JSA. WTC also paid couple families the same amount as lone parents, meaning the couple received half the benefit they would as two single parent families.¹¹²

Figure 1.3: Effective marginal tax rates for a single person over 25 under legacy benefits in 2009/10



Source: CSJ analysis of 2009/10 benefit rules

Note: Calculations based upon a single person over 25 years of age with no extra disability payments, a rent of £40 per week and council tax of £845.

Couples responded to this incentive. While the rate of coupling increased at a linear rate as income increased, there was a non-linear 10–15 per cent drop in the rate of coupling when income fell below £15,000 per year. The same incentives encouraged dishonesty, with couples not declaring they were living together. The Institute for Fiscal Studies estimated in 2009 that 200,000 more lone parents received tax credits than actually existed.¹¹³

111 Ibid., pp. 82–103.

112 Ibid., pp. 110–111.

113 Institute for Fiscal Studies (2009), 'Poverty and Inequality in the UK: 2009', IFS Commentary C109. Accessed via: ifs.org.uk/sites/default/files/output_url_files/c109.pdf (Accessed: 15 September 2026)

At the same time, claimants were punished for saving or owning property. The UK was unique in offering Housing Benefit only to tenants, while the 'capital test' on most benefits reduced benefit earnings by £1 per week for every £250, or part thereof, of savings above a £6,000 threshold. The 'capital test' implied an imputed income from savings greater than £6,000 of around 21 per cent, far higher than any reasonable interest rate. Both these policies significantly disincentivised benefit claimants from building long-term financial resilience.¹¹⁴

Dynamic Benefits proposed Universal Credits to streamline the system. Two credits formed the scheme: Universal Work Credit, to replace all out-of-work benefits, and a Universal Life Credit, to support all low-income households. The credits were to be paid in full to claimants and withdrawn at a standard rate of 55 per cent of post-tax earnings, to reduce the effective marginal tax rates (EMTR) faced by claimants. Earnings disregards were, likewise, made more generous, to reduce the costs of claimants moving into work.¹¹⁵

Core Universal Credits proposal in Dynamic Benefits

- One primary benefit system with two components:
 - *Universal Work Credit*, for those out of work or on very low wages.
 - *Universal Life Credit*, to cover additional living expenses for all those on low incomes, combining supplements for housing costs, council tax, disability costs, and children.
- All benefits administered through one agency.
- Tax and benefits withdrawal integrated into a single, Pay-as-you-earn (PAYE) system, with both credits withdrawn at a standard 55 per cent rate above earnings disregards.
- Treat 'passport benefits' as universal benefits-in-kind, monetise their value once claimants' earnings are above the disregard, and taper with increased earnings.
- Separate the fit-for-work test from disability-based payments.
- Reduce penalties for savers, couples, and those with mortgages by raising disregards, raising the savings cap and lowering the imputed income, and allowing non-earning partners in single earner couples to claim at a reduced level.

Household Earnings Disregards	1. Minimal Losers (proposed)	2. Break even	3. Reduced Losers
Households	£1,500	£3,000	£1,500
Over 25/Parent Addition	£3,500	£0	£2,000
Lone Parent Addition	£3,000	£3,500	£3,000
Each of 2 nd and 3 rd children	£350	£350	£350
Rent	-1.8 x rent supplement		
Council Tax	-1.3 x Council Tax Supplement		
With a 'disregard floor' of £260 per adult + £650 per child + £1,660 for lone parents, should the formula above suggest a lower disregard			

114 Ibid., pp. 104–129.

115 Ibid., pp. 264–283.

To end the savings penalty, *Dynamic Benefits* further recommended re-ordering the capital test so it reduced earnings disregards, instead of benefit amounts, and later raising the savings cap from £16,000 and reducing the imputed income from savings to 10 per cent. The mortgage penalty was lessened by setting higher earnings disregards for non-renters. Benefit levels and earnings disregards for couples were to rise faster over time to mitigate the couple penalty, with Universal Work Credit paid at a lower rate to the non-working partner in a single earner couple and withdrawn based on combined household earnings.

Figure 1.4: Effective marginal tax rates for a single person over 25 under Universal Credits in 2009/10



Source: Universal Credits as proposed in *Dynamic Benefits*

Note: Calculations based upon a single person over 25 years of age with no extra disability payments, a rent of £40 per week and council tax of £845.

The final issues facing *Dynamic Benefits* were the mix of passported benefits and how to incorporate health-related benefits. Each in-kind benefit would be given a monetised value and added to the withdrawable amount of Universal Life Credit to tackle the first. For the second, Universal Credits would have a fit-for-work test to allow someone to access Universal Work Credit for incapacity and a separate assessment to receive support for higher living costs via Universal Life Credit. Disability benefits would be provided through Universal Life Credit and withdrawn at the 55 per cent taper as incomes rose.¹¹⁶

¹¹⁶ Ibid., pp. 280–292.

1.4.2 Universal Credit

Universal Credit *as implemented* differs from Universal Credits *as proposed* in *Dynamic Benefits*. These differences arose, unsurprisingly, in the process of instituting it. As Dr Stephen Brien, author of *Dynamic Benefits* later put it, '[*Dynamic Benefits*] was an advocacy paper, not an operational blueprint.'¹¹⁷

Several changes came in discussions between Dr Brien and Lord Freud, then Shadow Minister for Welfare Reform, ahead of the 2010 election. They removed plans to incorporate Child Benefit and Disability Living Allowance (DLA), due to the political infeasibility of means-testing them, and reduced the scheme from two credits to one credit constituted of multiple elements. At the same time, PwC estimated that the scheme would take eight years to build, matching Lord Freud's 2007 estimate for Labour's similar, shelved Single Working-Age Benefit.¹¹⁸

When the Coalition formed after the 2010 election, however, the timeline became far more ambitious. The DWP published a white paper in November 2010 that expected new claims for Universal Credit to begin in October 2013 with final transfers by 2017.¹¹⁹

The scheme proposed in the white paper built on the proposal in *Dynamic Benefits*, but there were significant differences. Firstly, Council Tax Benefit (CTB) was stripped from the scheme and localised. Secondly, the white paper retained the same capital rules as legacy benefits. These persist: the £16,000 capital limit has not been uprated since. Thirdly, Universal Credit's taper was set at a higher rate of 65 per cent, though it was reduced in 2021 to the 55 per cent proposed by *Dynamic Benefits*. All three of these changes reflected pressure from the Treasury, which was set on finding significant savings from the welfare budget. The white paper also confirmed the exclusion of DLA which was to be replaced by PIP instead (see box below).¹²⁰

The operational implementation of Universal Credit began in December 2010. The challenge facing the Department was building an IT system to link a front-end, 'digital by default' experience for claimants with a complex back-end processing real-time earnings information from HMRC and data on legacy claims to automate and deliver payments.¹²¹

The Cabinet Office was determined to end 'mega IT contracts' and pushed for an 'agile approach' – where a programme is designed iteratively with requirements evolving from users' feedback. The DWP, however, traditionally relied on a 'waterfall' workflow with the Department specifying the exact requirements for a programme and suppliers designing it based on those specifications. Choosing the 'agile' workflow clashed with the 'waterfall' approach to legacy systems and meant the DWP did not turn the white paper's high-level description of Universal Credit into a detailed operational blueprint.¹²²

These two problems significantly impacted the programme's implementation. The DWP began contracting for over a dozen different systems without a detailed blueprint and almost two years before the Welfare Reform Act 2012 – the statutory basis for Universal Credit – entered the statute book. Linking Universal Credit with legacy systems also forced the Department to switch to 'Agile 2.0' mingling the 'waterfall' and 'agile' approaches to development. These two issues meant the DWP's suppliers –

117 Institute for Government (Sep 2016), '*Universal Credit: From disaster to recovery?*', p. 39. Accessed via: [5064 IFG - Universal Credit Publication WEB AW.pdf](#) (Accessed: 10 March 2026)

118 IFG (Sep 2016), pp. 24–26.

119 Department for Work and Pensions (Nov 2010), '*Universal Credit: Welfare that works*', p. 39. Accessed via: [universal-credit-full-document.pdf](#) (Accessed: 10 March 2026)

120 DWP (Nov 2010), p.48.

121 IFG (Sep 2016), pp. 31–38.

122 National Audit Office (Sep 2013), '*Universal Credit: early progress*', HC 621, pp. 29–32 Accessed via: [10132-001-Universal-credit.pdf](#) (Accessed: 9 March 2026)

Accenture, IBM, and HP – were developing Universal Credit without a clear idea how Universal Credit was meant to work, while key issues, including serious security concerns, went unaddressed.¹²³

Governance hampered the DWP's ability to tackle these problems throughout the early stages of the project. Universal Credit cycled through five senior responsible owners (SRO) in one year. Its first SRO was chief operating officer for the entire department, diluting his ability to manage the project. The SRO also chaired the programme board until mid-2013, meaning they were marking their own homework and encouraging a 'good news' culture that limited awareness of the project's difficulties. The decision to appoint an independent chair to the programme board in mid-2013 and bring senior representatives from other departments helped to turn the project around.¹²⁴

That turnaround began when Universal Credit was reset in early 2013 after a series of reviews by both the Major Projects Authority and an internal DWP 'red team'.¹²⁵ The Chief Executive of the Major Projects Authority became the SRO for the project. He brought a dedicated team from Government Digital Service with him to develop a new system under a purely agile workflow. The DWP adopted a twin-track approach to the rollout of Universal Credit. A 'Live Service' rolled out Universal Credit to single, childless, workless claimants in several pilot areas – starting with Ashton-Under-Lyne – using the IT assets developed by contractors, while an in-house team, taking over from the Government Digital Service team, developed the 'Full Service' to roll out from November 2014.¹²⁶

The reset was costly: £40 million worth of IT was written off and another £90 million was written down, with software in the 'Live Service' used for five years rather than its build life of 15 or more. But the reset allowed the DWP to be more responsive to feedback.¹²⁷ By May 2016, the 'Live Service' had rolled out to all 700 Jobcentres with a caseload of 262,000, while the 'Full Service' reached 10,000 claimants by the same time.¹²⁸ The 'Full Service' progressively replaced the 'Live Service' from that point.

As these dates suggest, the DWP has repeatedly delayed the implementation of Universal Credit throughout this process. Far from the white paper's plan to transfer all claimants to Universal Credit by 2017, the 'Full Service' only replaced the 'Live Service' in 2018. Managed migration from legacy benefits then started in 2019 with a pilot in Harrogate and was paused during the Covid-19 Pandemic, only restarting in 2022.¹²⁹ The project is now complete with managed migration ending and the closure of the legacy benefits replaced by Universal Credit in March 2026.

Universal Credit has taken nearly a decade and a half from legislation to completion, at a cost of over £3 billion. We leave delving into the detail of Universal Credit itself and assessing its effectiveness until Chapter 6, but there are lessons for the implementation of policy that it is instructive to draw out here. Simply, any large-scale welfare reform must have:

1. **An operational blueprint:** Even if software is to be developed using an 'agile' approach, the DWP must understand how it intends a benefit to operate and how any software will work within its processes. The actual blueprint can evolve as the software iterates, but the Department must start with enough of an endpoint to create an accurate project timeline and assess its/supplier's capacity to deliver.

123 NAO (Sep 2013), pp. 33, 35.

124 IFG (Sep 2016), p. 70.

125 National Audit Office (Jun 2018), 'Rolling out Universal Credit', HC 1123, p. 14. Accessed via: [Rolling out Universal Credit](#) (Accessed: 9 March 2026)

126 NAO (Jun 2018), p. 14.

127 IFG (Sep 2016), p. 50.

128 Ibid., p. 74.

129 National Audit Office (Feb 2024), 'Progress in implementing Universal Credit', HC 552, pp. 28–29. Accessed via: [Progress in implementing Universal Credit](#) (Accessed: 9 March 2026)

2. **A clear assessment of the Department's capabilities:** DWP Digital has since absorbed the team that developed Universal Credit's 'Full Service', embedding the 'agile' workflow and the DWP's ability to develop software in-house. Any project should build on these capabilities. No project should be built on an unfamiliar workflow without evidence that the Department can adapt to it within a reasonable timeframe. DWP Digital's ability to deliver a project should be assessed at the start, with suppliers brought in to buttress where appropriate.
3. **Undiluted ownership and accountability:** Any project must, as far as possible, have one SRO throughout its lifecycle with personal responsibility for its delivery. The SRO should be accountable to a programme board with an independent chair that includes representatives from all relevant departments, to ensure their buy-in and coordination. Ministers and senior departmental leaders must foster a culture that is open to criticism, institutionalising this through, for example, red teams where necessary.
4. **Coordination between policy and operations:** The DWP has now fully adopted 'test and learn' through the process of building Universal Credit, lessening the separation between policy and operation within the DWP. The Department must maintain and strengthen this such that any future project incorporates operational views from developing the operational blueprint through to developing the systems in an 'agile' workflow.

Personal Independence Payment

The Coalition Government introduced PIP in 2013 to replace DLA as the UK's primary disability benefit. It was designed, like DLA, to cover additional costs arising from an individual's health condition or impairment regardless of employment status. It is non-means-tested, non-taxable and non-contributory.

The Coalition set out their reasons for replacing DLA in the consultation 'Disability Living Allowance Reform' in December 2010. Over three million people received DLA at the time at a cost of £12 billion. Caseloads had risen by 30 per cent in eight years. DLA was complex – with 11 different possible rates – and people's entitlements were rarely reviewed. Assessments were subjective and ill-targeted: applicants sent a claim form alongside GP evidence to Decision Makers at the DWP while certain conditions had automatic entitlements regardless of actual impact.¹³⁰

PIP simplified payments into two components, daily living and mobility, paid at two rates, standard or enhanced. It sought to introduce an objective, functional assessment with claimants scored on their ability to perform 12 activities, 10 daily living activities and two mobility activities. The DWP intended that all awards would be periodically reviewed to ensure the appropriateness of entitlements.¹³¹

The Department initially contracted Atos and Capita to conduct face-to-face and paper-based assessments at a cost of £127 million. If claimants were unhappy with their claim, they could ask the Department for a 'mandatory reconsideration' and, if they were still unhappy, appeal to HM Courts and Tribunal Service.¹³²

PIP was rolled out in a 'controlled start' – to trial and adapt its systems and processes – from April 2013. The Government originally planned to reassess all DLA claimants by 2017. However, backlogs quickly developed across the whole claimant process by mid-2013, with the DWP

¹³⁰ Department for Work and Pensions (Dec 2010), 'Disability Living Allowance reform'. Accessed via: [dla-reform-consultation.pdf](#) (Accessed: 11 March 2026)

¹³¹ The Social Security (Personal Independence Payment) Regulations 2013, SI 2013/377, sch 1. Accessed via: [The Social Security \(Personal Independence Payment\) Regulations 2013](#) (Accessed: 11 March 2026)

¹³² National Audit Office (Feb 2014), 'Personal Independence Payment: early progress', HC 1070, pp. 14–16.

making only 16 per cent of the number of decisions it expected by the end of October 2013.¹³³ The DWP, therefore, delayed rolling out DLA reassessments nationally until 2015. Reassessments are ongoing.

The delays to rolling out PIP demonstrate the importance of testing the full claimant journey prior to national roll-out. The DWP relied too heavily on reassurances from assessment providers about their readiness for full rollout and did not monitor the availability of health professionals able to audit claims. The Department was also overly optimistic about the speed that claimants could return forms.

PIP also shows the need for clarity in primary legislation. The PIP assessment was intended to prevent the drift that DLA experienced, as subjective assessments slowly expanded eligibility beyond the benefit's original intention. However, PIP assessment criteria were set out in secondary legislation and, thus, open to legal challenge, leading to several cases that steadily eroded the benefit's definition. We explore this further in Chapter 2.

¹³³ NAO (Feb 2014), pp. 21–23.

Chapter 2:

The benefit system

Britain's benefit system is a sprawling leviathan. Excluding the state pension, the British state transferred over £163 billion into the pockets of its less well-off, unwell, or simply younger or older citizens in the last financial year, equating to £14 billion each month. Figures that would be extraordinary to a single civilian are pocket change to the DWP: the smallest non-legacy benefit cost, the Armed Forces Independence Payment (AFIP), was worth £23 million in 2025/26.

This chapter pauses to explain the current benefit system in depth, working through each of the most significant benefits in the system. Our aim is to lay the groundwork for Chapter 6, where we evaluate the same benefits, by ensuring readers both understand the benefits and have a sense of the system's scale.

2.1 Universal Credit

Universal Credit is the UK's primary means-tested benefit for working-age households. It was introduced in 2012 to simplify the welfare system by consolidating six benefits into a single monthly payment (see Chapter 1 for further background).¹³⁴ Claimants can work, retaining all earnings below their monthly work allowance before Universal Credit is withdrawn at 55 per cent of earnings above the allowance.

2.1.1 The structure of Universal Credit

Universal Credit is calculated by combining a standard allowance, received by all claimants, with additional elements that depend on household circumstances and income. Table 2.1 shows the values of these elements for the 2026/27 financial year. Universal Credit is subject to an annual review by the Secretary of State for Work and Pensions (SSWP), and the various elements are usually uprated in line with the Consumer Prices Index (CPI) inflation from the September of the previous year.

Universal Credit is designed to be dynamic. If a claimant moves into work, their earnings are reported to the DWP through HMRC's Real Time Information (RTI) system, and their Universal Credit payment is reduced by 55p for every pound they earn above their work allowance. Claimants without children or a long-term health condition have no work allowance: their benefit tapers from their first pound of earnings.

Parents can claim the child element to cover the additional costs of caring for children with an additional disabled child element if their child is disabled, varying by the severity of the disability. Until April this year, parents were limited to claiming the child element for only their first two children under the Two Child Limit.¹³⁵ They can claim up to 85 per cent of eligible childcare costs, up to £1,071.09 for one child and £1,836.16 for two or more, which is paid monthly in arrears. Parents also have a more generous work

¹³⁴ The six legacy benefits rolled into Universal Credit were: Housing Benefit, Income Support, Income-based Jobseeker's Allowance (Jobseeker's Allowance), Income-related Employment and Support Allowance (Employment and Support Allowance), Working Tax Credit (Working Tax Credit), and Child Tax Credit (Child Tax Credit).

¹³⁵ House of Commons Library (Jan 2026), 'Universal Credit (Removal of Two Child Limit) Bill'. Accessed via: [Universal Credit \(Removal of Two Child Limit\) Bill - House of Commons Library](#) (Accessed 1 April 2026)

allowance that allows them to retain £710 of earnings (or £427 if they receive the housing element). For every £1 earned above the work allowance, the parent loses 55p from their total Universal Credit.

Those unable to work due to a long-term health condition can claim the health element. They will only receive money if they are judged to have Limited Capability for Work or Work-related Activity (LCWRA). Those with less severe health issues may be judged only to Limited Capability for Work (LCW), which changes the work-search conditions a claimant faces but not the value of their Universal Credit. A claimant of the health element can technically work, though their work may be used as evidence to assess their eligibility for the health element (e.g., if someone who was claiming the health element due to vision loss became a taxi driver, they would likely become ineligible for the health element). If someone with LCW or LCWRA does work, their work allowance is £710. Carers who care for at least 35 hours per week for someone receiving a qualifying disability benefit can receive the carer's element.

The housing element of Universal Credit pays private tenants according to the Local Housing Allowance (LHA) for their area and house size. The LHA is set at the thirtieth percentile of private rents for a given property size in a broad rental market area. The median LHA for a two-bed property in England, for example, is £166.85. Social tenants usually receive the full cost of their rent, unless they are working-age, have spare bedrooms, and are not subject to an exemption – their element is then reduced by 14 per cent for a single spare bedroom and 25 per cent for two or more.

A Universal Credit claimant's total award may be lower than the sum of their elements if they do not have LCW, care for someone with a disability, or have household earnings above £881 per month. This is the result of the benefit cap that aims to ensure work always pay more than benefits: it caps the benefits of single working-age adults without children to £14,753 per year and working-age couples and lone parents to £22,020 per year, rising to £16,967 and £25,323 respectively in London. The cap applies to the claimant after a nine-month grace period. Only 115,000 households had their Universal Credit capped in the latest month with data available.

Table 2.1: Universal Credits monthly rates for elements and work allowances, 2026/27

Element	Criteria	Monthly value
Standard allowance	Single under 25	£338.58
	Single 25 or over	£424.90
	Joint claimants both under 25	£528.34
	Joint claimants, one or both over 25	£666.97
Child element	First child (born prior to 6 April 2017)	£351.88
	First child (born on or after 6 April 2017) and second or subsequent children	£303.94
Disabled child element	Lower rate addition	£164.79
	Higher rate addition	£514.71
Health element	Limited Capability for Work (claim began before 3 April 2017)	£158.76
	Limited Capability for Work (claim began after 3 April 2017)	£0
	Limited Capability for Work and Work-related activity	£217.26
	Limited Capability for Work and Work-related activity (pre-2016 claimant, or claimant with severe conditions or a terminal illness)	£429.80
Carer's element		£209.34

Element	Criteria	Monthly value
Childcare element	The childcare element covers up to 85 per cent of eligible childcare costs that are below the relevant maximums. It is paid in arrears: parents are reimbursed each month for costs in the previous month.	
	Maximum for one child	£1,071.09
	Maximum for two or more children	£1,836.16
Housing element	Private tenants are paid according to the local housing allowance for their area and household size. The median rates are shown below. Social tenants typically receive support to cover their whole rent, though it may be reduced.	
	Category A (one bedroom with shared facilities), UK median	£403.46 (£93.11 per week)
	Category B (one bedroom with exclusive facilities), UK median	£583.40 (£134.63 per week)
	Category C (two bedrooms), UK median	£723.02 (£166.85 per week)
	Category D (three bedrooms), UK median	£847.69 (£195.62 per week)
	Category E (four bedrooms), UK median	£1,196.69 (£276.16 per week)
	A claimant's housing element is reduced by £96.55 for each non-dependant who lives with them. Working-age social tenants' element is reduced by 14 per cent if they have one spare bedroom and 25 per cent if they have two or more, unless they are exempt due to specific familial or health-related reasons.	
Work allowances	No housing element and one or more dependent children or limited capability for work	£710
	One or more dependent children and limited capability for work	£427
	No children and no limited capability for work	£0

Source: Department for Work and Pensions (2026), 'Benefit and pension rates 2026 to 2027'.

Claimants must agree to a claimant commitment when applying to Universal Credit. The claimant commitment sets out the responsibilities that a claimant must meet to receive Universal Credit, usually including regular meetings with a work coach and evidence of job-search such as sending job applications or attending interviews. Working claimants will still face job-search requirements if they earn less than the Administrative Earnings Threshold (AET) – £991 per month for a single claimant and £1,597 for a couple – to encourage them to progress into higher paid and more secure work. Lighter conditionality continues after the AET until the Conditionality Earnings Threshold (CET), which sets the hours that a claimant can reasonably be expected to work based on their circumstances, is reached, after which conditionality ceases.

The Department can sanction individuals who violate their claimant commitment. The claimant's Universal Credit is reduced for a set number of sanction days within their monthly assessment period. Unless they are aged 16 or 17 or claim the health element, their standard allowance falls by 100 per cent in every day of the sanction period. If they are aged 16 or 17 or claim the health element, their standard allowance is cut by 40 per cent. A claimant's Universal Credit may also be reduced to pay for certain debts, with their standard allowance reduced by a maximum of 15 per cent.

Illustrative example: Sarah and her family

Sarah is 33 and a single mother of two children aged 11 and 8. She rents a two-bedroom flat in Taunton, which has the median Category C LHA of £723.02. She works part-time as a retail assistant, earning £1,000 per month.

Her Universal Credit entitlement in 2026/27 would be:

- Standard allowance: £424.90 for a single claimant over 25.
- Child element: £351.88 for her first child (born before 6 April 2017) + £303.94 for her second child = £655.82
- Housing element: £723.02

Total Universal Credit before earning adjustments: £1,803.74

Because Sarah is working, her Universal Credit is reduced through the work allowance and taper rate:

- She qualifies for a housing work allowance of £427, meaning her first £427 of earnings do not reduce her Universal Credit.
- Earnings above this allowance: £1,000 - £427 = £573
- Universal Credit reduction at 55 per cent taper rate: $0.55 \times £573 = £315.15$

Sarah's adjusted Universal Credit payment is then $£1,803.74 - £315.15 = £1,488.59$ and her total earnings are $£1,488.59 + £1,000 = £2,488.59$.

2.1.2 The mechanics of Universal Credit

Universal Credit aims to be digital by default. Most claimants create an online account and fill out an application, with evidence, covering their National Insurance number, nationality, housing, employment, income and savings, health, dependents, and bank accounts. Claimants who cannot access the internet can apply through the Universal Credit Helpline or attend their local Jobcentre. All claimants verify their identity either online or, if that fails, in-person at a Jobcentre. Finally, claimants book an appointment at the Jobcentre with a work coach to agree their claimant commitment. The first payment of Universal Credit usually takes five weeks, though a claimant can apply for an advance either through their online account or in their Jobcentre interview.

Universal Credit claimants access elements beyond the standard allowance by first filling out the details in their application appertaining to it. A claimant with a child listed and evidenced as a dependent will receive the child element, but they must provide proof that their child receives a disability benefit like Child Disability Living Allowance (CDLA) to get the disabled child element. Claimants must fill out their address, living situation, rental costs and service charges, and landlord details with evidence such as a tenancy agreement to receive the housing element.

The health element, meanwhile, has a more complex application process. Claimants fill out any health conditions limiting their ability to work for over 28 days when they first apply and must get a fit note from their GP confirming their condition. The DWP then send a follow up WCA50 form for the claimant to detail their conditions further. If the claimant's condition is not severe or terminal, they will then be invited to

attend a WCA either in-person, online or over the phone. The DWP contracts assessment providers to conduct the WCA, who submit a report back to a DWP decision maker to decide eligibility.

If a claimant disagrees with their Universal Credit award, they can apply for a mandatory reconsideration either through their Universal Credit journal, by phone, or online within one month of receiving a decision letter. Claimants can submit new evidence to challenge the decision. A different DWP decision maker then reconsiders the decision. If a claimant disagrees with the outcome of their mandatory reconsideration, they can appeal the decision to the Social Security and Child Support Tribunal (SSCST).

The DWP does not publicly publish data on the number of mandatory reconsiderations it receives for Universal Credit or the outcomes of those decisions. However, in the most recent quarter, the SSCST received 8,714 appeals regarding Universal Credit, less than half the number of appeals received for PIP but a 35 per cent increase on the year before. In 2024/25, 34 per cent of appeals were cleared without a hearing – either withdrawn, superseded, or dismissed – and half of appeals that reached a hearing were overturned in favour of the claimant. Both these statistics are, again, lower than the rates for PIP.

The Work Capability Assessment

The WCA is used by DWP decision makers to decide a claimant's eligibility for the health element of Universal Credit. A healthcare practitioner working for a contracted supplier conducts the WCA.

A claimant is judged to have LCWRA if they have either a severe functional limitation or special circumstances that render them unsuitable for work-related activity even without a functional limitation. The healthcare practitioner scores a claimant against two lists of functional descriptors. They are classed as LCW if they score 15 or more points on the first list and become LCWRA if they meet any of the descriptors in the second.

The LCW list covers:

1. A physical disabilities assessment:

- a. Mobilising unaided by another person with or without a walking stick, manual wheelchair or other aid if such aid is normally or could reasonably be worn or used.
- b. Standing and sitting.
- c. Reaching.
- d. Picking up and moving or transferring by the use of the upper body and arms.
- e. Manual dexterity.
- f. Making self understood through speaking, writing, typing, or other means which are normally or could reasonably be used, unaided by another person.
- g. Understanding communication by verbal means, non-verbal means, or a combination of both.
- h. Navigation and maintaining safety using a guide dog or other aid if either or both are normally used or could reasonably be used.
- i. Absence or loss of control while conscious leading to extensive evacuation of the bowel and/or bladder, other than enuresis (bed-wetting), despite the wearing or use of any aids or adaptations which are normally or could reasonably be worn or used.
- j. Consciousness during waking moments.

2. A mental disabilities assessment:

- a. Learning tasks.
- b. Awareness of everyday hazards.
- c. Initiating and completing personal action (which means planning, organisation, problem solving, prioritising or switching tasks).
- d. Coping with change.
- e. Getting about.
- f. Coping with social engagement due to cognitive impairment or mental disorder.
- g. Appropriateness of behaviour with other people, due to cognitive impairment or mental disorder.

The LCWRA list constitutes the most severe categories of the LCW descriptors excluding descriptor (h) and adding two extra descriptors:

- Conveying food or drink to the mouth.
- Chewing or swallowing food or drink.

2.1.3 Universal Credit caseloads and expenditure

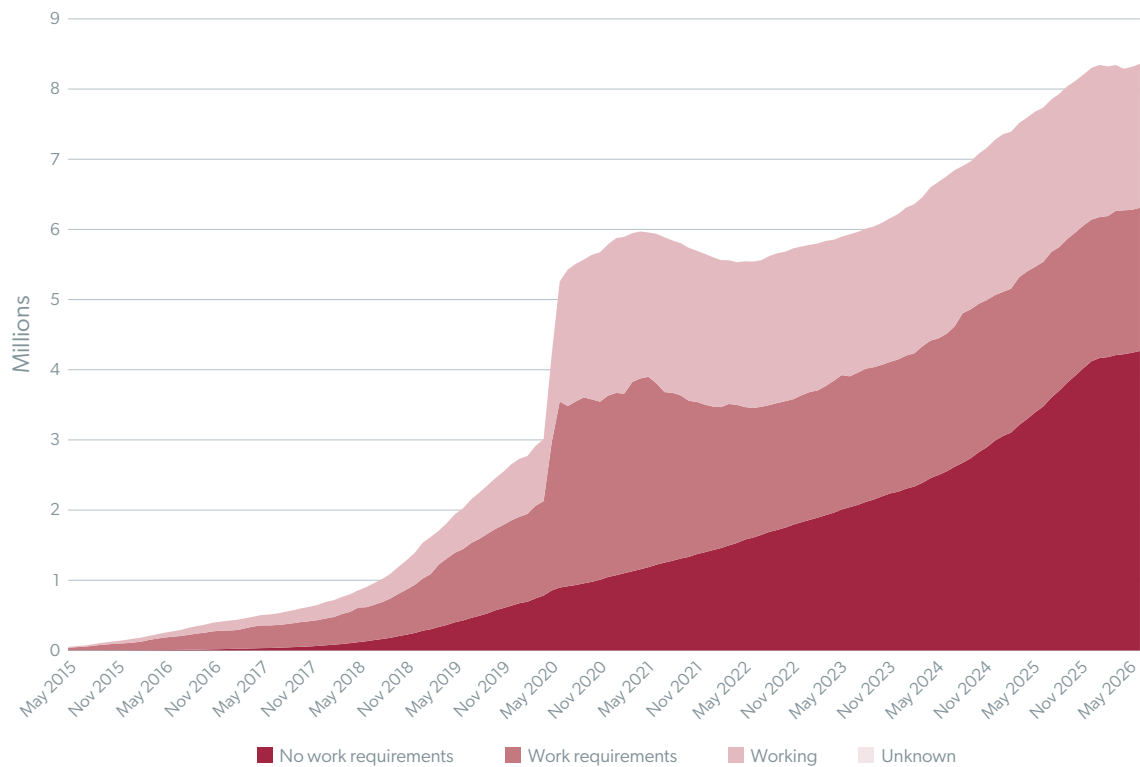
There are now over eight million people and seven million households on Universal Credit. It is the largest item in the working-age welfare bill and cost £80 billion in 2025/26. Around half of claimants, 4.3 million, have no work requirements. Of the rest, two million claimants are unemployed and over two million are in work, the majority of whom, 1.2 million, earn enough to have no further work-search requirements.

The growing number of claimants with no work requirements is particularly concerning. Their numbers have more than doubled since August 2022, increasing by over 2.5 million. Some of the rise reflects the migration of ESA claimants that started at that date – with full migration proceeding in July 2024 – but the number of new Universal Credit claimants with no work requirements still rose by 1.4 million in the same period. Indeed, we show that the total number of people claiming any kind of benefit without work requirements has significantly increased in Chapter 5.

There are several reasons why a claimant may have no work requirements, including having LCWRA, being a carer, parenting a child under the age of one, or being one of the almost 200,000 claimants over the state pension age. Having LCWRA is, however, the most common: 2.8 million people fell into this category in the June 2026.¹³⁶ Figure 2.2 shows the scale of the other reasons. 39 per cent of households on Universal Credit had LCWRA in November 2025, 17 per cent – over 1.2 million households – received the carer's element, and 400,000 households were parenting a child less than one year's old. The overwhelming majority of cases, therefore, are driven by claims of the Universal Credit health element, an issue we return to below.

¹³⁶ The latest period with data available.

Figure 2.1: Universal Credit caseload by conditionality regime

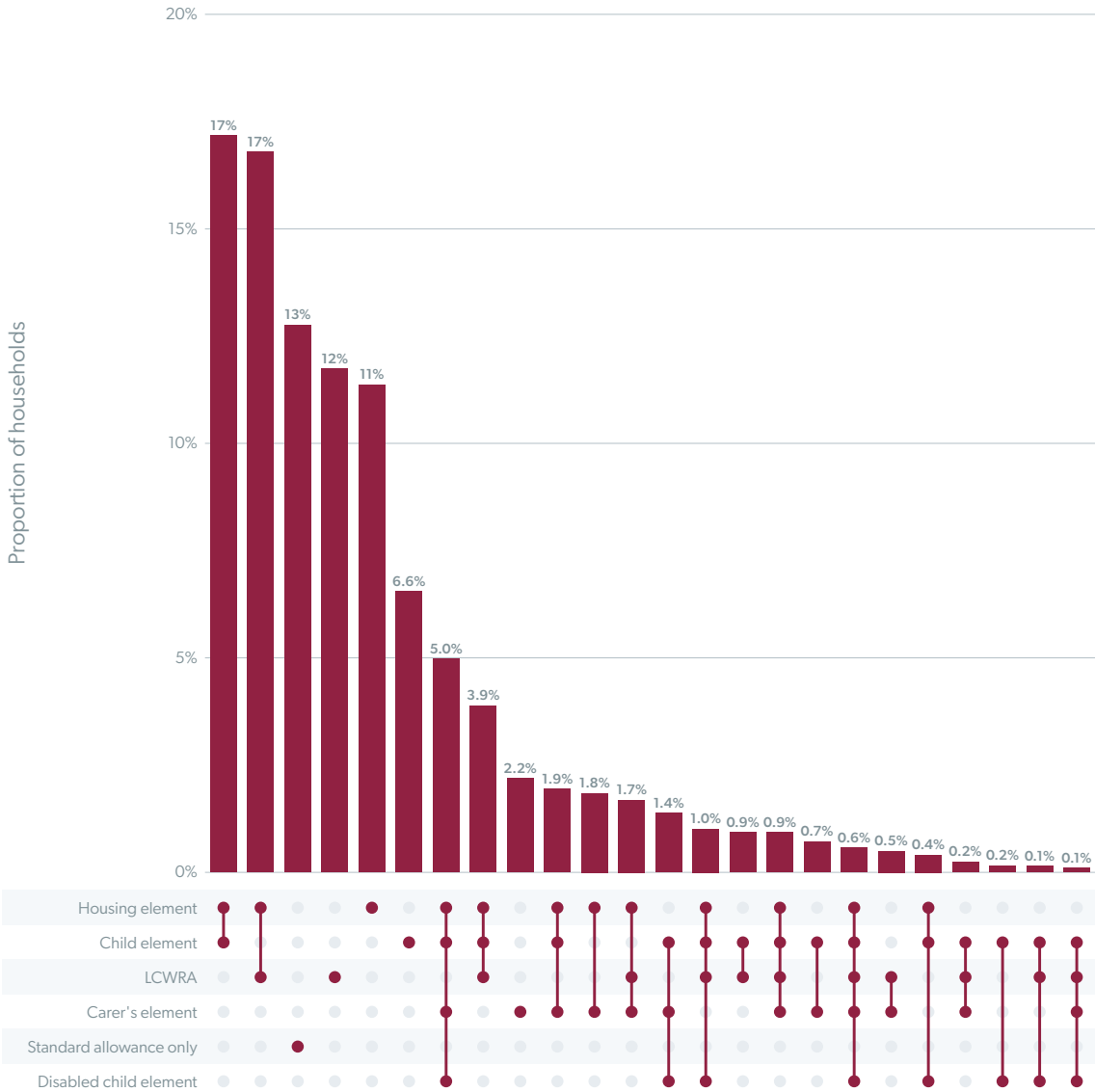


Source: Department for Work and Pensions (Aug 2026), 'Universal Credit quarterly statistics, 29 April 2013 to 14 May 2026'

Figure 2.2 also shows the variation in the elements that households claim. Around 900,000 households claim only the standard allowance of Universal Credit, while the most popular additional element is the housing element, claimed by 63 per cent of households, followed by the child element, claimed by 41 per cent of households. The disabled child's element is the least popular addition, though its 9 per cent share still amounts to almost 620,000 households.

Figure 2.3 shows the popularity of these elements flows into the Department's expenditure on them. The standard allowance is the largest area of expenditure, consuming £29 billion of expenditure in 2025/26, followed closely by the housing element, which is claimed by fewer people but at a higher rate. The health element and disabled child element are the fastest growing areas of expenditure, soaring by almost 610 per cent and 1,300 per cent respectively since 2019/20.

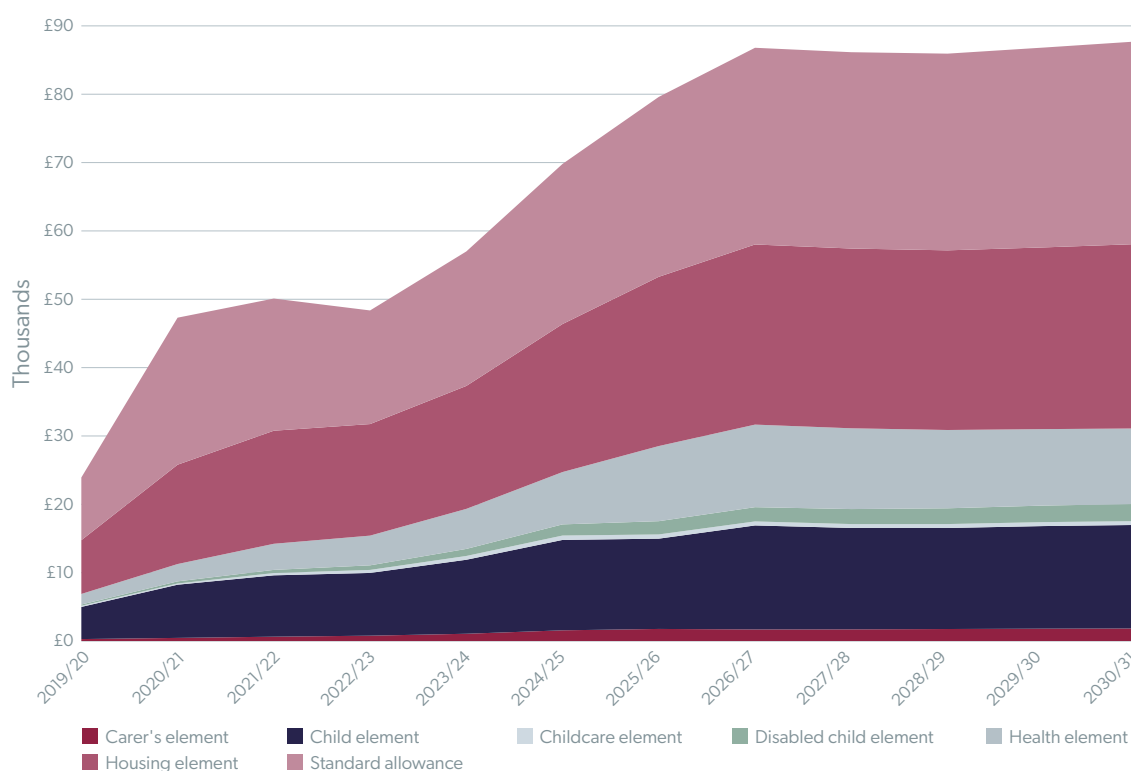
Figure 2.2: Additional elements claimed by households on Universal Credit, May 2026



Source: CSJ analysis of Department for Work and Pensions (Aug 2026), 'Universal Credit quarterly statistics, 29 April 2013 to 14 May 2026'

Note: Figure 2.2 excludes households with LCW – due to its binary setting – however this only removes 62,518 out of 7,157,224 households.

Figure 2.3: Expenditure on Universal Credit by elements, 2026/27 prices



Source: Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'.

2.1.4 Legal issues affecting Universal Credit

The Welfare Reform Act (2012) laid the legislative foundation for Universal Credit, but detailed provisions for how entitlements are determined and the values of various elements are set out in secondary legislation, specifically the Universal Credit Regulations 2013.¹³⁷

Secondary legislation and the application of secondary legislation can be challenged either via a judicial review in the High Court – for systemic issues – or by appealing to the Upper Tribunal – for issues affecting an individual case. The High Court may overturn a statutory instrument if it is incompatible with primary legislation, while the Upper Tribunal sets precedents for the interpretation of regulations in future appeals and decisions by the DWP. Decisions at the High Court may be appealed to the Court of Appeals and Supreme Court.

Several significant decisions have re-shaped the statutory framework of Universal Credit since 2013. For example:

- › *R (Johnson, Woods, Barrett & Stewart) v Secretary of State for Work and Pensions* [2019] EWHC 23 (Admin): Four single mothers had monthly paydays close to the end of their Universal Credit assessment period such that they were occasionally assessed as receiving two salaries in one assessment period. The withdrawal of benefit income above their monthly work allowance meant future benefit payments never compensated them. The High Court found against the SSWP, arguing

¹³⁷ The Universal Credit Regulations 2013, SI 2013/376. Accessed via: [The Universal Credit Regulations 2013](#) (Accessed: 9 April 2026)

they had misinterpreted regulation 54 of the Universal Credit Regulations (2013) by assigning earned income to an assessment period based on when it was received rather than when it was earned. The Court of Appeals upheld the decision in *Secretary of State for Work and Pensions v Johnson, Woods, Barrett & Stewart* [2020] EWCA Civ 778 based on the irrationality of the Department's approach while rejecting the High Court's interpretation of regulation 54. Both parties argued whether the Universal Credit regulations were discriminatory under Article 14 of the European Convention on Human Rights (ECHR), but the Court of Appeals made no further findings on the point.¹³⁸ The Department actioned the judgement by passing a statutory instrument to allow the SSWP to treat wage payments received in the same assessment period as earnings from different periods.¹³⁹

- › *R (TP, AR & SXC) v Secretary of State for Work and Pensions* [2020] EWCA Civ 37: This case confirmed a series of High Court judgments concerning three individuals who lost around £180 by moving to Universal Credit after receiving the Severe Disability Premium (SDP) of ESA, which Universal Credit does not replicate. The individuals moved to Universal Credit because they had moved local authority. The Court held that the transition to Universal Credit was discriminatory under Article 14 of the ECHR since severely disabled individuals who did not move local authority retained their SDP.¹⁴⁰ The decision set a precedent for future Upper Tribunal cases where claimants have migrated to Universal Credit from legacy incapacity benefits or when moving from Housing Benefit funded accommodation.¹⁴¹
- › *PR v Secretary of State for Work and Pensions (UC)* [2023] UKUT 290 (AAC): A claimant was denied the health element of Universal Credit for the first three months of her claim under regulation 28(1) of the Universal Credit Regulations (2013). The claimant contested that the regulation was discriminatory under Article 14 of the ECHR. She had lost her ESA before applying to Universal Credit, having reached pension age, and contended that the Regulation did not allow for the loss of income particular to her situation. The case has been cited in further Upper Tribunal cases.¹⁴²

Case law has particularly expanded access to the health element of Universal Credit. Precedents affecting the assessment for ESA affect the health element of Universal Credit as the two benefits share the WCA. Access to LCWRA has been expanded by the interpretations of various WCA descriptors. For example:

- › *Social engagement (descriptor 16)*: Paragraph 16(a) of schedule 6 sets the highest scoring criteria for struggling with social engagement as 'engagement in social contact is always precluded due to difficulty relating to others or significant distress experienced by the claimant.' Several cases have interpreted 'always precluded' to mean a claimant persistently or frequently struggles to engage in social contact, rather than meaning they can never engage in social contact.¹⁴³ Some assessors had read the descriptor strictly, denying claimants able to attend any appointment LCW.
- › *Appropriateness of behaviour (descriptor 17)*: One case at the Upper Tribunal found that the phrase 'has, on a daily basis, uncontrollable episodes of aggressive or disinhibited behaviour' in paragraph 17(a) of schedule 6 does not mean every day. The Tribunal came to this conclusion as regulation 34(2) of the ESA Regulations 2008 states 'a descriptor applies to a claimant if that descriptor applies to the

138 Child Poverty Action Group (Mar 2021), 'Universal credit, earned income and monthly pay'. Accessed via: [Universal credit, earned income and monthly pay | CPAG](#) (Accessed: 9 April 2026)

139 The Universal Credit (Earned Income) Amendment Regulations 2020, SI 2020/1138. Accessed via: [The Universal Credit \(Earned Income\) Amendment Regulations 2020](#) (Accessed: 9 April 2026)

140 *R (TP, AR & SXC) v Secretary of State for Work and Pensions* [2020] EWCA Civ 37. Accessed via: [AR & SXC, R \(On the Application Of\) v Secretary of State for Work and Pensions](#) [2020] EWCA Civ 37 (29 January 2020) (Accessed: 9 April 2024)

141 See e.g., *Secretary of State for Work and Pensions v JA (UC)*: [2024] UKUT 52 (AAC) and *FL v Secretary of State for Work and Pensions (Universal Credit)*: [2024] UKUT 6 (AAC)

142 *PR v Secretary of State for Work and Pensions (UC)* [2023] UKUT 290 (AAC). Accessed via: [IN THE UPPER TRIBUNAL](#) (Accessed: 9 April 2026)

143 See, e.g., *KB v Secretary of State for Work and Pensions* [2013] UKUT 152 (AAC) and *JC v Secretary of State for Work and Pensions* [2014] UKUT 352 (AAC).

claimant for the majority of the time'.¹⁴⁴ The same wording appears in regulation 40(4) of the Universal Credit Regulations (2013).¹⁴⁵

Another significant area of interpretation is the 'substantial risk' criterion in schedule 9 of the Universal Credit Regulations (2013). Under that criterion a claimant is eligible for LCWRA if:

*"The claimant is suffering from a specific illness, disease or disablement by reason of which there would be a substantial risk to the physical or mental health of any person were the claimant found not to have limited capability for work and work-related activity."*¹⁴⁶

Several tribunal decisions have expanded the application of this criterion beyond the Department's original intention. For example:

- › *IM v Secretary of State for Work and Pensions* [2014] UKUT 412 (AAC): A claimant challenged the SSCST's finding that she did not have LCWRA from her mental health issues. She contended especially that she could not safely engage in work-related activity given her paranoia and a lack of clear information about the required activities. The Upper Tribunal found that the SSWP failed to provide adequate information to decision-makers about the claimant's disabilities and the range of available work-related activities. It held that the assessment of risk must be tailored to the claimant's condition such that any tribunal should err in the claimant's favour if it cannot rule out a substantial risk to health in every one of the work-related activities put forward by the Department. The list of work-related activities that the Department provides still fail to meet the high standards set by the Upper Tribunal allowing further such appeals against decisions not to award LCWRA.¹⁴⁷
- › *ET v Secretary of State for Work and Pensions* [2021] UKUT 47 (AAC): A claimant argued that they had been denied LCW because the Department had failed to assess fully the 'substantial risk' to their health of travelling to and from the Jobcentre and job interviews. It broadened the risk assessment the Department had to carry out to apply LCW and LCWRA, benefitting especially those with anxiety or agoraphobia.¹⁴⁸
- › *DR v Secretary of State for Work and Pensions* [2014] UKUT 188 (AAC): an individual appealed to the Upper Tribunal for access to ESA on the basis that his abuse of alcohol meant he had 'uncontrollable episodes of... disinhibited behaviour' despite his addiction causing no physical or mental disability. While the Upper Tribunal rejected his argument, his appeal was granted on the grounds that not receiving ESA presented a 'substantial risk' to his health.¹⁴⁹

The then-Conservative Government identified the impact of these interpretations of 'substantial risk' on Universal Credit health element claims in its 2023 consultation on reforming the WCA. 14.6 per cent of new claims for LCWRA were made under the criterion at that time.¹⁵⁰

144 *WT v Secretary of State for Work and Pensions* (ESA) [2013] UKUT 556 (AAC). Accessed via: [Social Security & Child Support Commissioners](#) (Accessed: 10 April 2026)

145 The Universal Credit Regulations 2013, SI 2013/376, reg 40(4).

146 *Ibid.*, sch. 9(4).

147 See, e.g., *MR v Secretary of State for Work and Pensions* [2020] UKUT 210 (AAC).

148 *ET v Secretary of State for Work and Pensions* (UC) [2021] UKUT 47 (AAC). Accessed via: [IN THE UPPER TRIBUNAL](#) (Accessed: 9 April 2026)

149 *DR v Secretary of State for Work and Pensions* [2014] UKUT 188 (AAC). Accessed via: [Social Security & Child Support Commissioners](#) (Accessed: 10 April 2026)

150 Department for Work and Pensions (2023), 'Work Capability Assessment: Activities and Descriptors Consultation', p. 12. Accessed via: [Work Capability Assessment: Activities and Descriptors Consultation Paper](#) (Accessed: 10 April 2026)

2.2 Personal Independence Payment

PIP is the UK's primary disability benefit, designed to make a cash contribution to the costs arising from an individual's disability regardless of their income or employment status. The Coalition Government introduced PIP in 2013 to replace DLA (see Chapter 1).

2.2.1 The mechanics of Personal Independence Payment

The Motability Scheme

Claimants receiving the enhanced rate of the mobility component can exchange their award for a lease on a powered wheelchair, scooter, or car through Motability. About 30 per cent of claimants of the mobility component of PIP did so in 2024/25.¹⁵¹

Motability buys vehicles upfront by issuing bonds, credit facilities, or using its reserves. The benefits transferred by the Department then cover the leases for these vehicles and, at the end of their lifespan, Motability sells the vehicles on. The standard Motability lease is three years long.

Motability is self-funding with its revenues from retired vehicles covering its borrowing costs.

Motability spent £6.5 billion on fleet additions in 2025 and made £3.6 billion from selling retired vehicles. The Departments transferred £3.1 billion benefit payments to Motability in 2024/25.¹⁵²

Motability leases and re-sales were exempt from VAT and Insurance Premium Tax until 1 July 2026, however the 2025 Autumn Budget removed these reliefs for new leases.¹⁵³

Motability also benefits from its scale and high credit rating, stemming from low consumer risk. Its scale means it can negotiate significant discounts from manufacturers so that its leases are around 40 per cent cheaper than the market rate.

A National Audit Office (NAO) report in 2018 criticised Motability for its overly conservative risk appetite, resulting in it holding £2.62 billion in reserves, noting that it had a much more risk averse reserve policy than commercial leasing firms despite government support meaning Motability's risk profile was structurally lower.¹⁵⁴ Reserves were £3.9 billion in 2024/25.

Motability has also been criticised for the number of people accessing the scheme for mental health conditions. In the first seven months of 2025, 174,700 PIP claimants with a psychiatric condition as their main disability used Motability, out of a total 593,700 PIP users. 49,900 suffered from a depressive disorder.¹⁵⁵ The expansion in Motability reflects the wider expansion in eligibility for PIP discussed later in this chapter.

PIP is constituted of two components, daily living and mobility, paid at two rates to reflect the varying severity of disabilities, standard and enhanced. The daily living component covers the cost of everyday

151 Motability Operations Group PLC (2025), 'Annual Report and Accounts 2025', p. 17. Accessed via: [Annual Report and Accounts 2025](#) (Accessed: 13 April 2026)

152 Timms, Stephen (2025), 'Motability: Expenditure', UK Parliament Written Answer, UIN 94592. Accessed via: [Written questions and answers - Written questions, answers and statements - UK Parliament](#) (Accessed: 13 April 2026)

153 HMRC (Nov 2025), 'Motability Scheme: reforming tax reliefs'. Accessed via: [Motability Scheme: reforming tax reliefs - GOV.UK](#) (Accessed: 14 April 2026). Note that VAT now only applies to top up payments on a lease above the benefit transferred from the Department for Work and Pensions. Insurance Premium Tax is still zero-rated for vehicles that are substantially and permanently adapted for wheelchair use.

154 National Audit Office (Dec 2018), 'The Motability Scheme'. Accessed via: [The Motability scheme](#) (Accessed: 14 April 2026)

155 Timms, Stephen (2025), 'Motability: Depressive Illnesses', UK Parliament Written Answer, UIN 81918. Accessed via: [Written questions and answers - Written questions, answers and statements - UK Parliament](#) (Accessed: 13 April 2026)

tasks while the mobility component covers the costs of getting around.¹⁵⁶ In 2026/27, the daily living component is worth £76.70 per week at the standard rate and £114.60 at the enhanced rate, and the mobility component is worth £30.30 and £80 respectively.

Claimants of PIP usually start by calling the PIP New Claims line or by writing a letter to the Department. They must provide their National Insurance number, date of birth, bank and contact details, and their GP or health professional’s details. The DWP then sends the claimant a PIP2 form, which asks the applicant about their ability to perform 10 daily living activities and two mobility activities. The claimant has one month to return the form and should include evidence such as a fit note, GP letters, care plans, or prescription lists.

Since July 2023, applicants in certain areas of London and Birmingham can apply online under the Health Transformation Programme that is developing and piloting a new Health Assessment Service for all health and disability benefits.¹⁵⁷ Full rollout of the online application system was intended to start in 2024, but it has been delayed until mid-2026 due to technical difficulties. Claimants applying through the online system fill out an online equivalent of the PIP2 form.

The Department sends the PIP2 form and supporting evidence to a contracted Assessment Provider. The Assessment Provider performs an initial review to decide if further evidence, including a telephone, video, or face-to-face assessment, is needed. If the claimant has a mental health condition or cognitive disorder and fails to return the PIP2 form, their case is referred for an assessment automatically.

Table 2.2: PIP Assessment: Daily living and mobility activity descriptors

Component	Descriptor	
Daily Living Activities	1	Preparing food
	2	Taking nutrition
	3	Managing therapy or monitoring a health condition
	4	Washing and bathing
	5	Managing toilet needs or incontinence
	6	Dressing and undressing
	7	Communicating verbally
	8	Reading and understanding signs, symbols, and words
	9	Engaging with other people face to face
	10	Making budgeting decisions
Mobility activities	1	Planning and following journeys
	2	Moving around

Source: The Social Security (Personal Independence Payment) Regulations 2013, SI 2013/377.

The PIP assessment rates the claimant’s ability to perform 10 daily living and two mobility activities. Each activity has several levels reflecting how well the claimant performs the activity and with what level of assistance or aid. A claimant can score a maximum of eight points on each of the daily living activities

¹⁵⁶ The Social Security (Personal Independence Payment) Regulations 2013, SI 2013/377.

¹⁵⁷ Department for Work and Pensions (2026), ‘Health Transformation Programme evaluation strategy’. Accessed via: [Health Transformation Programme evaluation strategy - GOV.UK](#) (Accessed: 10 April 2026)

apart from 'taking nutrition' where they can score a maximum of 10, 'communicating verbally' where they can score a maximum of 12, and 'making budgeting decisions' where they can score a maximum of six. The mobility activities are worth a maximum of 12 each. The assessor sums up the scores for each activity for each component. A score of eight or more qualifies the claimant for a standard award of the relevant component and a score of 12 or more qualifies the claimant for an enhanced award.

There is no guaranteed deadline for decisions on PIP applications. The median clearance time, from registration to final decision, was 20 weeks in January 2026.¹⁵⁸ When an application is successful, the Department backdates the award to the date the claim was made and the claimant receives a lump sum in their first payment to cover any arrears.

Awards for PIP are rarely permanent. Part of the original intent for PIP was to end the permanent awards that plagued its predecessor.¹⁵⁹ A claimant's award letter tells them how regularly their award will be reviewed. 65 per cent of Personal Independence Awards since January 2019 have been for less than two years and 81 per cent for less than five years. Except for a jump between June 2019 and April 2020, the rate of ongoing awards – those with no fixed review date – have hovered between six and 15 per cent. Not all planned reviews of PIP awards are carried out, however. Since the start of the Covid-19 pandemic, in March 2020, over 108,000 more planned reviews have been registered than cleared. In the latest month, the Department cleared 21,000 thousand more planned reviews than it registered, slowly clearing the backlog.

In the most recent month with data available, July 2026, 60 per cent of planned reviews for working-age claimants resulted in a PIP award being maintained, while only 15 per cent of awards were disallowed. This follows an upward trend in awards being maintained or increased since the Covid-19 pandemic. Between January 2019 and February 2020, 55 per cent of planned reviews resulted in an award being maintained or increase; it has been 79 per cent since March 2021.¹⁶⁰

If a claimant disagrees with the Departments decision on their application, they can request a mandatory reconsideration then appeal the decision of their mandatory reconsideration to the SSCST. Figure 2.4 below shows the number of PIP cases that went through each stage of this process over the last five years.

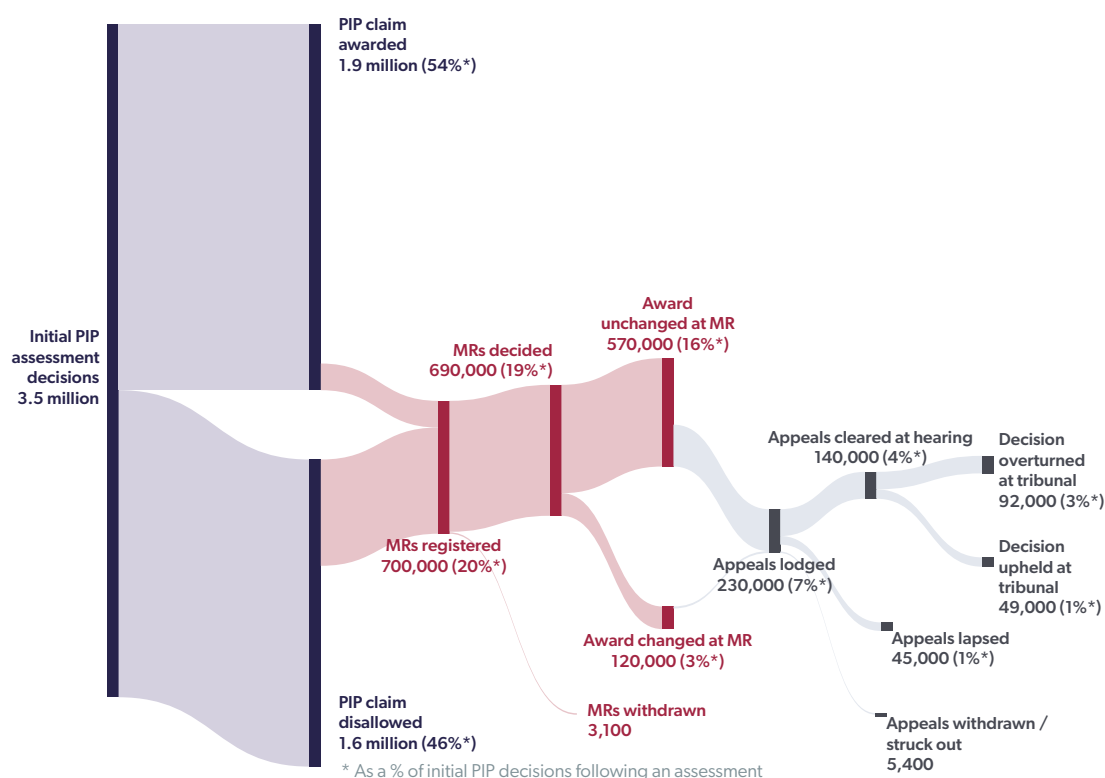
Over 34 per cent of claimants whose application for PIPs were rejected over the last five years applied for a mandatory reconsideration and 12 per cent went on to lodge an appeal. 10 per cent of those whose applications had been rejected initially overturned their decision through either a mandatory reconsideration or appeal. On the other hand, only seven per cent of those who were awarded PIP registered a mandatory reconsideration and less than two per cent appealed, meaning only 2.5 per cent of claimants initially awarded PIP changed their claim via a mandatory reconsideration or appeal.

158 Department for Work and Pensions (Mar 2026), 'Personal Independence Payment: Official Statistics to January 2026'. Accessed via: [Personal Independence Payment: Official Statistics to January 2026 - GOV.UK](#) (Accessed: 13 April 2026)

159 DWP (Dec 2010)

160 Department for Work and Pensions (Sep 2026), 'Personal Independence Payment: Official Statistics to July 2026'. Accessed via: [Personal Independence Payment statistics to July 2026 - GOV.UK](#) (Accessed: 15 September 2026)

Figure 2.4: Mandatory reconsideration and appeal outcomes for Personal Independence Payments, 2020/21 to 2025/26



Source: Department for Work and Pensions (2026), 'Personal Independence Payment: Official Statistics to January 2026'

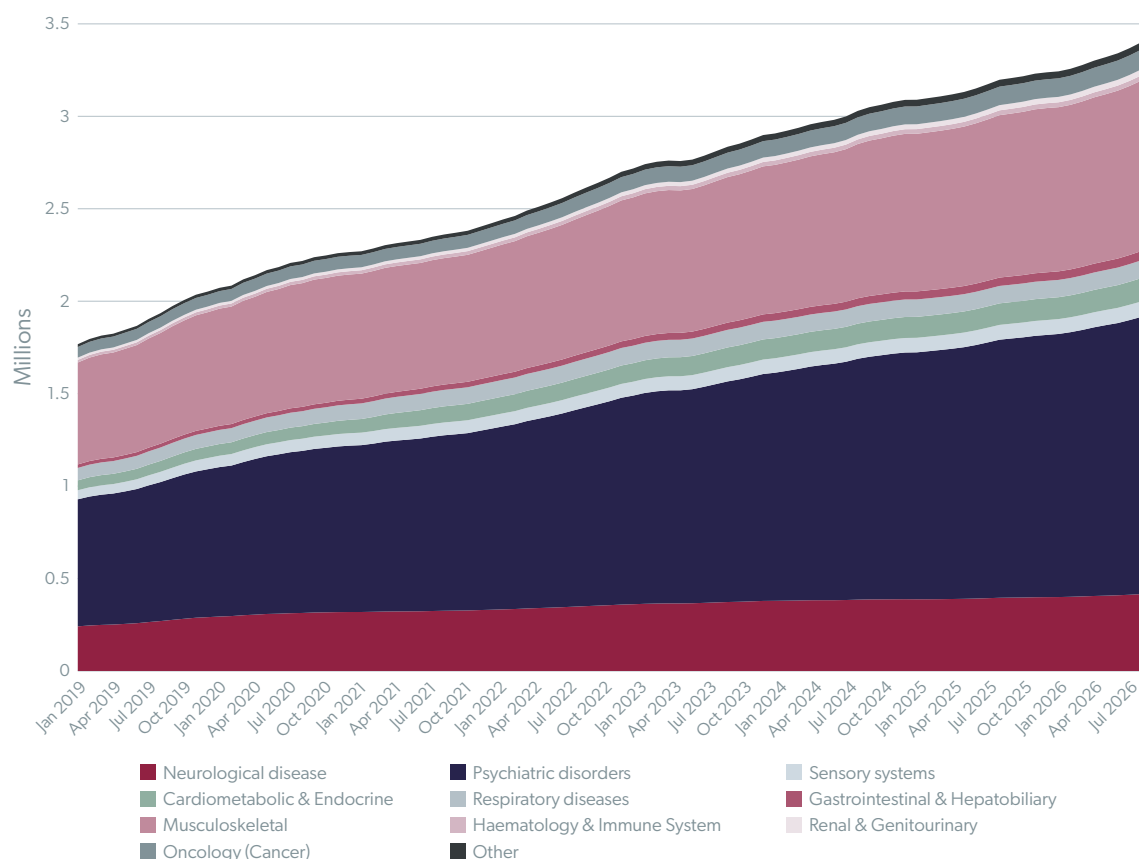
2.2.2 Personal Independence Payment caseloads and expenditure

PIP is the second largest working-age benefit. It cost £29 billion in 2025/26 and has over 3.4 million working-age claimants. As of July 2026, 30 per cent of working-age claimants had previously claimed PIP's predecessor: DLA.

PIP is intended to be functional, with decisions made on claimants' abilities to perform certain activities rather than their health condition, but the DWP record claimants' main disability during their assessment. A claimant may have more than one disability and their inability to perform certain tasks may stem only indirectly from their listed disability, but the Department's record gives a sense of the main drivers of demand for PIP. This data is contained in Figure 2.5.

The predominant disabilities driving PIP caseloads are psychiatric disorders and musculoskeletal diseases. 44 per cent of working-age claimants have a psychiatric disorder as their main disability and 42 per cent of those suffered from a mood, anxiety, or mixed anxiety and depressive disorder. Musculoskeletal diseases are the second largest category, with back pain making up a plurality (27 per cent) of cases. Together, these categories have driven almost three quarters of the increase in PIP cases since January 2019. Psychiatric disorders alone constitute half of the 1.6 million rise.

Figure 2.5: Personal Independence Payment working-age caseload by main disability



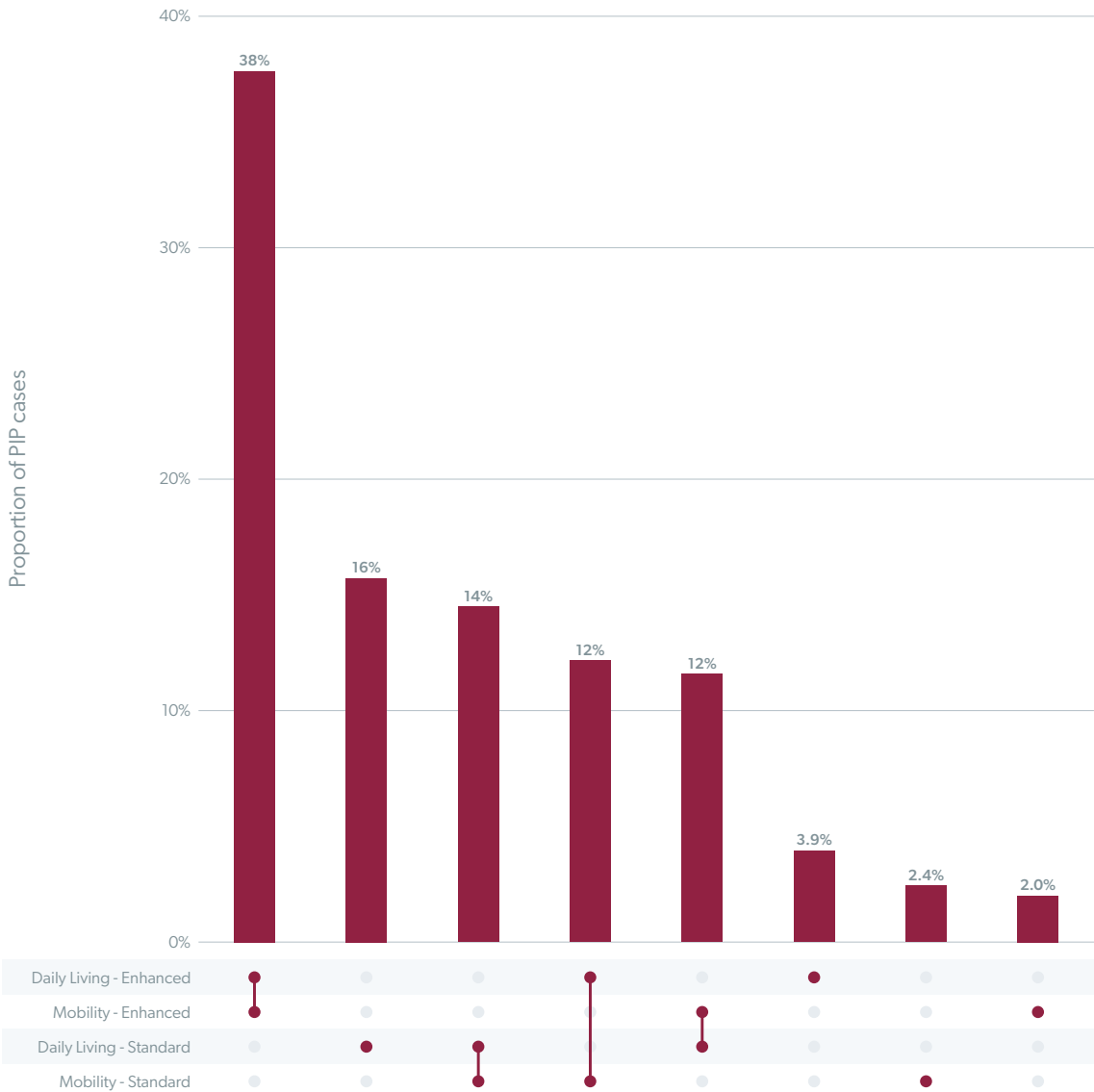
Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Personal Independence Payment: Official Statistics to July 2026'

We can further break down claims by the components claimants receive and the rates at which they receive them. Figure 2.6 shows these intersections for working-age claimants in July 2026. 67 per cent of claimants received at least one component at an enhanced rate and 38 per cent have both components enhanced. Over 1.7 million working-age claimants receive an enhanced mobility award and roughly 30 per cent of enhanced mobility claimants exchange their award for a Motability lease.¹⁶¹

It is worth noting that the value of Motability to a claimant exceeds the mobility component that they yield to claim it, given the discount on Motability leases and the free breakdown, servicing, and insurance services that users receive.

¹⁶¹ Motability Operations Group PLC (2025), p. 10

Figure 2.6: Personal Independence Payment working-age caseload by daily living and mobility awards, July 2026



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), ‘Personal Independence Payment: Official Statistics to July 2026’

2.2.3 Legal issues affecting Personal Independence Payment

The legislative basis for PIP was laid in the Welfare Reform Act 2012, with exact regulations, including eligibility requirements and the assessment process, laid down in secondary legislation, namely The Social Security (Personal Independence Payment) Regulations 2013.

PIP claimants can appeal against decisions by the Department to the SSCST. Most decisions are heard at the First-tier Tribunal, though a plaintiff may be granted a right to appeal to the Upper Tribunal if there has been an ‘error of law’.¹⁶² Secondary legislation and its application can be challenged by a judicial review in the High Court.

162 Policy Exchange (2026), ‘Lapse of Judgment? An Assessment of the Benefit Appeals System: From Mandatory Reconsideration to the Social Security Tribunal’. Accessed via: [Lapse.of...Judgment.pdf](#) (Accessed: 14 April 2026)

There have been several cases since 2013 that have significantly expanded the qualifying criteria for PIP, as covered in Policy Exchange's report *'Lapse of Judgment'*:

- › *MH v Secretary of State for Work and Pensions* [2016] UKUT 531 (AAC): Three claimants appealed against their PIP award based on the Department's interpretation of mobility activity 1 'planning and following journeys'. The first claimant argued that the overwhelming distress he would experience from trying to follow a familiar journey without support meant he should fall under descriptor 1(f) – worth 12 points – not 1(e) – worth 10. The second contended that her severe anxiety meant she met daily living descriptor 9(b) – 'needs prompting to engage with other people' – and therefore should be awarded 10 points under mobility descriptor 1(d). The third claimant argued she met mobility descriptor 1(f) because she had not left her home unaccompanied for four years. The Upper Tribunal dismissed the first but found for the claimant in the latter two.¹⁶³ The Department responded by seeking to limit the application of mobility activity 1 to those unable to navigate due to physical, visual, or cognitive impairment by passing the Social Security (Personal Independence Payment) (Amendment) Regulations 2017 with paragraph 2(4):

'In the table in Part 3 (mobility activities), in relation to activity 1 (planning and following journeys), in descriptors c, d and f, for "Cannot" substitute "For reasons other than psychological distress, cannot."'

However, this was struck down by the High Court as 'blatantly discriminatory' under Article 14 of the ECHR.¹⁶⁴ According to Policy Exchange, around 4,300 arrears payments have been made from the application of this decision costing the Department £22 million.¹⁶⁵

- › *RJ, GMCL and CS v Secretary of State for Work and Pensions (PIP)* [2017] UKUT 105 (AAC): Three claimants appealed. The first suffered from epilepsy and was awarded the daily living but not the mobility component by the First-tier Tribunal. She appealed on the ground that her need for supervision, in case of seizures, applied to mobility as much as daily living. The second appealed after his application was rejected because his seizures were too infrequent to require supervision. The third was deaf. The Department had found she could navigate safely and did not need supervision under the remote possibility of a fire alarm sounding when she was bathing. The case focused on the interpretation of the word 'safely' in regulation 4 of the Social Security (Personal Independence Payment) Regulations 2013. The Upper Tribunal held that a claimant carrying out an activity 'safely' under regulation 4 did not require that a harm was 'more likely than not' only that 'there was a real possibility that could not be ignored of harm occurring'.¹⁶⁶ The Department examined 1.1 million cases as a result and made 4,100 arrears payments costing £21 million.¹⁶⁷
- › *Secretary of State for Work and Pensions (Appellant) v MM (Respondent) (Scotland)* [2019] UKSC 34: A claimant applied for PIP as his mental health affected his ability to engage with other people. He was unsuccessful and appealed primarily because that too few points were awarded to him for daily living activity 9 'engaging with other people face to face'. The case hinged on the definition of 'social support' – as the difference between two and four points under activity 9 is whether a

¹⁶³ *MH v Secretary of State for Work and Pensions* [2016] UKUT 531 (AAC). Accessed via: [_2018__AACR_12ws.pdf](#) (Accessed: 14 April 2026)

¹⁶⁴ *RF v Secretary of State for Work and Pensions* [2017] EWHC 3375 (Admin). Accessed via: *RF v Secretary of State for Work And Pensions* [2017] EWHC 3375 (Admin) (21 December 2017) (Accessed: 14 April 2026)

¹⁶⁵ Policy Exchange (2026), p. 33.

¹⁶⁶ *RJ, GMCL and CS v Secretary of State for Work and Pensions (PIP)* [2017] UKUT 105 (AAC). Accessed via: [assets.publishing.service.gov.uk/media/5a7b1ef1ed-915d3ed90624e3/_2017__AACR_32ws.pdf](#) (Accessed: 14 April 2026)

¹⁶⁷ Policy Exchange (2026), p. 33.

claimant requires ‘prompting’ or ‘social support’ to engage socially. The Supreme Court ruled that ‘social support’ was too narrowly and technically defined and could include ‘prompting’, as well as that ‘social support’ does not need to be contemporaneous.¹⁶⁸ By 2023, the DWP had made 14,000 arrears payments at a cost of £74 million due to the case.¹⁶⁹

Alongside the substantial arrears payments made by the Department following each of these cases, each has steadily expanded the eligibility criteria for PIP, allowing more new applicants to claim the benefit successfully. Policy Exchange notes that many cases have focused on the mobility component like *MH v Secretary of State for Work and Pensions*, expanding access for those whose primary disability is a mental health conditions. Indeed, the number of PIP claimants whose main disability is a mood disorder, anxiety disorder, mixed anxiety and depressive disorder, autism spectrum condition, or attention deficit disorder has more than tripled since January 2019.

2.3 Housing Benefit

Housing Benefit is designed to cover the housing costs of low-income renters. This can include service charges, pitch fees, mooring charges, and maintenance costs, but it primarily covers rents.

While most working-age claimants have migrated to the housing element of Universal Credit, those in temporary accommodation or specified accommodation – refuges and accommodation where a tenant is provided with ‘care, support or supervision’ – can still claim Housing Benefit.¹⁷⁰ State pensioners who were claiming Housing Benefit before 15 May 2019 can also retain their claim. Housing Benefit cost the Department £12.8 billion in 2025/26, £7 billion of which was spent on claimants over the state pension age. However, Housing Benefit’s £5.8 billion of working-age expenditure still renders it the UK’s third largest working-age benefit.¹⁷¹

2.3.1 The mechanics of Housing Benefit

Housing Benefit is administered by local authorities, though it is funded centrally by the DWP. Claimants apply to their local council either online, over the phone or through the post and must provide proof of tenancy, income, savings, and ID.

The amount of Housing Benefit that a claimant receives is calculated in several stages. First, an individual’s eligible rent is calculated. If they are in private housing, their eligible rent is usually capped by the LHA for their property. The LHA for Housing Benefit is the same used for the housing element of Universal Credit, with national median rates shown in Table 2.1. A private tenant’s eligible rent is the LHA for their property size unless their actual rent is less than the relevant Allowance.

There are several circumstances where a claimant’s eligible rent will not be capped by the LHA, however. Social tenants are not subject to the LHA, so their eligible rent equals their actual rent. Nor, importantly, are those who live in specified accommodation. Given all working-age Housing Benefit claimants have now migrated to Universal Credit *except* those living in either temporary accommodation or specified accommodation, this means very few Housing Benefit claimants now have their rents capped by the LHA.

168 *Secretary of State for Work and Pensions (Appellant) v MM (Respondent) (Scotland)* [2019] UKSC 34. Accessed via: [Secretary of State for Work and Pensions \(Appellant\) v MM \(Respondent\) \(Scotland\)](#) (Accessed: 14 April 2026)

169 Policy Exchange (2026), p. 34.

170 The Housing Benefit Regulations 2006, SI 2006/213, reg. 75H. Accessed via: [The Housing Benefit Regulations 2006](#) (Accessed: 21 April 2026)

171 DWP (Apr 2026)

Illustrative example: James the lone parent

James is a 23-year-old lone parent caring for a disabled child. He lives in two-bedroom temporary accommodation in Lincoln, at a cost of £140 per week. The LHA for a Category C property is £138.08 per week. James earns £1,000 per month and holds no savings.

James's Housing Benefit entitlement is based on the following calculations:

- His actual rent is above the LHA so his eligible rent is the LHA rate of £138.08 per week
- His applicable amount is $£202.21 = £95.55 + £22.20 + £84.46$
- His earnings disregard is £25, meaning his weekly earnings considered by the local authority are £205.77
- James's earnings are above his applicable amount by $£3.56 = £205.77 - £202.21$, this reduces his entitlement by $£2.31 = £3.56 \times 0.65$

Consequently, James's Housing Benefit entitlement is £135.77 per week.

Second, the claimant's applicable amount is calculated by summing the personal allowances and premiums applicable to them (see Table 2.3). The applicable amount tries to calculate a claimant's basic financial needs. Claimants also have an earnings disregard that allows them to earn a certain amount per week before it is counted as income. Income after the earnings disregard and above the applicable amount is deducted from their Housing Benefit at a rate of 65 per cent. The Government has announced plans to raise earnings disregards significantly from October 2026.¹⁷² Any savings between £6,000 and £16,000 are added to the claimant's income at a rate of £1 per week for every £250 in savings above £6,000. The claimant ceases to be eligible for Housing Benefit if they hold more than £16,000 in savings.

Finally, deductions are made from an individual's Housing Benefit for non-dependants, spare bedrooms if they are a social tenant, and meal costs and fuel service charges where these are charged by a landlord. These deductions depend on the income of the non-dependant, the type of fuel service and the number of meals provided. Social housing tenants lose 14 per cent of their Housing Benefit if they have one spare bedroom and 25 per cent for two or more bedrooms. Working-age Housing Benefit claimants are also subject to the benefit cap.

¹⁷² The Housing Benefit (Earned Income Disregards) (Amendment) Regulations 2026, SI 2026/753. Accessed via: [The Housing Benefit \(Earned Income Disregards\) \(Amendment\) Regulations 2026](#) (Accessed: 27 July 2026)

Table 2.3: Housing Benefit weekly personal allowances, premiums, and disregards, 2026/27

Criteria		Additional criteria	Rate
Personal allowance			
Single	Under 25		£75.65
	25 or over		£95.55
Lone parent	Under 18		£75.65
	18 or over		£95.55
Couple	Both under 18		£114.35
	One or both 18 or over		£150.15
Dependent children			£87.88
Premiums			
Family			£20.22
Lone parent rate			£22.20
Disability	Single		£44.85
	Couple		£64.00
Enhanced disability	Single		£22
	Disabled child		£33.99
	Couple		£31.40
Severe disability	Single		£86.05
	Couple – lower rate		£86.05
	Couple – higher rate		£172.10
Disabled child			£84.46
Carer			£48.15
Earnings disregards			
Single claimant			£5
Couple			£10
Higher (special occupations/circumstances)			£20
Lone parent			£25
Childcare charges			£175
Childcare charges (2 or more children)			£300

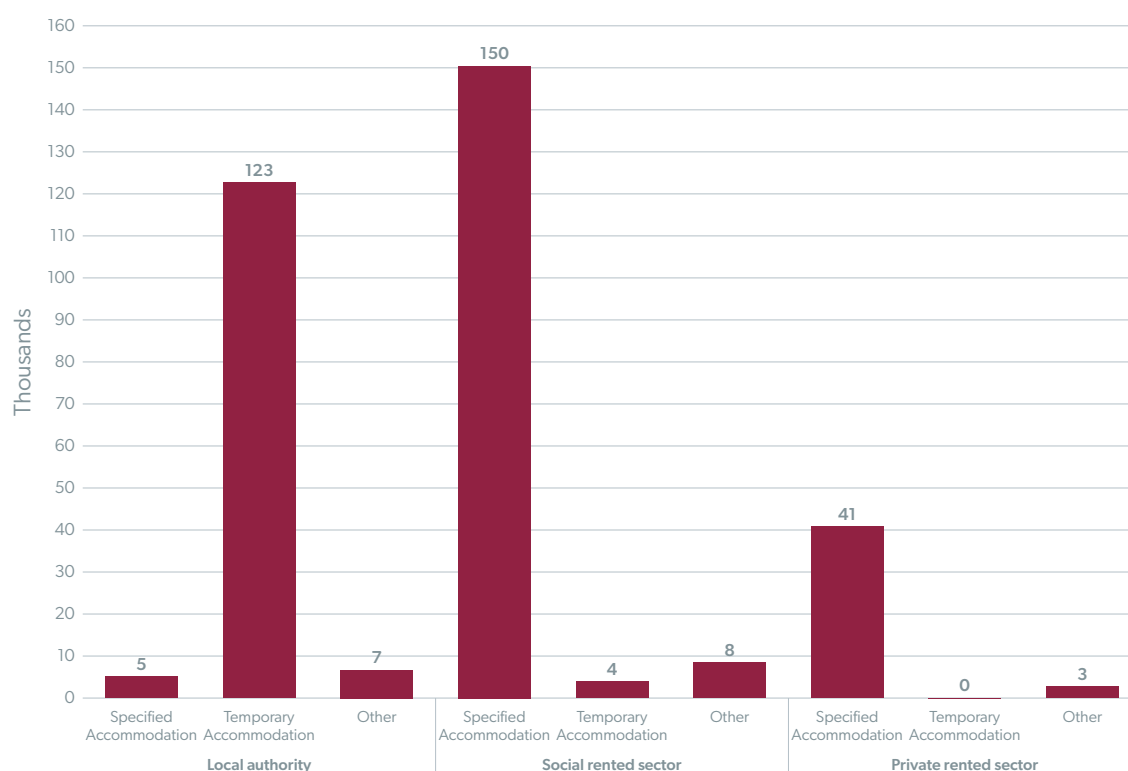
Source: Department for Work and Pensions (2026), 'Benefit and pension rates 2026 to 2027'

A local authority must start paying a successful Housing Benefit claimant within two weeks of receiving a claim. Housing Benefit is typically awarded from the Monday following the date the claim was made, with the initial payment making up any arrears. Local authority tenants' Housing Benefit is paid directly into their rent account with the local authority. Claimants who are not local authority tenants will either receive their payment directly or can request it be paid to their landlord directly. The local authority must make payments directly to the landlord if the claimant is more than eight weeks in rental arrears.

2.3.2 Housing Benefit caseloads and expenditures

Housing Benefit caseloads have steadily fallen over the last decade as most working-age claimants migrate to Universal Credit. Housing Benefit for working-age claimants not in temporary accommodation, a refuge, or sheltered or supported housing ended on 1 April 2026, meaning caseloads from that point consist only of those not eligible to migrate to Universal Credit.

Figure 2.7: Housing Benefit working-age caseload by tenure and accommodation type, March 2026



Source: Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

Unsurprisingly, 87 per cent of the remaining 341,000 working-age claimants rent from either a social landlord or a local authority. Most claimants renting from a local authority are in temporary accommodation, reflecting local authorities' statutory obligations under the Housing Act 1996. Conversely, most claimants in the social and private rented sectors are in specified accommodation: accommodation where help with housing costs is provided through Housing Benefit, including refuges and supported accommodation.

Very few Housing Benefit claimants have their eligible rent capped by the LHA, because of the number in social housing. Only 1,620 tenants were subject to the LHA in March 2026, 50 per cent of whose Housing Benefit still covered their rent. Likewise, the vast majority of Housing Benefit was paid to a claimant's landlord, with only 5,000 claimants receiving their Housing Benefit directly.

The more concerning statistic is that only 11 per cent of claimants were in work. Of course, those in supported housing and refuges are, inevitably, less likely to be able to work either temporarily or permanently. However, we have repeatedly heard from frontline charities across the UK that Housing Benefit prevents even those wanting to work from doing so and stops those in work from increasing

their hours, holding back people who are trying to escape a cycle of homelessness or rebuild their lives following domestic abuse. This is especially harmful for people in temporary accommodation. We cover these issues in Chapter 6.

2.3.3 Legal issues affecting Housing Benefit

The process of appealing a Housing Benefit decision is like the process for other benefits, except that a claimant starts by appealing to their local authority rather than the DWP. If the claimant disagrees with the local authority's decision, they can appeal to the First-tier Tribunal of the SSCST, then the Upper Tribunal, then the High Court, and so on.

The basis for Housing Benefit in its current form was laid across several Acts including the Social Security Contributions and Benefits Act 1992, the Social Security Administration Act 1992, the Housing Act 1996, and the Social Security Act 1998.¹⁷³ Under the powers granted in these Acts, the Housing Benefit Regulations 2006 set the eligibility requirements and calculation of Housing Benefit.¹⁷⁴ The main amendments since 2006 – besides regular uprating – have been a series of commencement orders to enact the abolition of Housing Benefit legislated for in the Welfare Reform Act 2012 for all working-age claimants, besides those in specified accommodation.¹⁷⁵

Several decisions have significantly affected the operation of Housing Benefit, particularly regarding under-occupancy rules, the definition of specified accommodation, and transitions between Housing Benefit and Universal Credit.

- › *Under-occupancy rules:* Under regulation B13 of the Housing Benefit Regulations 2013, a social tenant's Housing Benefit award can be reduced by up to 25 per cent if they are judged to have more bedrooms than they are entitled to.¹⁷⁶ In *R (Carmichael) v Secretary of State for Work and Pensions* [2016], the UK Supreme Court judged that there was unlawful discrimination under Article 14 of the ECHR where there was a 'transparent medical need for an additional bedroom' not catered for in regulation B13.¹⁷⁷ The Department sought to correct regulation B13 but the changes made were not retrospective. Consequently, the Upper Tribunal rejected the appeal of a claimant known as RR in 2018. RR's local authority had reduced his eligible rent by 14 per cent in 2014 because he and his wife lived in a two-bed house. DL appealed on the grounds that he and his partner could not share a bedroom because of her disabilities. The Upper Tribunal dismissed his appeal on the basis that the Department's reforms were not backdated.¹⁷⁸ RR appealed to the Supreme Court, which overturned the Upper Tribunal's decision, ruling that tribunals and local authorities have a duty not to violate the claimant's rights under the ECHR when calculating deductions for under-occupancy, allowing local authorities and tribunals to disapply provisions of secondary legislation where they judged it conflicted with the Convention.¹⁷⁹

173 Social Security Contributions and Benefits Act 1992, c. 4. Accessed via: [Social Security Contributions and Benefits Act 1992](#) (Accessed: 21 April 2026). Social Security Administration Act 1992, c. 5. Accessed via: [Social Security Administration Act 1992](#) (Accessed: 21 April 2026). Housing Act 1996, c. 52. Accessed via: [Housing Act 1996](#) (Accessed: 21 April 2026). Social Security Act 1998, c. 14. Accessed via: [Social Security Act 1998](#) (Accessed: 21 April 2026)

174 The Housing Benefit Regulations 2006, SI 2006/213

175 Welfare Reform Act 2012, c. 5. Accessed via: [Welfare Reform Act 2012](#) (Accessed: 21 April 2026). The regulatory changes include SI 2014/771, SI 2015/634 (Commencement No. 23), SI 2018/138 (Commencement No. 9/21/23 Amendment), UC (Transitional Provisions) Regulations 2014 (SI 2014/1230), and SI 2025/1148 (Commencement No. 35)

176 The Housing Benefit Regulations 2006, SI 2006/213, reg. B13.

177 *R (on the application of Carmichael and Rourke) (formerly known as MA and others) (Appellants) v Secretary of State for Work and Pensions (Respondent)* [2016] UKSC 58. Accessed via: [Daly & Ors, R \(on the application of\) \(formerly known as MA and others\) v Secretary of State for Work and Pensions](#) [2016] UKSC 58 (9 November 2016) (Accessed: 21 April 2026)

178 *Secretary of State for Work and Pensions v (1) DL and (2) RR (HB) (Housing and council tax benefits - payments that are eligible for HB [regulation 12 and Schedule 1])* [2018] UKUT 355 (AAC). Accessed via: [Secretary of State for Work and Pensions v DL & Anor \(HB\) \(Housing and council tax benefits - payments that are eligible for HB\)](#) [2018] UKUT 355 (AAC) (28 August 2018) (Accessed: 21 April 2026)

179 *RR (Appellant) v Secretary of State for Work and Pensions (Respondent)* [2019] UKSC 52. Accessed via: [RR v Secretary of State for Work and Pensions](#) [2019] UKSC 52 (13 November 2019) (Accessed: 21 April 2026)

- › *Specified Accommodation*: Housing Benefit is now only available to working-age claimants residing in specified accommodation, as defined by regulation 75H of the Housing Benefit Regulations 2006, or temporary accommodation.¹⁸⁰ Specified accommodation covers refuges, exempt accommodation, managed properties, and local authority hostels. The claimant must receive ‘care, support or supervision’ by their landlord or a person acting on the landlord’s behalf in their exempt accommodation or hostel if it is to be classed as specified accommodation. There is a long tail of litigation disputing the definition of ‘care, support or supervision’. In 2006, the Upper Tribunal ruled that support provided by the landlord or someone acting on their behalf must be ‘more than minimal’ for accommodation to count as exempt accommodation.¹⁸¹ A further decision in 2009 defined ‘more than minimal’ support as support that was ‘likely to make a real difference to the claimant’s ability to live in the property’.¹⁸² These decisions effectively restricted the definition of exempt accommodation. Conversely, a 2014 decision specified that ‘support’ entailed ‘support in the practicalities of everyday living’ and a series of decisions in 2009 included intensive housing management – where repairs and maintenance were provided beyond the scope expected of a landlord of general needs housing – in the definition of ‘support’.¹⁸³
- › *Transitioning between Housing Benefit and Universal Credit*: A claimant, known as TD, and her partner claimed Universal Credit in October 2019 and subsequently became homeless in January 2020. Ipswich Borough Council placed her and her partner in temporary accommodation to discharge their main housing duty, as such TD became ineligible to claim the housing element of Universal Credit and made a claim for Housing Benefit. TD was awarded maximum Housing Benefit because Universal Credit is a ‘passport benefit’, but her Housing Benefit then reduced her Universal Credit award to 0 for five consecutive assessment periods. Ipswich Borough Council decided on 11 May 2020 that her nil award meant TD was not entitled to or in receipt of Universal Credit, reassessed her award for January to May 2020, and decided £1,315.19 in Housing Benefit overpayments were recoverable from her. The Upper Tribunal held in 2024 that TD was not ‘on Universal Credit’ while receiving her nil award and, therefore, ineligible to receive the maximum Housing Benefit. As a result, there is an eligibility trap for homeless families claiming Universal Credit, creating significant uncertainty when claiming the two benefits.¹⁸⁴

2.4 New Style ESA

New Style Employment and Support Allowance (NS ESA) is a contributory, non-means-tested benefit for those unable to work due to illness or disability. It is distinct from Universal Credit: entitlement depends only on a claimant’s own National Insurance record. This makes it available to those who would be shut out of means-tested support, such as those with a working partner or significant savings.

NS ESA is the continuation of the contributory strand of ESA. ESA previously had a means-tested strand (Income-Related ESA) as well, but this has now been replaced by the health element of Universal Credit.¹⁸⁵ The contributory strand of ESA was converted into NS ESA on 1 December 2025 – when using data from before 1 December 2025 in the following section, we refer to the contributory strand as NS ESA for simplicity.

¹⁸⁰ Housing Benefit Regulations 2006, SI 2006/213, reg. 75H

¹⁸¹ R(H) 7/07, CH/3811/2006. Accessed via: administrativeappeals.decisions.tribunals.gov.uk/Aspx/view.aspx?id=2150. (Accessed: 21 April 2026)

¹⁸² Bristol Council v AW [2009] UKUT 109 (AAC). Accessed via: CH 0200 2009–00.doc (Accessed 21 April 2026)

¹⁸³ Chorley Borough Council v EM [2009] UKUT 108 (AAC). Chorley Borough Council v IT [2009] UKUT 107 (AAC). Bristol Council v AW [2009] UKUT 109 (AAC).

¹⁸⁴ Ipswich Borough Council v TD [2024] UKUT 117 (AAC). Accessed via: IN THE UPPER TRIBUNAL (Accessed: 21 April 2026)

¹⁸⁵ Department for Work and Pension, (Jul 2025), ‘Summary: Move to Universal Credit DWP Legacy Benefit Customers Qualitative Research’. Accessed via: [Summary: Move to Universal Credit DWP Legacy Benefit Customers Qualitative Research - GOV.UK](#). (Accessed: 21 April 2026)

2.4.1 The mechanics of NS ESA

NS ESA is administered by the DWP. Claimants should apply either online or by calling the Jobcentre Plus new claims helpline. They must provide their National Insurance number, a fit note, income details, and contact information for a doctor. If the claimant is claiming Statutory Sick Pay (SSP), they must provide the date that their SSP ends. It is not permitted to claim SSP at the same time as NS ESA.¹⁸⁶

There are two contribution conditions. First, the claimant must have paid contributions (Class 1 or 2) on earnings at the lower earnings limit for at least 26 weeks in one of the last two complete tax years before the benefit year of the claim. National Insurance credits do not generally satisfy this condition. Second, the claimant must have earnings of at least 50 times the lower earnings limit, from contributions paid or credited, in each of those two years.

The DWP will typically contact a claimant within 10 days. If they are eligible, an appointment will be scheduled between a claimant and a work coach from a local Jobcentre Plus office. They will draw up a 'claimant commitment' and the claimant will undergo a WCA to determine how much their illness or disability affects their ability to work. The first 13 weeks of a claim, which this process takes place in, is known as the 'Assessment Phase'. Here, claimants will begin to receive their personal allowance.

Once the assessment phase is completed, claimants are placed in one of two groups: a work-related activity group or a support group. The work-related activity group (WRAG) is for claimants who cannot work but can prepare to work in the future. The support group is for those who cannot work and are not expected to in the future. Claimants in the support group face no work-related activity requirements.

Table 2.4: NS ESA weekly personal allowances and components

Criteria	Additional criteria	Rate
Personal allowance (Assessment Phase Flat Rate)		
Single	Under 25	£75.65
	25 or over	£95.55
Lone parent	Under 18	£75.65
	18 or over	£95.55
Premiums		
Work-Related Activity Group	Claimed after 3 April 2017	£0
	Claimed before 3 April 2017	£37.95
Support Group	Claimed after 3 April 2017	£50.35
	Claimed before 3 April 2017	£50.35

Source: Department for Work and Pensions (2026), 'Benefit and pension rates 2026 to 2027'

The amount of NS ESA that a claimant receives is calculated over two phases. During the Assessment Phase, claimants receive a flat rate personal allowance. Single claimants and lone parents receive either £75.65 (if they are under 25) or £95.55 (if they are over 25).¹⁸⁷

¹⁸⁶ Child Poverty Action Group (Apr 2026), 'Welfare Benefits Handbook', p.516.

¹⁸⁷ DWP (2026) 'Benefit and Pension Rates 2026 to 2027.'

Once a decision is made on their eligibility, those placed in the support group receive an additional component worth £50.35.¹⁸⁸ Claimants in the WRAG who made their claim before April 2017 receive an additional component worth £37.95, this is not available to those claiming after April 2017. While claiming the benefit, claimants earn Class 1 National Insurance credits, which count as contributions towards the state pension and other contributory benefits.

Although NS ESA can be claimed at the same time as Universal Credit, the benefit is counted as unearned income in a claimant's Universal Credit calculation, reducing their Universal Credit entitlement by £1 for every £1 of NS ESA they receive. The corollary is that when NS ESA ends – for example at the 365-day WRAG limit – a claimant's Universal Credit rises to offset the loss.

Claimants in the WRAG face sanctions for breaching the conditions of the benefit. For claimants aged 25 and over, the personal allowance is reduced by £13.60 per day for each day of the sanction period.¹⁸⁹ For claimants aged under 25, the daily reduction is £10.70.¹⁹⁰ The duration of the sanction period is fixed once a claimant complies with the condition they breached: a first failure results in a one-week sanction, a second failure within 52 weeks results in a two-week sanction, and a third or subsequent failure within 52 weeks results in a four-week sanction.¹⁹¹ Between breaching their conditions and receiving their fixed sanction period, however, a claimant's sanction is open-ended. Unlike income-related ESA claimants, sanctioned NS ESA claimants are not able to access hardship payments.

Unlike claimants in the support group, who are entitled to NS ESA indefinitely, those in the WRAG are only entitled to NS ESA for 365 days. Upon the conclusion of their year of entitlement, those in the WRAG have three possible pathways:

1. **They claim Universal Credit instead.** For many claimants, especially those with LCW or LCWRA, they begin claiming Universal Credit for the relevant health element after their NS ESA ends. Claimants who were not eligible for Universal Credit alongside their NS ESA (due to a partner's income or savings) may still not qualify.
2. **They continue on NS ESA without payment.** When NS ESA ends, a claimant continues to have LCW and can remain on a credit-only claim. This means that they would not receive any money but would have credits added to their National Insurance record for each week they are entitled, granting entitlement to other benefits such as the State Pension.
3. **They are reassessed and moved to the support group.** If a claimant's condition has deteriorated, they can request reassessment. If they are moved to the support group, they can keep getting NS ESA without a time limit.

NS ESA is paid fortnightly directly into a claimant's bank account. Those in receipt of NS ESA are permitted to work less than 16 hours per week and earn up to £203.50 after tax and National Insurance, without affecting their payments. There is no taper rate, and any earnings above £203.50 results in the withdrawal of entitlement to NS ESA.¹⁹²

188 Ibid.

189 Ibid.

190 Ibid.

191 Department for Work and Pensions (Oct 2025), "Employment and Support Allowance Sanctions: How to Keep Your Benefit Payment." Accessed via: gov.uk/government/publications/employment-and-support-allowance-sanctions/employment-and-support-allowance-sanctions-how-to-keep-your-benefit-payment. (Accessed: 2 June 2026)

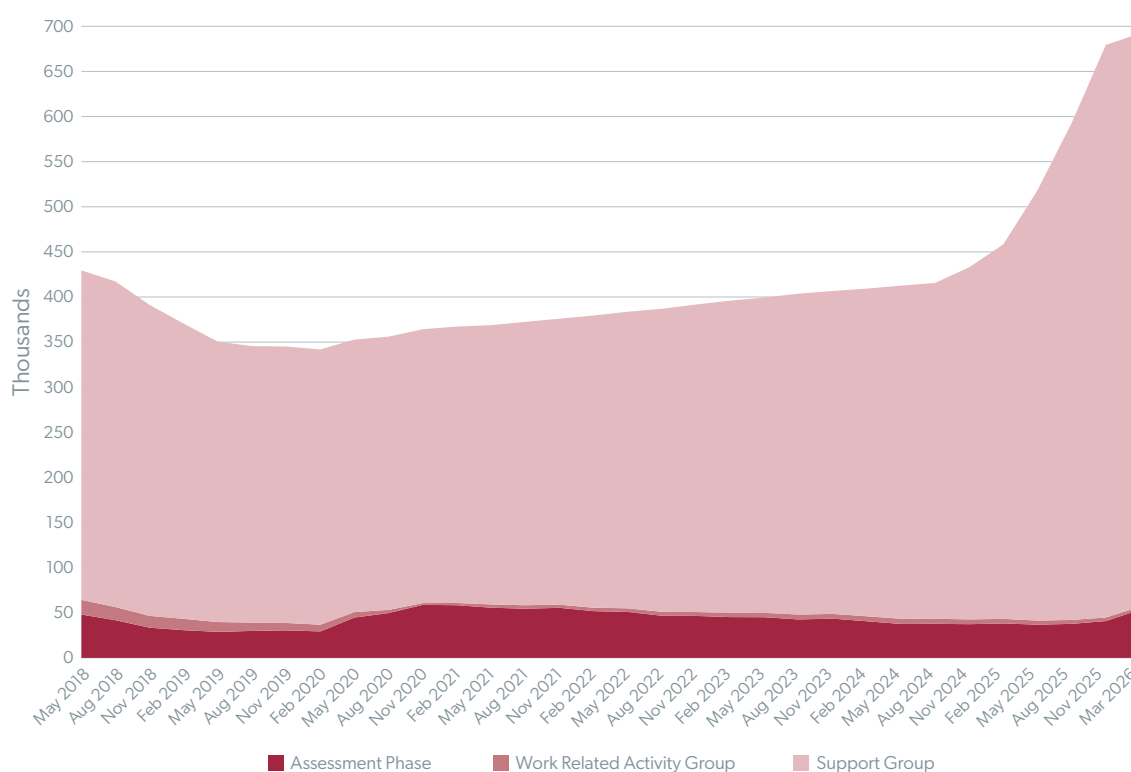
192 Ibid., pp.516–530.

2.4.2 NS ESA caseloads and expenditures

There were 692,000 working-age claimants of NS ESA in March 2026. It cost £5.1 billion in 2025/26, with most of this expenditure (£4.9 billion) spent on those in the support group.

Just 3,000 working-age claimants remained in the WRAG, down from 16,300 in May 2018. This reflects the near-complete withdrawal of new claimants from the group following the removal of the WRAG component for new claims in April 2017. A further 67,300 claimants were on credits-only claims, receiving no payment but accruing National Insurance credits: a consequence of the one-year time limit on WRAG payments described above.

Figure 2.8: NS ESA caseload by group, 2018 to 2026



Source: Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

2.4.3 Legal issues affecting NS ESA

The legislative basis of NS ESA was laid out in Part 1 of the Welfare Reform Act (2007). This piece of legislation introduced ESA to replace Incapacity Benefit, Severe Disablement Allowance, and Income Support paid on grounds of incapacity/disability.¹⁹³ ESA was part of a broader strategy to encourage individuals with long-term health issues to engage in work-related activities.

There were initially two forms of ESA: contributory ESA for individuals with sufficient NICs, and the means-tested income-related ESA. The detailed rules for ESA that governed eligibility, the WCA, conditionality, and rates were set out in secondary legislation: the Employment and Support Allowance Regulations (2008).¹⁹⁴

¹⁹³ House of Commons Library (Feb 2026), 'Employment and Support Allowance: An Introduction', Briefing Paper CBP-7181. Accessed via: [Employment and Support Allowance: An introduction](#). (Accessed: 21 April 2026)

¹⁹⁴ The Employment and Support Allowance Regulations 2008, SI 2008/794. Accessed via: [legislation.gov.uk/uk/si/2008/794/contents](#). (Accessed: 21 April 2026)

Several governments have changed and amended ESA since it was introduced. The Welfare Reform Act (2009) amended the initial contribution conditions, requiring claimants to have paid NICs in one of the last two complete tax years and introduced the 26-week structure. This linked contributory entitlement more closely to periods of recent work.¹⁹⁵

The Welfare Reform Act (2012) made three further significant changes.¹⁹⁶ Firstly, it introduced the 365-day time limit on contributory ESA for claimants in the WRAG. Secondly, it abolished the ‘youth rules’ which had allowed young people to qualify for contributory ESA without satisfying the usual contribution conditions. Finally, and most significantly, it amended the Welfare Reform Act via Schedule 3 and Part 1 of Schedule 14 to remove references to the income-related allowance. This legally separated contributory ESA from its income-related sibling.¹⁹⁷ The ESA Regulations (2013) were passed to specifically govern NS ESA.¹⁹⁸

The final changes to NS ESA were made by the Welfare Reform and Work Act (2016), which removed the work-related activity component (worth £37.95 per week at 2026/27 rates) for all new claims from 3 April 2017.¹⁹⁹ The WRAG rate was also aligned with JSA. Claimants already in receipt of the component before that date retained it, as did those subsequently reassessed from the support group into the WRAG.

NS ESA claimants can challenge decisions by the DWP by requesting a mandatory reconsideration and, if they are dissatisfied with the outcome of their reconsideration, appealing to the SSCST. If it is the first time that the DWP has ruled a claimant does not have limited capability for work, then the claimant can appeal directly without requesting a mandatory reconsideration notice first. Claimants have one month from the date of their decision letter to appeal to HM Courts and Tribunals Service, though appeals may still be accepted up to 13 months after the decision if the claimant can demonstrate good reason for the delay.²⁰⁰

Appeals are heard by a tribunal panel, usually comprising a judge and a doctor. The claimant can present their case in person and submit written evidence. Paper hearings (where the decision is made on the written evidence alone) are rarely successful. It typically takes up to 6 months for a tribunal hearing to be arranged. Claimants appealing because they failed their first WCA can ask the DWP to continue paying ESA until the appeal hearing without making a new claim.²⁰¹ Those appealing group placement are paid ESA throughout the appeals process. A claimant may appeal further to the Upper Tribunal if there has been an error of law, and decisions of the Upper Tribunal can be appealed to the Court of Appeal and Supreme Court.

Several legal decisions have affected the administration of NS ESA. As noted in the section on Universal Credit, case law has significantly expanded access to the LCW and LCWRA determinations through the interpretation of WCA descriptors and the substantial risk criterion. Since NS ESA and Universal Credit share the same WCA framework, these precedents apply to NS ESA claimants. The most significant cases (inc. *IM v Secretary of State for Work and Pensions* [2014], *ET v Secretary of State for Work and Pensions* [2021], and *DR v Secretary of State for Work and Pensions* [2014]) are discussed in the Universal Credit section above.

Case law has shaped how the mobilising descriptor in Schedule 3 of the ESA Regulations is applied in practice.

¹⁹⁵ Welfare Reform Act 2009, c.24. Accessed via: legislation.gov.uk/ukpga/2009/24/contents. (Accessed 21 April 2026)

¹⁹⁶ Welfare Reform Act 2012, c.5.

¹⁹⁷ Ibid.

¹⁹⁸ The Employment and Support Allowance Regulations 2013, SI 2013/379.

¹⁹⁹ Welfare Reform and Work Act 2016, c. 7. Accessed via: legislation.gov.uk/ukpga/2016/7/contents. (Accessed: 21 April 2026)

²⁰⁰ Welfare Reform and Work Act 2016, c.7.

²⁰¹ Citizens Advice (Apr 2020), “Appealing an ESA Decision.” Accessed via: citizensadvice.org.uk/benefits/sick-or-disabled-people-and-carers/employment-and-support-allowance/problems-with-esa/esa-appealing. (Accessed 21 April 2026)

- › *SG v Secretary of State for Work and Pensions (ESA) [2018] UKUT 34 (AAC)* - In this case, a claimant with progressive spastic paraparesis was placed in the WRAG after a decision maker concluded that he could reasonably use a manual wheelchair, despite having never used one. The Upper Tribunal set aside that decision, holding that it is insufficient to conclude a claimant could reasonably use a wheelchair simply because their upper limbs are unimpaired. Drawing on the earlier three-judge panel decision in *SI v Secretary of State for Work and Pensions (ESA) [2014] UKUT 308 (AAC)*, the Upper Tribunal held that the SSWP must demonstrate why wheelchair use is reasonable for that specific claimant and how it accords with the underlying purposes of the ESA legislation. They also stated that, without such evidence, the claimant satisfied the support group mobilising descriptor. Accordingly, the Upper Tribunal placed the claimant in the support group. This case established that decision makers cannot simply assume wheelchair mobility for claimants with unimpaired upper limbs without adducing specific evidence, effectively raising the evidential bar the DWP must clear before denying support group placement on mobility grounds.²⁰²

A significant and distinctive feature of NS ESA's legal framework concerns the recovery of overpayments. Under section 71ZB(1)(c) of the Social Security Administration Act 1992, NS ESA overpayments are recoverable by the SSWP irrespective of how they arose.

- › *Secretary of State for Work and Pensions v IL (ESA) [2025] UKUT 200 (AAC)*: A claimant with multiple sclerosis correctly declared his occupational pension on his NS ESA claim form in April 2020. DWP failed to act on this information for 18 months, awarding and continuing to pay NS ESA to which the claimant was not entitled given the pension abatement rules. DWP subsequently decided the claimant had been overpaid £8,835.87 and sought to recover the full amount. The First-tier Tribunal found the overpayment was not recoverable because DWP had caused the error. When the SSWP appealed, the Upper Tribunal held that section 71ZB(1)(c) of the Social Security Administration Act 1992 permits the recovery of NS ESA overpayments regardless of fault, even where the overpayment arose solely from DWP's failure to act on information correctly provided by the claimant. The Upper Tribunal further held that a claimant has no right of appeal against the decision to recover an overpayment, only against the size of the overpayment calculated. The sole remedy available to a claimant in such a position is to request the SSWP waive recovery and, if refused, to seek judicial review in the High Court. This case highlights a significant asymmetry in NS ESA's legal framework: while a claimant who fails to disclose information faces recovery of any resulting overpayment, so too does a blameless claimant whose overpayment was caused entirely by DWP errors.²⁰³
- › *WS v Secretary of State for Work and Pensions [2023] UKUT 81 (AAC)*: A claimant notified DWP that he was retiring and would receive monthly pension payments. However, he did not specify when these payments would begin. When the pension came into payment, DWP (which had access to HMRC's RTI data feed showing the pension payments) failed to adjust the claimant's contributory ESA award, resulting in an overpayment. Subsequently, the DWP sought to recover the overpayment on the basis that the claimant had failed to disclose the relevant changes of circumstances. The Upper Tribunal dismissed the appeal. The claimant had argued that disclosure necessarily involves imparting information the recipient does not already hold, and that because the pension data was available to DWP through the RTI feed he could not be said to have failed to disclose it. The Upper Tribunal rejected this argument. It held that information merely sitting within the RTI feed is not 'known' to the SSWP unless it has been accessed and analysed by a person; that the SSWP was under no duty to interrogate the RTI feed; and that the claimant was not relieved of his duty to disclose. The case

²⁰² *SG v Secretary of State for Work and Pensions (ESA) [2018] UKUT 34 (AAC)* (CE/1585/2017). Accessed via: assets.publishing.service.gov.uk/media/5a7c0276ed-915d414762232d/CE_1585_2017-01.pdf. (Accessed 21 April 2026)

²⁰³ *Secretary of State for Work and Pensions v IL (ESA) [2025] UKUT 200 (AAC)* (UA-2023-001581-ESA). Accessed via: assets.publishing.service.gov.uk/media/6894b-0d6ad0cbc0e27643116/UA-2023-001581-ESA...pdf. (Accessed: 21 April 2026)

confirms that the mere availability of data to DWP does not, by itself, discharge a claimant's disclosure obligations.²⁰⁴

2.5 New Style JSA

New Style Jobseeker's Allowance (NS JSA) is a contributory, non-means-tested benefit providing income replacement for working-age people who are unemployed and actively seeking work. Entitlement depends on a claimant's National Insurance record.

Like NS ESA, NS JSA is the leftover contributory strand of JSA, which has now been replaced by Universal Credit. The contributory strand of JSA was renamed NS JSA in 2013, with remaining legacy contribution-based awards absorbed as legacy JSA closed down.

2.5.1 The mechanics of NS JSA

Entitlement to NS JSA rests on the claimant's National Insurance record. Like NS ESA, claimants must have paid contributions (Class 1) on earnings at the lower earnings limit for at least 26 weeks in one of the last two complete tax years before the benefit year of the claim. Again, National Insurance credits do not generally satisfy this condition. Secondly, the claimant must have earnings of at least 50 times the lower earnings limit, from contributions paid or credited, in each of those two years.²⁰⁵ There is no upper savings limit. Nominally, there are three primary eligibility criteria: a claimant should be unemployed (or working less than 16 hours per week), available for work, and (as per the Claimant Commitment) actively seeking work for up to 35 hours per week.²⁰⁶

However, there are some caveats and exceptions to these criteria. A claimant would not be eligible if they were self-employed and only paid Class 2 NICs, unless they were working as a share fisherman or a volunteer development worker.²⁰⁷ Furthermore, someone in a trade dispute with their employer would also not qualify for the benefit. Claimants in full-time education are only eligible so long as the qualification they are studying for is at Level 4 or below; they do not receive a maintenance loan, grant or bursary; and they meet the work-related requirements set out by their work-coach.²⁰⁸

NS JSA applications are normally claimed through GOV.UK. For those unable to apply online, it is also possible to call Jobcentre Plus on one of their claim lines. Claimants must submit their bank account number and sort code, six months of employment details, any private or occupational pensions they may receive, and their National Insurance number. Claimants should also provide the number of hours they work per week and, if they have resigned from their job, reasons for their resignation. According to Citizens Advice, should a claimant work irregular hours, they should calculate an average and submit that.²⁰⁹ It is possible to backdate a claim for up to three months in certain circumstances, although this is relatively rare.²¹⁰

204 WS v Secretary of State for Work and Pensions [2023] UKUT 81 (AAC) (UA-2022-000292/000293-ESA). Accessed via: assets.publishing.service.gov.uk/media/645e35d2ad8a03001138b3c5/UA-2022-000292-293-ESA_.pdf. (Accessed: 21 April 2026)

205 Child Poverty Action Group (Apr 2026), 'New-style jobseeker's allowance', p.567.

206 CPAG (Apr 2026), 'New-style jobseeker's allowance', p.567.

207 Ibid., pp.566–582.

208 Ibid., p.567.

209 Citizens Advice, (Jul 2026), "How to Claim 'New Style JSA.'" Accessed via: citizensadvice.org.uk/benefits/help-if-on-a-low-income/jobseekers-allowance-ja/before-you-claim-ja/how-to-claim-ja. (Accessed June 2, 2026)

210 CPAG (Apr 2026), 'New-style jobseeker's allowance', pp.578–580.

Following a NS JSA application, claimants should receive a phone call or text inviting them to an interview at their local Jobcentre Plus within 14 days. Claimants must agree to a 'claimant commitment' outlining their work-related activity requirements. This will specify what a claimant must do to look for work and how long they need to spend on looking for work each week.

Work-related requirements can be reduced in some circumstances. Where a claimant has caring responsibilities or a physical/mental impairment, their job seeking requirements may be limited to a more reasonable number of hours relative to their particular circumstances. For example, the carer of a child under the age of 13 would only be expected to be available during school hours, adjusted for travel time. Additionally, work-related requirements are suspended for 13 weeks for victims of domestic abuse and lifted for claimants who are sick or recently bereaved.²¹¹

Claimants must wait for up to seven days after application before their NS JSA starts, and an additional two weeks to receive their first payment.²¹² Payments are made fortnightly into the claimant's bank account. Claimants can receive NS JSA for up to 182 days.²¹³ After that, DWP sources recommend that claimants discuss their options with a Work Coach, which often include claiming Universal Credit.²¹⁴ Claimants who exhaust their 182-day entitlement but remain otherwise eligible may continue on a credit-only claim, receiving no payment but accruing Class 1 National Insurance credits for each week of entitlement, supporting future access to the State Pension and other contributory benefits.

Table 2.5: NS JSA weekly personal rates

Criteria	Rate
Under 25	£75.65
25 and over	£95.55
Earnings disregards	
Standard	£5
Higher (special occupations/circumstances)	£20
Pension payments (before tax)	£50

Source: Department for Work and Pensions (2026), 'Benefit and pension rates 2026 to 2027'

NS JSA is paid at a flat weekly rate determined solely by age. Claimants can earn up to £5 per week before their earnings affect their award, after which NS JSA is reduced pound for pound by any earnings above that threshold.²¹⁵ A higher disregard of £20 per week applies to claimants in certain occupations, including part-time firefighters, auxiliary coastguards, lifeboat crew members, members of the armed forces reserve, and share fishermen.²¹⁶

211 Child Poverty Action Group (Apr 2026), 'Work-related requirements if you have recently experienced domestic abuse'. Accessed via: cpag.org.uk/welfare-rights/key-topics/survivors-domestic-abuse/work-related-requirements-if-you-have-recently-experienced-domestic-abuse. (Accessed: 2 June 2026)

212 CPAG (Apr 2026), 'New-style jobseeker's allowance', p. 576.

213 Department for Work and Pensions (Nov 2025), 'New Style Jobseeker's Allowance'. Accessed via: gov.uk/guidance/new-style-jobseekers-allowance. (Accessed: 2 June 2026)

214 DWP (Nov 2025)

215 Department for Work and Pensions (Apr 2026), 'New Style Jobseeker's Allowance: what you need to tell us if you do any work'. Accessed via: gov.uk/government/publications/jobseekers-allowance-what-you-need-to-tell-us-if-you-do-any-work-b71/new-style-jobseekers-allowance-what-you-need-to-tell-us-if-you-do-any-work. (Accessed: 2 June 2026)

216 DWP (Apr 2026)

NS JSA is temporarily suspended in weeks when a claimant's earnings exceed their prescribed amount. A claimant's prescribed amount depends on their earnings. It is calculated by adding together the amount of the relevant earnings disregarded and the rate of NS JSA for their age and then deducting 1p.²¹⁷

NS JSA can be claimed alongside Universal Credit, but it is treated as income in the Universal Credit calculation and reduces the Universal Credit award accordingly.²¹⁸ Claimants receiving NS JSA also accrue Class 1 National Insurance credits throughout their claim, which count towards the State Pension and future contributory benefits.²¹⁹ This is a distinct advantage over Universal Credit, which only generates Class 3 credits.

A claimant who fails to meet their Claimant Commitment without good reason may be sanctioned. For those under 25, the daily reduction rate for a sanction is £10.70. For claimants that are 25 or over, it is £13.60.²²⁰ Higher-level sanctions are triggered by failures such as voluntarily leaving paid work, refusing to apply for a vacancy, or misconduct. They are imposed for 91 days for a first failure, escalating to 182 days if a further higher-level failure occurs within 365 days of the previous one.²²¹ A legislative amendment in 2019 capped the maximum duration of any single higher-level sanction at 182 days.

2.5.2 NS JSA caseloads and expenditure

The annual caseload of NS JSA stood at just 24,000 in 2019/20, with expenditure of £144 million in 2026/27 prices. The pandemic caused a sharp spike, with caseloads surging to 156,000 in 2020/21 and real terms expenditure rising to £756 million. The caseload then fell again to 28,000 and expenditure to £125 million in 2022/23, before rising to 49,000 in 2025/26 and real terms expenditure recovered to £285 million.

A further 8,000 claimants were on credits-only claims in 2025/26, receiving no payment but accruing Class 1 National Insurance credits. This group is far smaller than its NS ESA equivalent because an ESA claimant who times out of the WRAG may retain their limited capability for work status, keeping them attached to a credit-only claim indefinitely. NS JSA offers no such anchor: once payments end, remaining on a credits-only basis means continuing to satisfy full job seeking conditions for no money.

NS JSA caseloads and expenditure clearly move with the economic cycle, in contrast to the upward trajectory of Universal Credit and PIP. NS JSA behaves broadly as unemployment insurance should, with caseloads rising sharply during economic downturns and falling when conditions improve again.

217 CPAG (Apr 2026), 'New-style jobseeker's allowance', p.573.

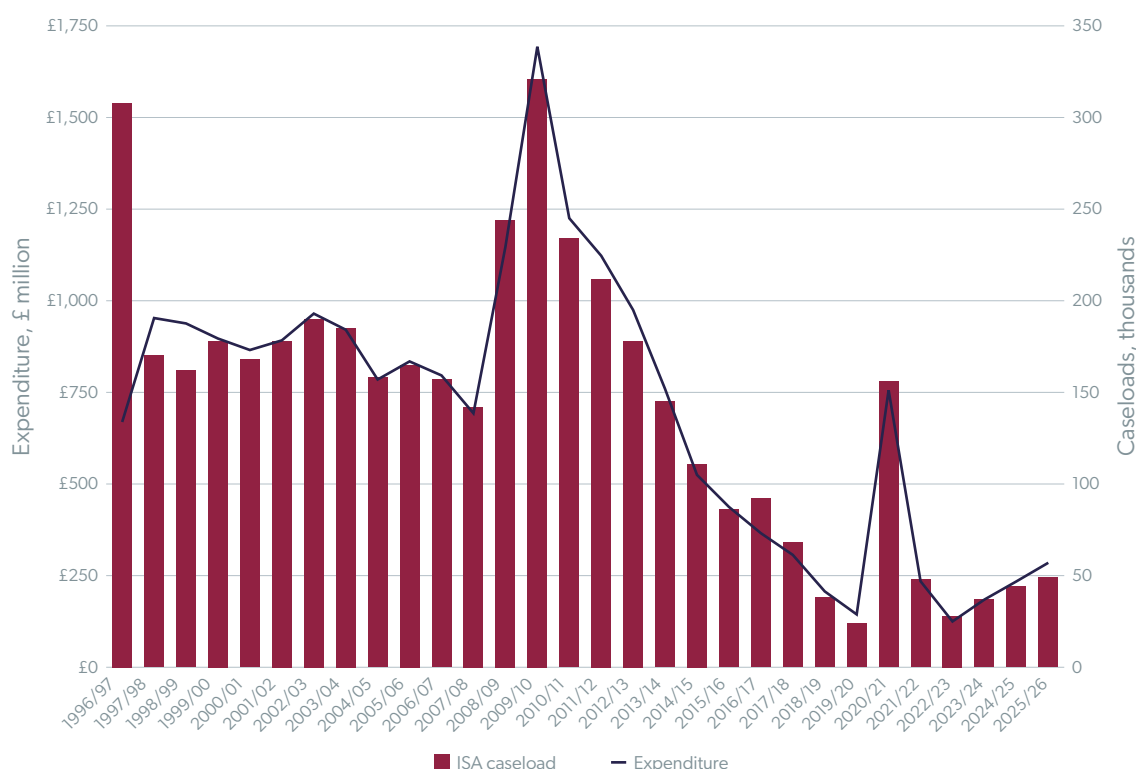
218 Ibid., p.582.

219 Department for Work and Pensions (Nov 2025), 'New Style Jobseeker's Allowance'.

220 DWP (2026), 'Benefit and Pension Rates 2026 to 2027'

221 Child Poverty Action Group (Apr 2026), 'Universal credit system sanctions', pp.907–938.

Figure 2.9: NS/contributory JSA caseload, 1996/97 to 2025/26



Source: Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'

2.5.3 Legal issues affecting NS JSA

The legislative basis of NS JSA was laid out in the Jobseekers Act 1995. This legislation replaced previous benefits such as Unemployment Benefit and Income Support with a more conditional and structured welfare system aimed at encouraging job-seeking and reducing dependency on state support. It outlined two forms of JSA: a means-tested, income-based strand and a contribution-based one.²²² The detailed rules that governed the benefit were laid out in the Jobseeker's Allowance Regulations 1996.²²³

Section 33 of the Welfare Reform Act 2012 legislated to abolish income-based JSA, subject to a commencement order. The DWP steadily migrated income-related claimants to Universal Credit, formally finishing in April 2026.²²⁴ The Jobseeker's Allowance Regulations 2013 set out the detailed conditionality, sanctions, and work-related requirements for NS JSA claimants.²²⁵ The sanctions framework was further altered from 27 November 2019 when the Jobseeker's Allowance Regulations were amended to remove 1,095-day higher-level sanctions, with transitional provisions terminating existing 3-year sanctions once 182 days had been served.²²⁶

²²² Jobseekers Act 1995, c.18. Accessed via: legislation.gov.uk/ukpga/1995/18/part/1. (Accessed 2 June 2026)

²²³ The Jobseeker's Allowance Regulations 1996, SI 1996/207. Accessed via: legislation.gov.uk/uksi/1996/207/contents. (Accessed: 2 June 2026)

²²⁴ Welfare Reform Act 2012, c. 5, s.33.

²²⁵ The Jobseeker's Allowance Regulations 2013, SI 2013/378.

²²⁶ The Jobseeker's Allowance and Universal Credit (Higher-Level Sanctions) (Amendment) Regulations 2019, SI 2019/1357. Accessed via: legislation.gov.uk/uksi/2019/1357/made. (Accessed: 2 June 2026)

NS JSA claimants can challenge decisions by the DWP through the same two-stage process that governs other benefits, as provided for under the Social Security Act 1998.²²⁷ A claimant must first request a mandatory reconsideration of the decision. If dissatisfied with the outcome, they may appeal to the First-tier Tribunal of the SSCST. A further appeal to the Upper Tribunal is available where there has been an error of law, and decisions of the Upper Tribunal may be appealed to the Court of Appeal and Supreme Court. We detail the tribunal system in depth later in this chapter.

Several legal decisions have affected the administration of NS JSA, particularly regarding the conditionality framework and the contribution conditions for eligibility. Case law has significantly shaped the lawfulness of the conditionality framework applied to NS JSA claimants, most notably through the Reilly litigation.

- › *R (Reilly and Wilson) v Secretary of State for Work and Pensions* [2013] UKSC 68: Two JSA claimants (Ms Reilly, a geology graduate required to undertake an unpaid placement at Poundland, and Mr Wilson, a HGV driver required to take part in the Community Action Programme, working 30 hours per week for six months unpaid) challenged the lawfulness of the Jobseeker's Allowance (Employment, Skills and Enterprise Scheme) Regulations 2011. Those regulations required claimants to participate in back to work schemes on pain of losing their benefit. The Court of Appeal found the regulations unlawful on the grounds that they failed to adequately describe the employment schemes claimants were required to participate in, as Section 17A of the Jobseekers Act 1995 required. The Supreme Court upheld this finding. The decision meant that sanctions imposed on claimants who had refused to participate in those schemes were potentially unlawful, opening the prospect of mass repayment by the Department. The Government responded by passing the Jobseekers (Back to Work Schemes) Act 2013, which retrospectively validated the sanctions imposed under the unlawful regulations, preventing claimants from recovering withheld benefit.²²⁸
- › *R (Reilly) & Anor v Secretary of State for Work and Pensions* [2016] EWCA Civ 413: The Jobseekers (Back to Work Schemes) Act 2013 was itself challenged by Ms Reilly and Mr Hewstone. The High Court declared the Act incompatible with Article 6(1) of the ECHR (the right to a fair trial) because it retrospectively interfered with the legal proceedings of claimants who had already lodged appeals against their sanctions before the Act came into force. The Court of Appeal upheld the declaration of incompatibility. The Government subsequently passed the Jobseekers (Back to Work Schemes) Act 2013 (Remedial) Order 2020 to remedy the incompatibility, providing a remedy for those claimants whose pending appeals had been affected by the retrospective legislation. Together, the Reilly litigation illustrates the cycle of judicial challenge, retrospective legislative response, and further challenge that has characterised the conditionality framework for JSA claimants.²²⁹

Case law has also clarified the contribution conditions that determine eligibility for NS JSA.

- › *NH v Secretary of State for Work and Pensions (JSA)* [2021] UKUT 227 (AAC): A claimant was made redundant and received a payment in lieu of notice as a lump sum. She had not worked for 26 weeks in the relevant tax year but argued that if her payment in lieu of notice was attributed forwards from the week in which it was paid, she would satisfy the first contribution condition under Section 2 of the Jobseekers Act 1995 and Regulation 34 of the Jobseeker's Allowance Regulations 2013. The Upper Tribunal considered how payments in lieu of notice should be attributed for the purposes of meeting the 26-week earnings requirement. The Upper Tribunal dismissed the appeal. It held that a lump sum payment in lieu of notice is attributed only to the single week in which it is actually paid. It

227 Social Security Act 1998, c. 14.

228 *R (Reilly and Wilson) v Secretary of State for Work and Pensions* [2013] UKSC 68. Accessed via: caselaw.nationalarchives.gov.uk/uksc/2013/68. (Accessed: 2 June 2026)

229 *Reilly v Secretary of State for Work and Pensions* [2016] EWCA Civ 413. Accessed via: caselaw.nationalarchives.gov.uk/ewca/civ/2016/413. (Accessed: 2 June 2026)

cannot be spread forward across later weeks. Such a payment therefore counts towards the 26-week first contribution condition only in those weeks in which the claimant's earnings reached the lower earnings limit. As the lump sum was treated as paid in a single week, it could not generate the 26 qualifying weeks the claimant needed, and her appeal failed. This rule is categorical rather than fact sensitive. Attributing a lump-sum payment in lieu of notice forwards will not, of itself, help a claimant satisfy the contribution condition of NS JSA.²³⁰

2.6 Carer's Allowance

Carer's Allowance is the UK's primary carer-specific benefit, providing a flat-rate weekly payment to people who spend at least 35 hours per week providing substantial care to a severely disabled person. It is neither means-tested nor contributory: entitlement depends on neither household income and savings nor a claimant's National Insurance record. Instead, it depends on the caring relationship itself and whether the person being cared for receives a qualifying disability benefit.

Introduced as ICA in 1976, it was originally conceived as modest financial recognition of the opportunity cost borne by people who forego paid employment to care for a disabled relative. Its scope has since been extended, and it was renamed Carer's Allowance in 2002/03.

2.6.1 The mechanics of Carer's Allowance

Carer's Allowance is determined by a binary administrative check. A claimant must be aged 16 or over; they need to spend at least 35 hours per week caring for someone; the person that the claimant is caring for must be a recipient of one of the qualifying disability benefits; and a claimant's net earnings must be below £204 per week. The remit of 'caring for someone' includes helping someone with washing and cooking, taking the cared-for person to a doctor's appointment, and helping with household tasks.²³¹ A carer who pays someone other than a close relative to provide replacement care for the disabled person while they work may deduct the cost, up to a maximum of half their net earnings.²³²

Only one person can be paid for caring for a given individual, so a claimant cannot receive Carer's Allowance if another carer is already paid Carer's Allowance, Carer Support Payment, or the Universal Credit carer element in respect of the same person. The claimant must not be in full-time education and must satisfy a habitual residence test.

There are multiple ways to claim Carer's Allowance. Claimants primarily apply online, but they can also use form DS700 and apply by post. Claimants should provide their National Insurance number, bank/building society details, employment details and a recent payslip, a P45 if they have recently stopped working, and details of any expenses in their application. They also have to provide a date of birth, address, and National Insurance number for the person they are caring for. The claimant should also provide a DLA reference if they are claiming to care for someone under the age of 16. A claimant can backdate their application by up to three months in certain circumstances.

The Carer's Allowance Unit at the DWP typically takes six to eight weeks to process an application. Once a decision is reached, claimants receive a decision letter confirming whether their claim has been

230 *NH v Secretary of State for Work and Pensions (JSA) [2021] UKUT 227 (AAC)*. Accessed via: assets.publishing.service.gov.uk/media/61605fc18fa8f5297d57dda6/CJSA_0458_2021-00.pdf (Accessed: 2 June 2026)

231 Child Poverty Action Group (Apr 2026), 'Carer's allowance', pp.433–434.

232 CPAG (Apr 2026), 'Carer's allowance', p.439.

approved, when payments will start, and what their payment schedule will be. The process does not include a third-party assessment, with eligibility verified administratively against the eligibility criteria.

Recipients of Carer's Allowance get paid a flat weekly rate of £86.45, which is uprated annually based on CPI.²³³ The standard payment is every four weeks in arrears, but claimants can request weekly payments in advance. The earnings threshold of £204 per week is based on net earnings, which are assessed week by week. Carer's Allowance is also taxable, unlike PIP. However, this has little practical effect because Carer's Allowance amounts to approximately £4,495 per annum, which is well below the £12,570 non-taxable personal allowance.

Carer's Allowance claimants automatically receive Class 1 National Insurance credits. These count towards State Pension entitlements and several other contributory benefits such as NS ESA and JSA.

Carer's Allowance cannot be paid alongside contributory benefits of equal or greater value. Most commonly, these are the State Pension, NS ESA, or NS JSA.²³⁴ If this overlapping benefit pays more than £86.45 per week, then a claimant will not receive any Carer's Allowance payment. If it pays less, they will receive the difference as a top-up to reach £86.45.

A claimant retains underlying entitlement to Carer's Allowance if they meet the eligibility requirements but do not receive payment due to an overlapping benefit. This means that a claimant's entitlement to Carer's Allowance is recorded and can be used to access other benefits or additional support. Underlying entitlement triggers the Carer Premium should a claimant receive a legacy benefit like Housing Benefit or Income Support, which is paid at a flat rate of £48.15 per week. The DWP does not routinely notify claimants of their underlying entitlement or their passporting value.

Carer's Allowance can be claimed alongside Universal Credit. However, it is treated as unearned income in the Universal Credit calculation and reduces a claimant's Universal Credit award pound-for-pound, unlike earned income which are subject to the 55p taper above the work allowance. Most carers who claim Universal Credit receive little to no net gain in household income from Carer's Allowance.

Illustrative example: Margaret and her son

Margaret is 58 and cares for her adult son, who receives the daily living component of PIP at the enhanced rate. She works part-time as a school administrator, earning £1,100 per month gross. She contributes £100 per month to a workplace pension and pays £200 per month to a registered carer (who is not a relative) to look after her son while she works.

Margaret's gross monthly pay of £1,100 converts to approximately £253.85 per week. Before applying the earnings threshold, the following deductions are made:

- Income tax and National Insurance: roughly £3.39 per week
- Half of pension contributions: £100 per month = £23.08 per week, so the deductible amount is £11.54.
- Qualifying care costs: £200 per month = £46.15 per week. The care cost deduction is capped at 50 per cent of net earnings after other deductions. Net earnings after tax, NI, and pension

²³³ DWP (2026), *Benefit and Pension Rates 2026/2027*.

²³⁴ The full list of overlapping benefits are: State Retirement Pension, NS JSA, NS ESA, Incapacity Benefit, Maternity Allowance, Bereavement Allowance, Widowed Mother's/Parent's Allowance, Widow's Pension, Carer's Allowance, Severe Disablement Allowance.

deduction are approximately £238.92, so the cap is £119.46. Margaret's actual care costs of £46.15 fall below this cap, so the full £46.15 is deductible.

Margaret's net earnings for Carer's Allowance purposes are therefore approximately £192.77. This is below the £204 threshold, meaning that she is eligible for Carer's Allowance and receives £86.45 per week.

Margaret also claims Universal Credit. Her weekly Carer's Allowance payment of £86.45 converts to approximately £374.62 per month. Her Universal Credit award is reduced pound-for-pound by £374.62 because Carer's Allowance is treated as unearned income. Her monthly position is therefore:

- Carer's Allowance = + £374.62
- Universal Credit Reduction from Carer's Allowance = - £374.62
- Universal Credit carer's element = + £209.34

The carer's element is not triggered by the Carer's Allowance claim. Under regulation 30 of the Universal Credit Regulations 2013, Margaret counts as having regular and substantial caring responsibilities (qualifying for the carer's element) whether or not she claims Carer's Allowance. She would therefore receive the £209.34 element even if she never claimed Carer's Allowance at all.

As a result, claiming Carer's Allowance would produce no net cash gain for Margaret's household. The £374.62 she receives is removed pound-for-pound from her Universal Credit award, and the carer's element she also receives was payable regardless.

Claimants are obliged to report any changes in their circumstances to the DWP. Failure to report a relevant change can result in an overpayment, which the DWP would seek to recover. The most common changes a claimant must report are earnings rising above the £204 weekly earnings threshold, caring hours dropping below 35 hours per week, and the person being cared for losing the qualifying disability benefit that underpins the claim. Should the claimant have a break in caring of up to four weeks in any 26-week period, Carer's Allowance payments will continue provided the cared-for person still receives a qualifying benefit. This provides a short buffer against administrative delays in the cared-for person's benefit being reinstated.

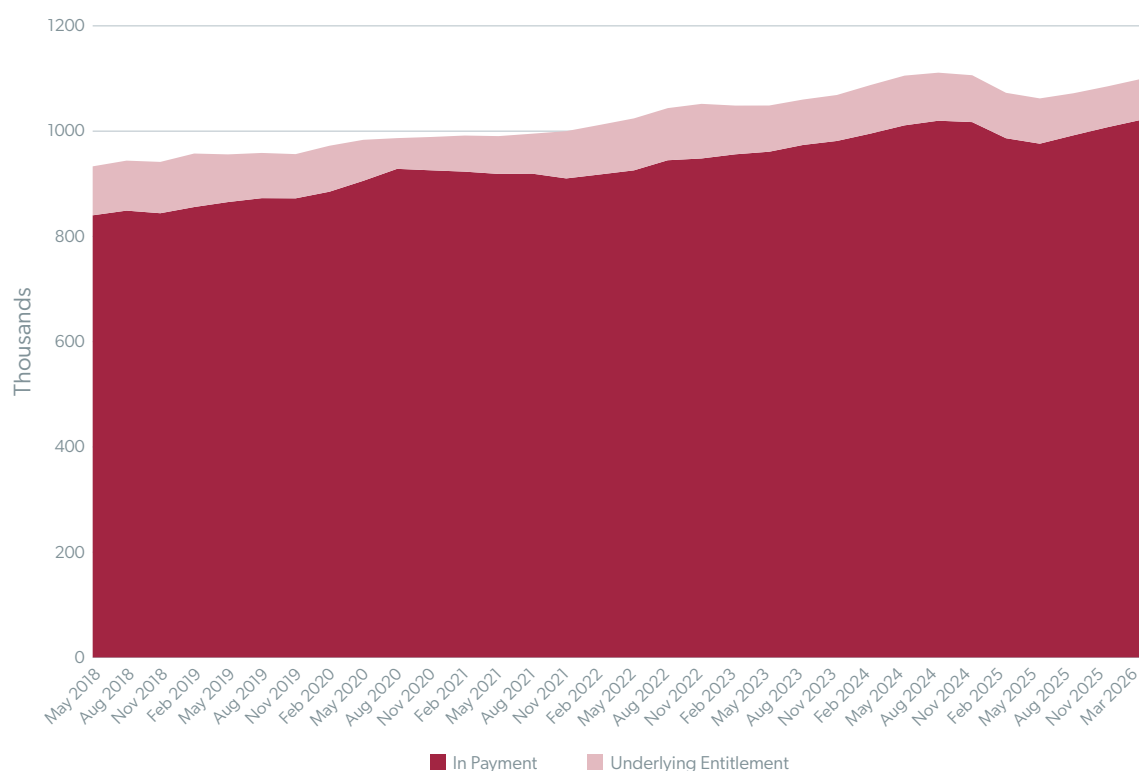
If an adult cared-for person enters hospital, Carer's Allowance is paid for 28 days. Should the hospital stay extend beyond this period, Carer's Allowance payments will stop because the cared-for person's qualifying disability benefit will itself be suspended.²³⁵ Should the cared-for person die, CA continues for a further eight weeks after the date of death.

2.6.2 Carer's Allowance caseloads and expenditure

Carer's Allowance is a mid-sized benefit by expenditure but has an unusual caseload. A little over one million working-age claimants received Carer's Allowance in March 2026, at a cost of £4.4 billion in 2024/25. Of the roughly 1.1 million working-age claimants, 93 per cent receive Carer's Allowance in payment (one million). A further 78,000 retain an underlying entitlement to Carer's Allowance but receive no payments. The caseload has increased steadily since 2018, by 166,200.

²³⁵ This is not applicable for under-18s because the qualifying PIP/DLA benefit continues during hospitalisation, meaning that Carer's Allowance for a child's carer does not stop at 28 days.

Figure 2.10: Carer's Allowance caseload by payment status, 2018 to 2026



Source: Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

Carer's Allowance is, moreover, an almost exclusively female benefit. Almost three quarters of the in-payment caseload were women in March 2026, as were 52,000 of the 78,000 cases with underlying entitlement.

Importantly, a defining feature of the caseload is its structural dependency on qualifying disability benefit caseloads. Every Carer's Allowance claimant exists because someone else receives PIP, DLA, Attendance Allowance, or another form of qualifying disability benefit. The slight growth in the Carer's Allowance caseload, which has risen 13 per cent since February 2020, has occurred alongside a 61 per cent increase in the combined qualifying working-age disability benefit caseload.

The growth in the Carer's Allowance caseload has been accompanied by a significant and sustained overpayments problem. Overpayment debt rose from £150.2 million in 2018/19 to around £251.7 million in 2023/24, an increase of almost £102 million.²³⁶ The causes of this problem, the independent review it prompted, and the case law it has generated are examined in the legal issues section that follows.

²³⁶ National Audit Office (Dec 2024), 'Carer's Allowance', pp.6–7. Accessed via: nao.org.uk/wp-content/uploads/2024/12/carers-allowance-1.pdf. (Accessed: 3 June 2026)

2.6.3 Legal issues affecting Carer's Allowance

The legal roots of Carer's Allowance reside in the 1974 White paper *Social Security Provision for Chronically Sick and Disabled People*. This paper argued for the provision of a benefit for carers of disabled people, leading to the establishment of ICA in 1976.²³⁷ The Social Security Act 1975 provided the legislative basis for this new benefit and established core entitlement conditions such as the caring hours threshold, the qualifying disability benefit condition, and the earnings limit. ICA had a limited original scope as it was unavailable to married women or cohabiting women on the basis that they were assumed to be at home anyway, and only those caring for a relative could claim the benefit.²³⁸

The exclusion of married women from ICA was challenged before the European Court of Justice (ECJ), generating the most significant early legal challenge to the benefit.

› *Jacqueline Drake v Chief Adjudication Officer* [1986] ECR 1995: Jacqueline Drake was a married woman who gave up work to care full-time for her mother. She was refused ICA based on the married women exclusion in the SSA 1975. Mrs Drake challenged this refusal through the domestic tribunal system, with the case being referred to the ECJ. Drake argued that ICA fell within the material scope of Directive 79/7/EEC, which prohibited sex discrimination in statutory schemes providing protection against, among other things, invalidity and old age. The Chief Adjudicating Officer (CAO) argued that ICA was outside of this directive's scope because it was a benefit for carers rather than a benefit for the disabled person. The ECJ rejected the CAO's argument, holding that ICA fell within the scope of Directive 79/7/EEC because it formed part of a statutory scheme providing protection against invalidity. Therefore, the married women exclusion was found to constitute direct discrimination on grounds of sex, meaning that it was accordingly incompatible with Community law. This case prompted the government to extend ICA to married and cohabiting women through the Social Security Act 1986.²³⁹

The Social Security Act 1986 extension of ICA to married and cohabiting women marked the last major change to the benefit before its provisions were consolidated, alongside the rest of the contributory benefits framework, into the Social Security Contributions and Benefits Act 1992.²⁴⁰ The 1992 Act remains the primary legislative basis for Carer's Allowance today. Section 70 sets out the core entitlement conditions. The Social Security Administration Act 1992, enacted simultaneously, governs the administration of the benefit, including the recovery of overpayments.²⁴¹ Unlike the New Style benefits discussed above, Carer's Allowance overpayments are recovered under Section 71 of that Act, which – in contrast to the fault-free regime in section 71ZB that applies to Universal Credit, NS ESA and NS JSA – requires the DWP to establish that the claimant misrepresented or failed to disclose a material fact. This provision has particular significance for the Carer's Allowance overpayments scandal examined below.

In 2002/03, ICA was renamed Carer's Allowance by the Regulatory Reform (Carer's Allowance) Order 2002, SI 2002/1457.²⁴² This renaming reflected a broader policy shift towards recognising the social value of unpaid caring.

237 *Social Security Act 1975*, c.14, s.37. Accessed via: legislation.gov.uk/ukpga/1975/14/section/37/enacted. (Accessed: 3 June 2026)

238 Sainsbury, Roy (2018), 'Disabled people and carers', pp. 59–78. Accessed via: bristoluniversitypressdigital.com/view/book/9781447339489/ch004.xml (Accessed: 3 June 2026)

239 *Drake v Chief Adjudication Officer*, Case 150/85, EU:C:1986:257, [1986] ECR I-1995 (June 1986). Accessed via: eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:61985CJ0150. (Accessed 3 August 2026)

240 *Social Security Act 1986*, c. 50. Accessed via: legislation.gov.uk/ukpga/1986/50/contents. (Accessed: 3 June 2026)

241 *Social Security Administration Act 1992*, c. 5.

242 *The Regulatory Reform (Carer's Allowance) Order 2002*, SI 2002/1457. Accessed via: [The Regulatory Reform \(Carer's Allowance\) Order 2002](https://www.legislation.gov.uk/uksi/2002/1457/contents/make). (Accessed 3 June 2026)

The Carers (Equal Opportunities) Act 2004 imposed new duties on local authorities to consider carers' wishes regarding work, education, and leisure when carrying out carers' assessments.²⁴³ While this Act does not directly govern Carer's Allowance entitlement, it established a statutory framework for recognising carers' needs that sits alongside the Carer's Allowance scheme and has become central to much of the litigation regarding the adequacy of information provided to carers about their entitlements.

The earnings threshold has been subject to repeated amendment since ICA was introduced in 1976. It was originally set at a fixed cash amount of £6 per week and was uprated at the discretion of the SSWP for much of the benefit's history. This meant that it did not keep pace with increases in earnings. In April 2025, the government implemented a significant reform to the threshold by linking it to 16x the NLW going forward.²⁴⁴

Should a claimant disagree with a decision made by the Carer's Allowance Unit, they are able to first request a mandatory reconsideration. This must be done within one month of the date on the decision letter, although late requests may be accepted up to 13 months after the initial decision. At this point, the claimant can submit new evidence and the Carer's Allowance Unit will review the decision again.

If a claimant remains dissatisfied after mandatory reconsideration, they may appeal to the First-tier Tribunal of the SSCST. Unlike appeals against WCA or PIP assessments, most Carer's Allowance appeals turn on factual questions rather than functional or clinical assessments. As a result, evidence tends to be documentary rather than medical, often including payslips, care diaries, and correspondence from the cared-for person's benefit office. Following the standard appellate structure set out elsewhere, a claimant may further appeal to the Upper Tribunal if there has been an error of law, followed by the Court of Appeal and, ultimately, the Supreme Court.

Case law has addressed the earnings threshold's operation in several respects, particularly regarding the correct methodology for calculating earnings where they fluctuate. This has direct implications for the large number of working carers whose variable hours expose them to the cliff-edge.

- › *KR v Secretary of State for Work and Pensions (CA) [2023] UKUT 202 (AAC)*: KR worked under a zero-hours contract with variable monthly earnings. In her busiest months, converting her pay to a weekly figure pushed her above the Carer's Allowance threshold, and the DWP removed her entitlement for those weeks. KR argued her earnings should have been averaged over a longer period under regulation 8(3)(b) of the Computation of Earnings Regulations 1996, which permits averaging where earnings fluctuate and have changed more than once. The First-tier Tribunal declined to apply the averaging discretion. The Upper Tribunal allowed the appeal, holding that the tribunal had erred by failing to engage with regulation 8(3)(b), and that the discretion was plainly available to a claimant whose earnings fluctuated as KR's did. The case is significant for working carers with variable hours, who risk losing Carer's Allowance in individual high-earning weeks even where their average earnings across the year fall below the threshold, confirming that decision makers must actively consider averaging rather than defaulting to week-by-week assessment.²⁴⁵

Case law has also clarified the application of the eligibility conditions established in the 1975 Act and consolidated in the 1992 Act.

243 Carers (Equal Opportunities) Act 2004, c. 15. Accessed via: legislation.gov.uk/ukpga/2004/15/contents. (Accessed: 3 June 2026)

244 Gibson, Sarah (2025), "Carer's Allowance: Overpayments." UK Parliament Written Question, UIN 47495. Accessed via: questions-statements.parliament.uk/written-questions/detail/2025-04-23/47495. (Accessed 3 June 2026)

245 *KR v Secretary of State for Work and Pensions (CA) [2023] UKUT 202 (AAC)*, UA-2021-001544-CA (Aug 2023). Accessed via: assets.publishing.service.gov.uk/media/654e04e8014cc9000d6773c1/UA-2021-001544-CA.pdf. (Accessed 3 June 2026)

- › *Secretary of State for Work and Pensions v GK* [2023] UKUT 273 (AAC): The claimant, GK, had been in receipt of ESA since 2009, including an SDP from 2014. The SDP is payable only where the ESA claimant's carer is neither entitled to nor in receipt of Carer's Allowance. In July 2018, GK's mother was awarded Carer's Allowance for caring for him. When this came to the DWP's attention, the SDP was removed from GK's ESA award. GK appealed, and the First-tier Tribunal found in his favour on the basis that he lacked the mental capacity to have validly countersigned the Carer's Allowance claim form. Therefore, his mother's award of Carer's Allowance should have been treated as invalid, allowing the SDP to continue. The SSWP appealed to the Upper Tribunal on the basis of whether the consent of the cared-for person is a necessary legal precondition for a valid claim for Carer's Allowance. The Upper Tribunal allowed the SSWP's appeal, restoring the decision to remove SDP from GK's ESA award. Thus, a Carer's Allowance award will cause the cared-for person to lose the SDP regardless of whether they consented.²⁴⁶
- › *Secretary of State for Work and Pensions v BC (CA)* [2023] UKUT 10 (AAC): BC had been caring full-time for her brother while she was aged 15. She turned 16 and was being home-educated at the time, receiving roughly one hour of tuition per day. Section 70(3) of the SSCBA 1992 bars entitlement to those under 16 or receiving full-time education. The Upper Tribunal applied purposive interpretation, holding that when the SSCBA 1992 was enacted 'over 16' and 'over compulsory school age' were synonymous, and that the Education Act 1996's later extension of compulsory schooling had created an unanticipated gap requiring 'over 16' to be read as 'over compulsory school age'. BC could not therefore claim Carer's Allowance until 28 June 2020. This case clarified the earliest point at which young carers may receive Carer's Allowance.²⁴⁷

The backdating rule under Regulation 6(33) of the Social Security (Claims and Payments) Regulations 1987 allows Carer's Allowance to be backdated to the start of a qualifying benefit award where the Carer's Allowance claim is made within three months of that award. Case law clarified a significant limitation on this rule.

- › *PW v Secretary of State for Work and Pensions* [2025] UKUT 026 (AAC): PW's CA had been terminated when her husband's DLA ended. He was subsequently awarded PIP by the DWP and appealed, with the First-tier Tribunal improving his award in July 2021. PW claimed Carer's Allowance eleven days before the First-tier Tribunal's decision. The Upper Tribunal dismissed her appeal. It held that while the First-tier Tribunal's decision did constitute an award of a qualifying benefit within Regulation 6(33), the plain meaning of 'within three months of' requires the claim to fall within the three-month window starting with the triggering decision, not before it. A claim made eleven days before the First-tier Tribunal's decision fell outside of a window that had not yet opened. Carers awaiting the outcome of a disability benefit appeal on behalf of the person they are caring for must therefore wait for the First-tier Tribunal's decision before claiming Carer's Allowance and then claim within three months of it.²⁴⁸

As mentioned above, the Carer's Allowance caseload has been accompanied by a sustained overpayments problem. The NAO's 2024 report on Carer's Allowance overpayments established that the DWP was receiving earnings alerts from HMRC's RTI system, showing that claimants had exceeded the earnings threshold but was acting on only a fraction of those alerts.²⁴⁹ This was allowing debts to compound over months and years without carers' knowledge.

²⁴⁶ *Secretary of State for Work and Pensions v GK (ESA)* [2023] UKUT 273 (AAC), UA-2023-SCO-000065-ESA (2023). Accessed via: assets.publishing.service.gov.uk/media/6569cd4f1104cf0013fa7357/UA-2023-SCO-000065-ESA.pdf. (Accessed: 3 June 2026)

²⁴⁷ *Secretary of State for Work and Pensions v BC (CA)* [2023] UKUT 10 (AAC), UA-2021-000272-CA. Accessed via: assets.publishing.service.gov.uk/media/63e0f51d8fa8f50e8a6bdf91/ua_2021_000272_ca.pdf. (Accessed: 3 June 2026)

²⁴⁸ *PW v Secretary of State for Work and Pensions (CA)* [2025] UKUT 26 (AAC), UA-2023-000662-CA (Jun 2025). Accessed via: assets.publishing.service.gov.uk/media/67a33b5e567402152f553c5d/UA-2023-000662-CA.pdf. (Accessed: 3 June 2026)

²⁴⁹ NAO (Dec 2024), p.22.

As established in *WS v Secretary of State for Work and Pensions* [2023] in the NS ESA section above, the mere availability of RTI data to DWP does not relieve a claimant of their disclosure obligations or fix the SSWP with knowledge of it. The same principle applies directly to Carer's Allowance overpayments. Because most working carers are under a duty to report earnings, unreported earnings that trigger an overpayment will usually constitute a failure to disclose, making the overpayment recoverable under section 71. However, the recovery of Carer's Allowance under section 71 depends on *fault*, so a genuinely blameless Carer's Allowance claimant may in principle resist recovery where the overpayment cannot be attributed to any misrepresentation or failure to disclose on their part.

A related but distinct problem concerns the DWP's failure to notify pensioner carers of their underlying entitlement and its passporting value, particularly its ability to unlock the Carer Addition within Pension Credit. In a survey by Carers UK, it was found that 75 per cent of older carers did not know that submitting a claim for Carer's Allowance made it more likely they would be eligible for Pension Credit.²⁵⁰ As noted above, the absence of any statutory notification duty means that the DWP's failure in this respect has been difficult to challenge through conventional legal routes.

The scale of these problems prompted the government to commission an independent review led by Liz Sayce. The Sayce Review [2025] concluded that the overpayments crisis was a product of systemic failure rather than deliberate non-compliance by carers.²⁵¹ It identified the cliff-edge threshold, week-by-week earnings assessment, and a passive administrative model as compounding structural factors. The review made 40 recommendations covering proactive notification of underlying entitlement to pensioner carers, reform of the overpayment recovery process to distinguish between blameless claimants and those who deliberately conceal earnings, and the better integration of RTI data into the Carer's Allowance Unit's processes. The government accepted 38 of these recommendations.

2.7 Council Tax Support

Council Tax Support (CTS), sometimes referred to as Council Tax Reduction (CTR), is a means-tested discount on council tax bills for low-income households. Unlike the other benefits included in this chapter, CTS is not administered by the DWP. Rather, it is a locally set discount on a council tax liability, administered by the 296 billing authorities in England.

CTS replaced CTB on 1 April 2013. CTB had been a nationally uniform scheme and the most widely claimed means-tested benefit in the country. In its place, responsibility for designing working-age support passed to local authorities, alongside a reduced central grant. Support for pension-age claimants was protected, remaining nationally prescribed and no less generous than under CTB.

This localisation was an English reform. Scotland and Wales declined to replicate it, retaining broadly nationally consistent schemes. Hence, the account that follows concerns the English system unless stated otherwise.

250 Carers UK (2025) '*Pension Credit and Carer's Allowance: Smoothing the journey, combatting pensioner poverty and recognising unpaid care*', p.4. Accessed via: carersuk.org/media/uxqjomez/cuk-pension-credit-and-carers-allowance-report-2025.pdf. (Accessed 3 June 2026).

251 Sayce OBE, Liz (Nov 2025), '*Independent Review of Carer's Allowance Overpayments*'. Accessed via: assets.publishing.service.gov.uk/media/690a102814b040dfe829229b/independent_review_of_carers_allowance_overpayments_report.pdf. (Accessed: 3 June 2026)

2.7.1 The mechanics of Council Tax Support

Unlike the other benefits covered in this chapter, CTS is not administered by the DWP. Rather, each of the 296 council tax billing authorities are responsible for setting and administering their own local CTS scheme every year.²⁵² As a result, a claimant's CTS entitlement depends entirely on which authority area they live in, which can include: district councils, metropolitan district councils, London boroughs, unitary authorities, the Council of the Isles of Scilly, and the City of London.²⁵³

Billing authorities are required to consider whether to revise or replace their CTS schemes every year. They must be approved by full council before 11 March, which immediately precedes the financial year in which they take effect.²⁵⁴ Should a billing authority fail to pass a new scheme by the deadline, then the previous year's scheme rolls forward.²⁵⁵ This annual cycle means that working-age claimants can experience changes in entitlement year-on-year without any change in their own circumstances. Given that 17 per cent of local authorities made changes to their CTS schemes in 2026/27, this endows the benefit with an instability absent from other benefits covered in this chapter.²⁵⁶

When the localised scheme was introduced in 2013, local authorities received only 90 per cent of the previous year's CTB funding, with councils left to decide whether to absorb the 10 per cent cut or pass it onto claimants.²⁵⁷ The loss of funding has shaped the design of CTS schemes ever since. In 2025/26, council tax arrears reached an all-time high, with outstanding debts now exceeding £7.4 billion in England.²⁵⁸ At the same time, the level of CTR support available to low-income households has continued to shrink. Bury Council's 2026 scheme review, for example, noted that 'a more generous scheme may mean it is more or too expensive to sustain, whilst a far less generous scheme has the potential to create hardship for low-income families or create greater losses to Council Tax collection than the scheme actually offsets with support'.²⁵⁹ This tension between generosity and collection rates is an embedded feature of local scheme design.

CTS schemes will soon enter a significant period of flux. The scrapping of two-tier local government structures will see the end of 164 district councils (and their CTS schemes) in England.²⁶⁰ These will be replaced by new schemes for new, larger unitary authorities by April 2028. These new unitary authorities will have to harmonise predecessor schemes across populations with potentially significantly different entitlements.

The standard application channels for CTS are relatively consistent across billing authorities, even if the schemes themselves are not. Claimants apply to their local billing authority directly, either online, by

252 Local Government Finance Act 1992, c.14, s. 13A (as substituted by Local Government Finance Act 2012, ch.17, s. 10). Accessed via: [Local Government Finance Act 1992](#). (Accessed: 4 June 2026)

253 Ministry of Housing, Communities and Local Government (March 2026), "Council Tax Levels Set by Local Authorities in England 2026 to 2027: Technical Notes." Accessed via: [gov.uk/government/statistics/council-tax-levels-set-by-local-authorities-in-england-2026-to-2027/council-tax-levels-set-by-local-authorities-in-england-2026-to-2027-technical-notes](#). (Accessed: 4 June 2026)

254 Ministry of Housing, Communities and Local Government (Jan 2025), "Council Tax Information Letter 2/2025: Local Council Tax Support Schemes for 2025–26." Accessed via: [gov.uk/government/publications/council-tax-information-letter-22025-local-council-tax-support-schemes-for-2025-26/council-tax-information-letter-22025-local-council-tax-support-schemes-for-2025-26](#). (Accessed: 4 June 2026)

255 For the first year a scheme was introduced (2013/14), the statutory Default Scheme prescribed by the SSWP automatically took effect. This default scheme broadly mirrors the old Council Tax Benefit.

256 Entitledto (May 2026), "Council Tax Reduction Schemes in England 2026/27". Accessed via: [Council Tax Reduction schemes in England 2026/27](#). (Accessed: 4 June 2026)

257 Wilson, Wendy (Jun 2013), "Localising Support for Council Tax: Background", House of Commons Library, SN/SP/6101, p.2. Accessed via: [commonslibrary.parliament.uk/research-briefings/sn06101](#). (Accessed: 4 June 2026)

258 Ministry of Housing, Communities and Local Government (Jul 2026), "Collection Rates for Council Tax and Non-Domestic Rates in England, 2025 to 2026." Accessed via: [gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2025-to-2026/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2025-to-2026](#). (Accessed: 4 July 2026)

259 Bury Council (Nov 2025), "Council Tax Support Scheme 2026". Accessed via: [Council Tax Support scheme 2026 information - Bury Council](#). (Accessed: 4 June 2026)

260 Ministry of Housing, Communities and Local Government (Jul 2026), "Local government reorganisation: Policy and programme updates". Accessed via: [Local government reorganisation: Policy and programme updates - GOV.UK](#). (Accessed: 4 June 2026)

phone, or by post.²⁶¹ Billing authorities in many areas receive notification of Universal Credit claimant's CTS entitlement directly from the DWP. Data-sharing in this way thus removes the need to make a separate CTS application.²⁶² This arrangement depends on data-sharing agreements between the DWP and the relevant billing authority. Currently, the DWP shares data with councils in respect of roughly half the Universal Credit caseload.²⁶³

In almost all applications, claimants are required to provide proof of identity, their National Insurance number, bank statements/payslips/benefit award letters, and proof of their council tax liability.²⁶⁴ Claimants must provide this evidence within one calendar month from the date of application. After applying, the local council may contact the claimant to request further evidence. Eligibility is determined administratively by the billing authority against the claimant's own declared circumstances and the supporting evidence.²⁶⁵

There is no statutory decision deadline for working-age CTS, and so the speed with which billing authorities make a decision varies. CTS is not paid as cash but applied as a reduction to the claimant's council tax bill. Support usually begins on the Monday after the billing authority receives the application.²⁶⁶

Backdating rules diverge between working-age and pensioner claimants. For pension-age claimants, CTS can be backdated for up to three months before the application was made, without needing to give a reason.²⁶⁷ On the contrary, working-age claimants are subject to rules set locally.²⁶⁸ In some cases, backdating may be available where there is a good reason the application could not be made earlier, in others, backdating is not allowed at all.

Working-age CTS is where local discretion operates in full and where the landscape is most fragmented. In 2024/25, English billing authorities spent £4.2 billion on CTS across 3.7 million claimants, of which £2.5 billion went to working-age families.²⁶⁹ Despite its relatively modest size compared to Universal Credit or PIP, CTS is tightly targeted: for the poorest tenth of households, it contributes on average nearly £540 per year, equivalent to 5.5 per cent of their disposable income.²⁷⁰

The default scheme prescribed by the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 is means-tested, following the logic inherited from the old CTB.²⁷¹ A claimant's applicable amount (a figure representing basic financial need) is compared against their weekly income. Where income falls at or below the applicable amount, the claimant receives a full award covering 100 per cent of their council tax liability. Where income exceeds the applicable amount, support is withdrawn at a taper rate of 20 per cent, equivalent to a reduction of £1 for every £5 of additional income, until entitlement is exhausted.

261 HM Revenue & Customs (Jan 2016), 'Start paying Council Tax'. Accessed via: gov.uk/guidance/start-paying-council-tax. (Accessed: 4 June 2026)

262 Policy in Practice (2025), 'The Public Interest Case for Sharing Universal Credit Data', p.2. Accessed via: policyinpractice.co.uk/wp-content/uploads/2025/03/Universal-Credit-Data-Public-Interest-Case-FINAL-12.pdf. (Accessed: 4 June 2026)

263 Policy in Practice (2025), p.2.

264 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, SI 2012/2886, Sch., para. 113.

265 The Local Government Finance Act 1992, Sch. 1A, para. 4. Accessed via: [Local Government Finance Act 1992](https://www.legislation.gov.uk/ukpga/1992/20/Sch.1A/para.4). (Accessed: 4 June 2026); Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, SI 2012/2885.

266 Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, SI 2012/2886, Sch., para. 106.

267 Citizens Advice (Jul 2021), 'Applying for Council Tax Reduction'. Accessed via: citizensadvice.org.uk/housing/council-tax/applying-for-council-tax-reduction. (Accessed: June 6, 2026)

268 Citizens Advice (Jul 2021)

269 Institute for Fiscal Studies (Mar 2026), 'How does council tax support shape household incomes and work incentives?' p.2. Accessed via: ifs.org.uk/sites/default/files/2026-03/IFS%20Report%20-%20How%20does%20council%20tax%20support%20shape%20household%20incomes%20and%20work%20incentives.pdf. (Accessed: 4 June 2026)

270 IFS (March 2026), p.2.

271 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, SI 2012/2886, Sch., paras. 16–17, 26 and 32.

For claimants receiving Universal Credit, the default scheme sets the applicable amount equal to their maximum Universal Credit award, deliberately aligning the two systems so that the income that Universal Credit treats as the household's basic need is the same figure CTS uses. The practical effect of this for Universal Credit users is that the Universal Credit award alone does not trigger any tapering of CTS. Only income above the maximum Universal Credit level begins to withdraw support.²⁷²

Working-age schemes in England fall into two broad categories, both variations on this default. The first, and older, is the non-banded (means-tested) scheme. This follows the logic of the default scheme inherited from the old CTS system and applies it locally. The taper rate has a 20 per cent baseline, but some councils withdraw support faster (25 per cent or more), saving money at the cost of weaker work incentives.²⁷³ The applicable amount can likewise be set below the maximum Universal Credit award, so that tapering begins at a lower income and bites harder.²⁷⁴

The maximum award is also set locally. The default scheme covers a family's entire council tax bill, but many councils cap support at 75 per cent or 80 per cent. This way, even the lowest-income working-age claimants pay a minimum share.²⁷⁵ This minimum payment requirement was introduced by many councils following the 10 per cent funding cut at localisation in 2013 and has become a persistent feature of working-age CTS.

The second and increasingly dominant model is the income-banded scheme. In 2026/27, 126 billing authorities (around 40 per cent of all CTR schemes in England) had adopted a banded scheme.²⁷⁶ Rather than withdrawing CTS smoothly as income rises, banded schemes place claimants within a series of income bands, with a fixed percentage discount attached to each band.²⁷⁷ Under a banded scheme, small changes in income do not result in any change to the claimant's award. Support only changes when income rises enough to move the claimant into a higher band, at which point entitlement steps down.

The administrative rationale for such a scheme is clear. Since the introduction of Universal Credit, councils have received more frequent and timely data on claimants' earnings, meaning that they must reissue council tax bills with a new CTS amount every month as earnings change. A banded scheme mitigates minor income fluctuations. The trade-off, however, is that small increases in earnings can push a claimant into a higher band, causing a sudden drop in support that leaves them worse off overall. This creates a sharp disincentive to increase earnings at such margins.²⁷⁸

Capital limits and income disregards are set locally for working-age claimants with no mandatory national framework, making them the most variable element of working-age CTS. The default scheme under the 2012 Regulations mirrors Universal Credit and legacy Housing Benefit. Capital above £16,000 disqualifies a claimant, capital below £6,000 is ignored, and capital between the two attracts a tariff income of £1 per week for every £250 above the lower threshold.²⁷⁹ A significant number of councils have reduced the

272 Ibid., Sch., para.28 (and para.37 on income calculation)

273 IFS (Mar 2026), p.9

274 Ibid.

275 Ibid., p.8.

276 Entitledto (May 2025), p.20.

277 IFS (Mar 2026), p.3.

278 Ibid., p.15.

279 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, SI 2012/2886, Sch. 10.

working-age upper capital limit to £6,000, eliminating the tariff band entirely. Nottingham, Hillingdon, North Tyneside, and Wirral all operate this lower ceiling.²⁸⁰

Income disregards are similarly variable. PIP, DLA, Child Benefit, and child maintenance are disregarded in full across the large majority of schemes.²⁸¹ Universal Credit-related disregards have become a live issue since the bulk of managed migration was completed in early 2026. Some legacy-benefit claimants receiving ESA migrated onto Universal Credit found that their CTS was reduced despite unchanged household income. The Ministry of Housing, Communities and Local Government's (MHCLG) Council Tax Information Letter 2/2026 urged billing authorities to reflect carefully on how they treat benefit income following migration and to explain their approach to affected taxpayers.²⁸² Several councils, such as Ashford, have moved to disregard transitional protection, though practice remains inconsistent across billing authorities.²⁸³

Illustrative example: Jordan in Bedford Borough and Luton

Jordan is 28 and single. He is currently out of work and receives Universal Credit as his only income. He rents a Band A property and has no savings above £6,000. As a single occupant, he qualifies for a 25 per cent single-person discount which is applied to his council tax bill before CTS is calculated.

In Bedford Borough, the working-age CTS scheme offers support of up to 100 per cent of the council tax bill for claimants in Bands A to D. Jordan's income is low enough to qualify for maximum support, covering his entire bill. For a house in the Pavenham area, his Band A bill would cost £1,647.92 per year, reduced to £1,235.94 after the single-person discount.²⁸⁴ CTS would cover the rest, meaning that Jordan would pay nothing if he lived here.

On the other hand, Luton's working-age scheme restricts most claimants to a maximum award of 80 per cent. This means that every working-age claimant must pay at least 20 per cent of their council tax, regardless of income. In 2026/27, a Band A property in Luton would result in a bill of £1,626.62. After the 25 per cent single-person discount, this falls to £1,219.97. Because Luton's CTS scheme covers only 80 per cent of that, Jordan would have to pay the remaining 20 per cent himself. This would come to around £244 per year (roughly £20 per month).²⁸⁵

Jordan's annual council tax liability is £0 in Bedford Borough and £244 in Luton. These nearby areas offer a fundamentally different CTS scheme. For Jordan, a £244 difference in council tax would arise solely from the part of Bedfordshire he would choose to live in.

280 Nottingham City Council, 'Changes to our Council Tax Support Scheme from 1st April 2025 for working age citizens'. Accessed via: Changes to Council Tax support Scheme from 1st April 2025 for working age citizens - Nottingham City Council. (Accessed: 4 June 2026); Hillingdon Council 'Council Tax Reduction Scheme Working Age', p.5. Accessed via:

281 North Tyneside Council, 'Working age claimants'; Buckinghamshire Council, (Feb 2026), 'Council Tax Reduction Scheme consultation', p.2. Accessed via: [buckinghamshire-ctr-consultation-hard-covp.pdf](#). (Accessed: 4 June 2026)

282 Ministry of Housing, Communities and Local Government (Feb 2026), 'Council Tax information letter 2/2026: Carers disregard, local council tax support schemes and other matters'. Accessed via: Council tax information letter 2/2026: Carers disregard, local council tax support schemes and other matters - GOV.UK. (Accessed: 4 June 2026)

283 Ashford Borough Council, 'Changes to our Council Tax Reduction Scheme from April 2026'. Accessed via: [Information for residents on changes to the council's Council Tax Reduction scheme from April 2026](#). (Accessed: 4 June 2026)

284 Bedford Borough Council (Feb 2026), 'Council Tax 2026/2027'. Accessed via: Council Tax Resolution 2026–2027. (Accessed: 5 August 2026)

285 Luton Council, 'Council Tax Reduction'. Accessed via: Council Tax Reduction | Luton Borough Council. (Accessed: 5 August 2026)

Earnings disregards vary between £0 and £50 per week depending on the scheme. The most common figure in current schemes is £25, though some councils apply no separate earnings disregard to Universal Credit claimants on the basis that earnings disregards are already embedded in the DWP's Universal Credit calculation before the income figure is passed to the council.

Non-dependent deductions apply under most working-age schemes where an adult who is not the claimant's partner lives in the property. Working-age non-dependent deduction rates are set locally, but the majority of councils apply a flat-rate weekly deduction regardless of the non-dependent's income. However, some councils, such as Newham, operate an income-banded deduction table for working-age claimants that mirrors the pensioner structure.²⁸⁶ A small number of councils have removed non-dependent deductions from their working-age schemes entirely.

2.7.2 Council Tax Support caseloads and expenditure

Despite being a relatively small benefit in terms of expenditure, CTS schemes have a wide reach. In 2024/25, CTS spending across all age groups across Great Britain was £4.9 billion.²⁸⁷ English billing authorities accounted for 3.7 million claimants, amounting to £4.2 billion.²⁸⁸ Of this, £2.5 billion was for working-age families and £1.7 billion was for pensioners on the nationally prescribed scheme.²⁸⁹

Working-age claimants fell from 2.5 million in December 2015 to 2.3 million in March 2026, a decline of around 230,000. This trend was sharply interrupted by the Covid-19 pandemic, with working-age claimants rising by approximately 270,000 between December 2019 and December 2020.

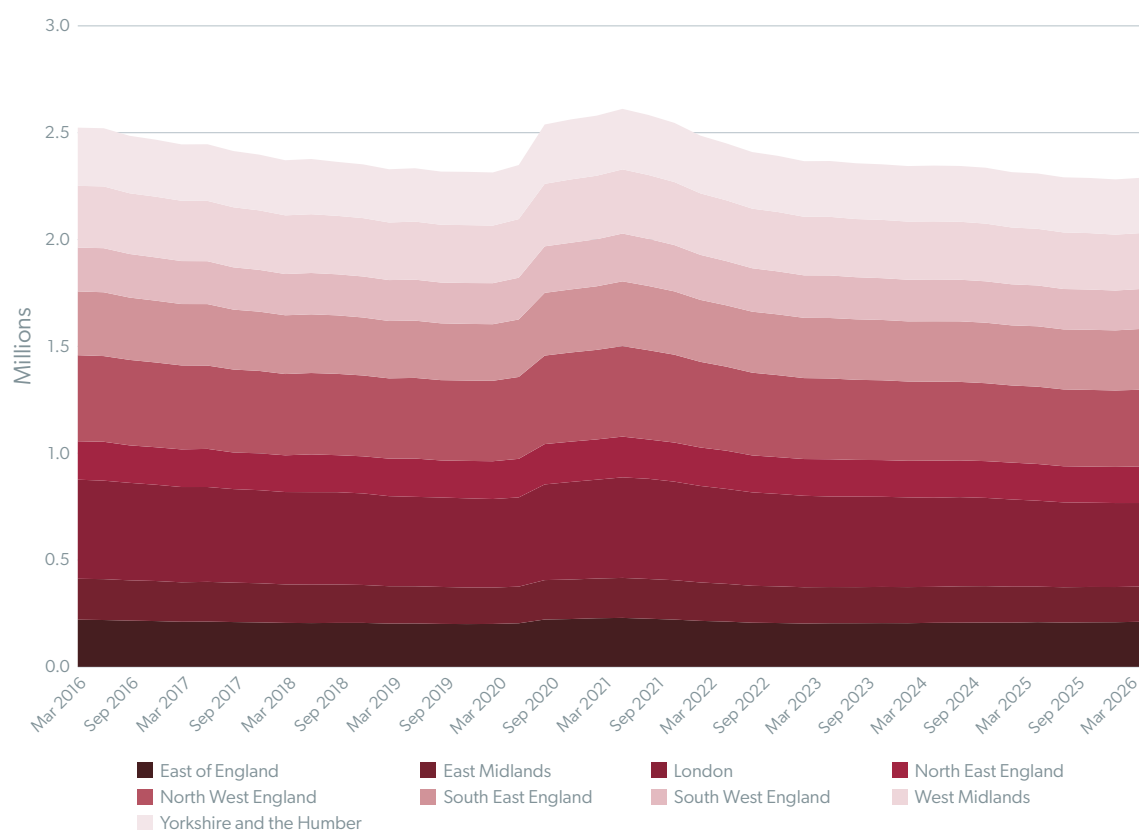
286 Newham London Borough Council (2026), 'Council Tax Reduction'. Accessed via: [How much of a Council Tax Reduction will I receive? – Council Tax Reduction – Newham Council](#). (Accessed: 4 June 2026)

287 IFS (Mar 2026), p.7.

288 Ibid.

289 Ibid.

Figure 2.11: Council Tax Support caseloads across England, 2015 to 2025



Source: Ministry of Housing, Communities and Local Government (2026), 'Local Council Tax Support Claimants Live Table, Q4 2025/26'

The pandemic rise has now reversed, with claims falling below their December 2019 level in March 2025. This fall reflects both the economic recovery following the pandemic and many councils tightening their schemes under significant financial strain. Caseloads in local authorities such as Leicester, Luton, and Torbay were over a quarter lower in March 2026 than in December 2019.

Since localisation, a growing number of billing authorities have moved to income-banded CTS schemes. Under these, claimants receive a fixed discount determined by which income band they fall into rather than having their award tapered smoothly against their income. As of 2026/27, 126 authorities now offer an income-banded working-age CTS scheme – up from a handful in 2018/19.²⁹⁰

CTS expenditure has fallen in real terms since localisation. Working-age CTB real-terms expenditure stood at £4 billion in 2012/13.²⁹¹ By 2024/25, working-age CTS expenditure had fallen to £2.5 billion, a real-terms reduction of £1.5 billion over a decade.²⁹² The Institute for Fiscal Studies (IFS) estimates that local reforms to working-age CTS in England have cut entitlements by £630 million per year.²⁹³ These cuts have fallen disproportionately on the poorest households, with the poorest tenth having lost £106 per year on average.²⁹⁴ This pattern reflects the fact that CTS was narrowly targeted at low-income households to begin with, making them the most exposed to any reduction in the scheme's generosity.

²⁹⁰ Entitledto (May 2025), p.20.

²⁹¹ IFS (Mar 2026), p.7.

²⁹² Ibid.

²⁹³ Ibid., p.3

²⁹⁴ Ibid.

The gap between actual CTS expenditure and potential entitlement is substantial. In 2025/26, the value of support missed through unclaimed CTS was estimated at over £3.3 billion.²⁹⁵ There are several reasons why this might be the case. CTS and, for example, Universal Credit are administered by different bodies under different eligibility criteria, making it harder for would-be claimants to know what they are entitled to. Also, the fragmentation of locally designed schemes creates inconsistent application processes and variable evidence requirements. Non-take up on this scale indicates that CTS expenditure figures substantially understate the cost of providing adequate support to all those who qualify.

2.7.3 Legal issues affecting Council Tax Support

CTS rests upon a bifurcated appeal architecture. Should a claimant seek to appeal a local authority's decision, individual award decisions go to the relevant local council for review, rather than to the DWP. After that, an appeal can be lodged with the Valuation Tribunal for England, then to the High Court on a point of law. However, challenges to the design and content of a specific CTS scheme can only be brought by judicial review in the Administrative Court.

The principal legislative basis for CTS rests on two Acts working in tandem. The Welfare Reform Act 2012 abolished CTB as a social security benefit by amending the Social Security Contributions and Benefits Act 1992, removing responsibility for CTS from the DWP.²⁹⁶ The positive duty to create a replacement sits within the Local Government Finance Act 2012, which substituted a new Section 13A into the Local Government Finance Act 1992 and inserted Schedule 1A into that Act via Schedule 4 to the 2012 Act.²⁹⁷

The substituted Section 13A(2) and Schedule 1A together form the core of the CTS architecture, requiring each billing authority in England to make a scheme specifying reductions in council tax liability for persons whom the billing authority deems to be in financial need, or for classes of people whom the authority considers to be in financial need. This is the mandatory, ongoing scheme obligation that replaced CTB.

Section 13A also retains, in subsection (1)(c), a separate and narrower discretionary power, carried over from the pre-existing version of s.13A, allowing a billing authority to reduce a council tax liability for an individual taxpayer as it sees fit.

The secondary legislative layer for CTS differs markedly from the secondary legislative basis for other benefits. For benefits administered by DWP, secondary legislation establishes the substantive rules that apply uniformly to all claimants. For CTS, however, secondary legislation can necessarily only prescribe the minimum requirements that every local scheme must meet. This leaves councils free to design everything else as they see fit.

The primary piece of secondary legislation applicable to CTS is the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, SI 2012/2885.²⁹⁸ These Regulations prescribe a set of minimum requirements that shape and constrain the design of CTS working-age schemes, such as classes of people who must be included/excluded.

Prescribed Requirements Regulations do not prescribe working-age eligibility conditions, taper rates, maximum support levels, capital limits, or income disregards for claimants. These decisions are left entirely to councils, leading to a proliferation of different forms of CTS across the country. There is no

295 Policy in Practice (Sep 2025), 'Missing Out 2025: £24 Billion of Support Is Unclaimed', p.6. Accessed via: policyinpractice.co.uk/wp-content/uploads/2025/09/MO25-24bnUnclaimed-PolicyinPractice-Sept25.pdf. (Accessed: 4 June 2026)

296 Welfare Reform Act 2012, c. 5.

297 Local Government Finance Act 2012, c. 17.

298 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, SI 2012/2885.

national secondary legislation governing working-age CTS entitlement whose interpretation can be challenged. When someone challenges a working-age CTS decision, they either have to argue about *how* a council applied *its own scheme*, or that the scheme itself is outside what Section 13A and Schedule 1A permit, or that it violates the Equality Act 2010 or the ECHR. Existing case law on CTS revolves around scheme validity rather than the interpretation of regulations.

Within Schedule 1A is a consultation duty that requires each billing authority to consult prescribed precepting authorities and ‘such other persons as the authority considers are likely to have an interest in the operation of the scheme’ on a draft scheme before adopting it.²⁹⁹ This has generated the most significant body of CTS litigation, including the only CTS case to reach the Supreme Court.

- › *R (Stirling) v London Borough of Haringey* [2013] EWCA Civ 116, *R (Buckley and Others) v Sheffield City Council* [2013] EWHC 512: In the period immediately before localisation took effect, multiple billing authorities faced judicial review of the consultations they had run on their draft schemes. Haringey had consulted on a scheme reducing support for working-age claimants, presenting the reduction as the necessary response to the central government funding cut without setting out the alternative ways the shortfall might be met. The Court of Appeal dismissed the challenge, holding that the statutory duty to consult was discharged by consulting on the draft scheme itself, with no obligation to canvass discarded alternatives. In Sheffield, decided around the same time, Supperstone J reserved judgment until the Court of Appeal had ruled in Stirling and then dismissed a materially similar challenge on two grounds: that the consultation had provided sufficient information for an intelligent response, and that the council had complied with the public sector equality duty under section 149 of the Equality Act 2010. Both decisions reflected the courts’ reluctance, against an urgent statutory deadline, to impose consultation requirements that authorities could not realistically meet. This approach would be overturned by the Supreme Court the following year in *Moseley*.³⁰⁰
- › *R (Moseley, in substitution of Stirling deceased) v London Borough of Haringey* [2014] UKSC 56: The Supreme Court unanimously reversed the approach taken by the courts (outlined above) and declared Haringey’s consultation unlawful. It held that the common law requirements of procedural fairness applied to the statutory consultation duty. Applying the principles set out in *R v North and East Devon Health Authority, ex parte Coughlan* [2001] QB 213 (which stipulated that consultation must be at a formative stage, convey sufficient reasons to permit intelligent response, allow adequate time), the Supreme Court held that fairness in the specific context of CTS scheme design required more than presenting a preferred option. Where a billing authority was proposing to reduce support, and where other strategies existed for absorbing the funding shortfall, fairness required that the consultation document refer to those discarded alternatives and explain why they had been discarded. The Supreme Court declined to order a fresh consultation, finding it disproportionate given Haringey’s evident determination to proceed with reduction and the passage of time since the scheme had been in operation; instead, it granted a declaration of unlawfulness. *Moseley* is now the leading authority on the scope of the duty to consult on discarded options across public law generally and is routinely cited well beyond the CTS context.³⁰¹

The practical consequences of *Moseley* for billing authorities were significant. It set the precedent that every council that amends its working-age scheme must conduct a consultation that, on *Moseley*’s terms, identifies and briefly explains alternatives it has considered and rejected.

299 Ibid.

300 *R (on the application of Moseley (in substitution of Stirling Deceased)) v London Borough of Haringey* [2014] UKSC 56. Accessed via: supremecourt.uk/uploads/uksc_2013_0116_judgment_7fddfeb4f.pdf. (Accessed: 4 June 2026); *R (Buckley and Others) v Sheffield City Council* [2013] EWHC 512 (Admin). Accessed via: [vlex.co.uk/vid/r-and-others-v-792568405](https://www.vlex.co.uk/vid/r-and-others-v-792568405). (Accessed: 4 June 2026)

301 *R (on the application of Moseley (in substitution of Stirling Deceased)) v London Borough of Haringey* [2014] UKSC 56.

A second and distinct body of litigation concerns the outer limits of what a billing authority may lawfully include in its scheme, and whether scheme designs comply with the prohibition on discrimination under the Equality Act 2010 and the Human Rights Act 1998.

- › *R (Winder and Others) v Sandwell Metropolitan Borough Council* [2014] EWHC 2617: Sandwell had introduced a working-age scheme restricting CTS to residents who had lived in the borough for at least two years immediately prior to making a claim. The three claimants in this case were women who had recently moved into the area (two because of domestic violence) and had been refused CTS solely based on that requirement. The Equality and Human Rights Commission intervened, supporting the claimants. The court held that, according to Section 13A of the LGFA1992, a billing authority's power to define classes of people for the purposes of a CTS scheme was confined to criteria pertaining to financial need. The court added that this requirement was irrational and discriminatory towards women. *Winder* established the foundational principle that Section 13A confines scheme design to financial need criteria and cannot be used as an instrument of local gatekeeping policy.³⁰²
- › *LL and AU v Trafford Metropolitan Borough Council* [2025] EWHC 2380: Trafford had introduced a banded working-age scheme for 2025/26 under which CTS entitlement was determined by income band. The scheme counted Universal Credit together with unearned income and earned income. In practice, this meant that claimants whose Carer's Allowance or occupational pensions had already been considered in reducing their Universal Credit award had those same payments counted a second time in the CTS assessment. This inflated their apparent income and pushed them into a lower CTS band or out of entitlement entirely. A judicial review was permitted on the grounds that the scheme had not been adopted by full council and that the double-counting of income already factored into the Universal Credit calculation constituted unlawful discrimination. The scheme was ultimately quashed.³⁰³
- › *R (Bleakley) v Three Rivers District Council* [2026] (AC-2025-LON-004451): Both claimants were severely disabled and long-term recipients of full CTS. When migrated from ESA to Universal Credit in 2025, their income did not change because their Universal Credit included a transitional protection element specifically designed to maintain their income at its previous level. Yet Three Rivers' scheme treated transitional protection as surplus income, moving them from full CTS exemption to a liability of over £1,500 per annum. Three Rivers conceded the claim before a final hearing in February 2026, with the High Court approving a consent order declaring the scheme unlawfully discriminatory. Three Rivers was required to disregard transitional protection for all residents, refund council tax already paid, and pay £5,000 in damages. The case had systemic implications. Approximately one million households across England have/will have transitional protection as part of a Universal Credit award during managed migration. *Bleakley* provides a template for challenging similar schemes.³⁰⁴

302 *R (Winder) v Sandwell Metropolitan Borough Council* [2014] EWHC 2617 (Admin). Accessed via: [R \(Winder\) v Sandwell Metropolitan Borough Council](#). (Accessed: 4 June 2026)

303 *LL & AU v Trafford MBC* [2025] EWHC 2380 (Admin). Accessed via: [R-LL-and-AU-v-Trafford-Council-2025-EWHC-2380-Admin-19-September-2025.pdf](#). (Accessed: 4 June 2026)

304 *R (on the application of Lynn and David Bleakley) v Three Rivers District Council*, Case No. AC-2025-LON-004451. Accessed via: [bindmans.com/wp-content/uploads/2026/02/2026.02.02-R-Bleakley-v-TRDC-Final-Approved-Order.pdf](#). (Accessed: 5 June 2026)

2.8 Disability Living Allowance for Children

CDLA is the principal disability benefit for those under the age of 16. A non-means-tested, non-contributory, and tax-free benefit, it is intended to help meet the additional costs of disability. DLA was previously paid to people of all ages, but it has been replaced by PIP for those of working-age. It is among the most significant benefits for disabled children and their families, not only as a source of income, but as a passporting benefit through which a household qualifies for a range of further support.

2.8.1 The mechanics of Disability Living Allowance for children

CDLA is a non-means-tested benefit for under-16s who have a disability or long-term health problem and need help getting around or require supervised care.³⁰⁵ CDLA has a care component and a mobility component, which are paid at different weekly rates. Claimants can receive either one or both of these components. These are shown below in Table 2.6:

Table 2.6: Disability Living Allowance for children's weekly personal rates

Component		Rate
Mobility	Higher	£80.00
	Lower	£30.30
Care	Higher	£114.60
	Middle	£76.70
	Lower	£30.30

Source: Department for Work and Pensions (2026), 'Benefit and pension rates 2026 to 2027'.

The mobility component is for children who have a limited ability to walk or get around. Children aged three or over are entitled to the higher rate of the mobility component if they have a disability from a physical cause that means they are (virtually) unable to walk, were born without feet or were a double amputee, are both blind/severely visually impaired and deaf, or have a 'severe mental impairment' and 'severe behavioural issues' with a qualification for the highest rate of the care component of CDLA.³⁰⁶ The lower rate of the mobility component is for children aged five or over. They are entitled to this lower rate if they are 'so severely disabled physically or mentally' that they cannot get around outdoors 'without guidance or supervision from another person most of the time'.³⁰⁷ This rate is less about the physical difficulty a child may experience when walking, and more about the child's need for supervision and guidance.³⁰⁸

The care component is for children who have attention or supervision needs. As illustrated in Table 2.6, it can be paid at three different rates. A child is eligible to receive the lower rate of the care component if they require attention from another person for a significant portion of the day in connection with their bodily functions. The middle rate is reserved for children who meet one of the daytime disability conditions or one of the night-time conditions (explained below), or, in certain circumstances, are

305 Child Poverty Action Group (Apr 2026), 'Disability living allowance', p.472.

306 CPAG (Apr 2026), 'Disability living allowance', pp.473–480.

307 Ibid., p.478.

308 Ibid., pp.480–487.

undergoing renal dialysis. Finally, the highest rate of care component is available to children who satisfy one of the daytime disability conditions *and* one of the night-time ones, or if they are terminally ill.³⁰⁹

Several other general criteria apply on top of meeting the various conditions for a particular rate. Firstly, a child must have needed the relevant care or mobility help for at least the past three months and expect them to last for the next six months. This acts as a means of screening out short-term conditions. Furthermore, given that *all* children technically need substantial care and supervision, eligibility decisions are made on the judgement that a child needs *substantially more* attention or supervision, or has *substantially more* difficulty in getting around, than a child of the same age would who doesn't have a disability. As is standard across most disability benefits, claimants must meet residence conditions.³¹⁰

Daytime and night-time disability conditions

The middle and higher rate of CDLA's care component is dependent on a child satisfying certain daytime and night-time disability conditions. Night is regarded as 'that period of inactivity' that begins when the 'household...closes down for the night', usually regarded as the period beginning at 11PM and ending at 7AM.³¹¹

Daytime disability conditions – Where a child is so disabled that they require:

- Frequent attention from another person throughout the day in connection with their bodily functions.
- Continual supervision throughout the day in order to avoid substantial danger to themselves or others.

Night-time disability conditions – Where a child is so severely disabled that they require:

- Prolonged or repeated attention from another person at night in connection with their bodily functions.
- Another person to be awake at night for a prolonged period or at frequent intervals to watch over them in order to avoid substantial danger to themselves or others.³¹²

Children with a terminal illness (i.e., they suffer from a progressive disease from which their death can reasonably be expected within 12 months) are automatically treated as satisfying the conditions for the highest rate of the CDLA care component and do not need to satisfy the three-month qualifying period. However, they do not automatically receive the mobility component: they must satisfy the usual disability conditions like other claimants.³¹³

Unlike PIP and the Universal Credit health element, CDLA has no functional points-based assessment and no face-to-face assessment by a contracted assessment provider. A paper-based decision is made by a DWP Case Manager. An 'appointee' (usually the child's parents) must fill in the 'DLA1 Child' form and send it to the appointed DWP office. A claim is dated to the day when the department receives a request

309 Ibid., pp.480–481.

310 Child Poverty Action Group (Apr 2026), 'Coming from abroad: residence rules', p.1281.

311 R v National Insurance Commissioner ex parte Secretary of State for Social Services [1974] 1 WLR 1290 (DC). Accessed via: vlex.co.uk/vid/r-v-national-insurance-793782289. (Accessed: 5 June 2026)

312 CPAG (Apr 2026), 'Disability living allowance', p.481.

313 CPAG (Apr 2026), 'Disability living allowance', p.491.

for a claim pack from an appointee, so long as they return the completed claim form within six weeks. A CDLA claim cannot be backdated. Appointees can send photocopies of reports from doctors and other medical professionals to help evidence their claim. The DWP may contact the claimant directly (or a named professional on the form) to gather more information.³¹⁴

The transition to PIP

CDLA is the principal route through which young people enter the adult disability benefits system. The benefit does not roll over: when a child approaches their sixteenth birthday, the DWP writes to invite a fresh claim for PIP.

A young person (or their appointee) must complete the full PIP claim and assessment regardless of how long they have held a CDLA award or whether that award was indefinite. The two benefits are assessed against different criteria, so a child's existing rates carry no weight. The new award rests entirely on the PIP points system.

Provided the claim is made within the deadline outlined in the invitation letter, an existing CDLA award will continue until a PIP decision is made. A claimant who misses their deadline has their CDLA award stopped, with a further 28 days given to claim before entitlement is lost.³¹⁵

CDLA is usually paid to the adult with whom the claimant is living. It is paid every four weeks in arrears on a Tuesday, although exceptions can be made in certain circumstances. An award can be made for a fixed period or indefinitely. Awards are rarely less than six months due to the requirement that a child should satisfy the disability conditions for the next six months. If an award is given on a fixed term basis, a renewal claim can be made up to six months before the benefit is due to stop being paid.³¹⁶

Importantly, CDLA acts as a gateway to a range of further support. It is not taxable and is disregarded entirely as income in the calculation of Universal Credit, HB, and other means-tested benefits. A CDLA award triggers the disabled child element of Universal Credit. The lower rate of the disabled child element of £164.79 per month is payable where the child receives any rate of either component of CDLA, while the higher rate of £514.71 is reserved for children on the highest rate of the care component or who are registered blind or severely visually impaired. The same award can, in turn, passport the parent to Carer's Allowance (where the child receives the middle or highest rate of the care component) and, by the same condition, to the carer's element of Universal Credit worth £209.34 per month.³¹⁷

Illustrative example: Rebecca and her son

Rebecca is 34 and a single mother. She is the full-time carer for her six-year-old son, whose severe physical and learning disabilities mean he requires frequent attention and supervision throughout both day and night. He is also unable to walk. He is awarded CDLA at the highest rate of the care component and the higher rate of the mobility component. Rebecca is not in paid work. Her son's CDLA award is worth:

- Care component (higher rate): £114.60

³¹⁴ Ibid., p.492.

³¹⁵ Ibid., pp.488–490.

³¹⁶ Ibid., p.500.

³¹⁷ Ibid., p.502.

- Mobility component (higher rate): £80.00
- Total award: £194.60 per week (£843.27 per month)

This award is paid to Rebecca on her son's behalf, is tax-free, and is disregarded entirely as income in her Universal Credit calculation.

The award's more substantial effect is to unlock further entitlement. As a single claimant over 25, with one disabled child she is caring for, Rebecca's monthly Universal Credit award would be:

- Standard allowance: £424.90
- Child element: £303.94
- Disabled child addition: £514.71
- Carer element: £209.34
- Total Universal Credit award: £1,452.89

Of this, £724.05 per month (disabled child addition + carer element) is payable only because of her son's CDLA award. The award also exempts the household from the benefit cap and allows Rebecca to exchange the higher rate of the mobility component for a leased vehicle under the Motability scheme. She faces no work-search requirements.

Her son's CDLA is therefore worth approximately £843.27 per month in cash and unlocks a further £724.05 per month in Universal Credit, before account is taken of the cap exemption and Motability.

The passporting extends to other parts of the benefits system. Receipt of CDLA exempts the entire household from the benefit cap, regardless of which rate or component is in payment. For the residual Housing Benefit caseload, a CDLA award attracts the disabled child premium of £84.46 per week, with the enhanced disability premium (disabled child) of £33.99 added where the child receives the highest rate of the care component. The higher rate of the mobility component also opens access to the Motability scheme, allowing the family to exchange the mobility award for a leased vehicle, powered wheelchair, or scooter, with the child as the intended beneficiary and a parent/carer as driver. Smaller passports follow automatically, including the annual £10 Christmas Bonus paid to CDLA recipients.³¹⁸

Finally, receipt of CDLA can be used as evidence in an application for Special Educational Needs (SEN) support within a child's school or for an Education, Health and Care Plan (EHCP). The same is true in reverse: an appointee may send a copy of a child's EHCP plan to the DWP as evidence for a CDLA claim. Our report, *Change the Prescription: Update*, explored the relationship between the two systems in greater detail.³¹⁹

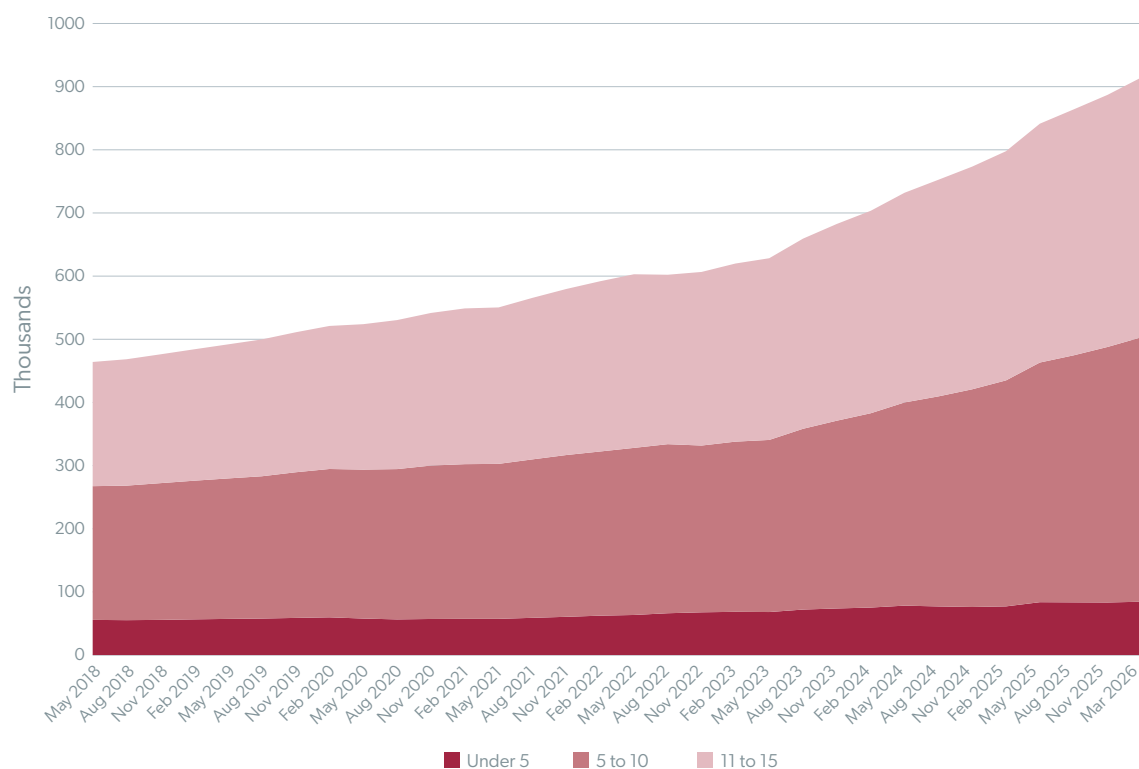
³¹⁸ Ibid., p503

³¹⁹ CSJ (Jun 2026), 'Change the Prescription: Update – Transforming support for children in the welfare and education system'. Accessible via: [Change the Prescription: Update](#). (Accessed: 5 June 2026)

2.8.2 Disability Living Allowance for children caseload and expenditure

In 2025/26, the DWP spent over £5.3 billion on CDLA, a nominal increase of over £700 million on the year before. Expenditure has almost doubled in real terms since 2019/20, rising by 81 per cent. Rising expenditure has primarily been driven by a 74 per cent increase in caseloads since November 2019. 915,000 children now receive CDLA. As Figure 2.12 shows, while caseloads have risen across every age group, claims for older children increased most, with cases among 11- to 15-year-olds increasing by 86 per cent while cases among under five-year-olds rose by 44 per cent.

Figure 2.12: CDLA caseloads by age, 2018 to 2026



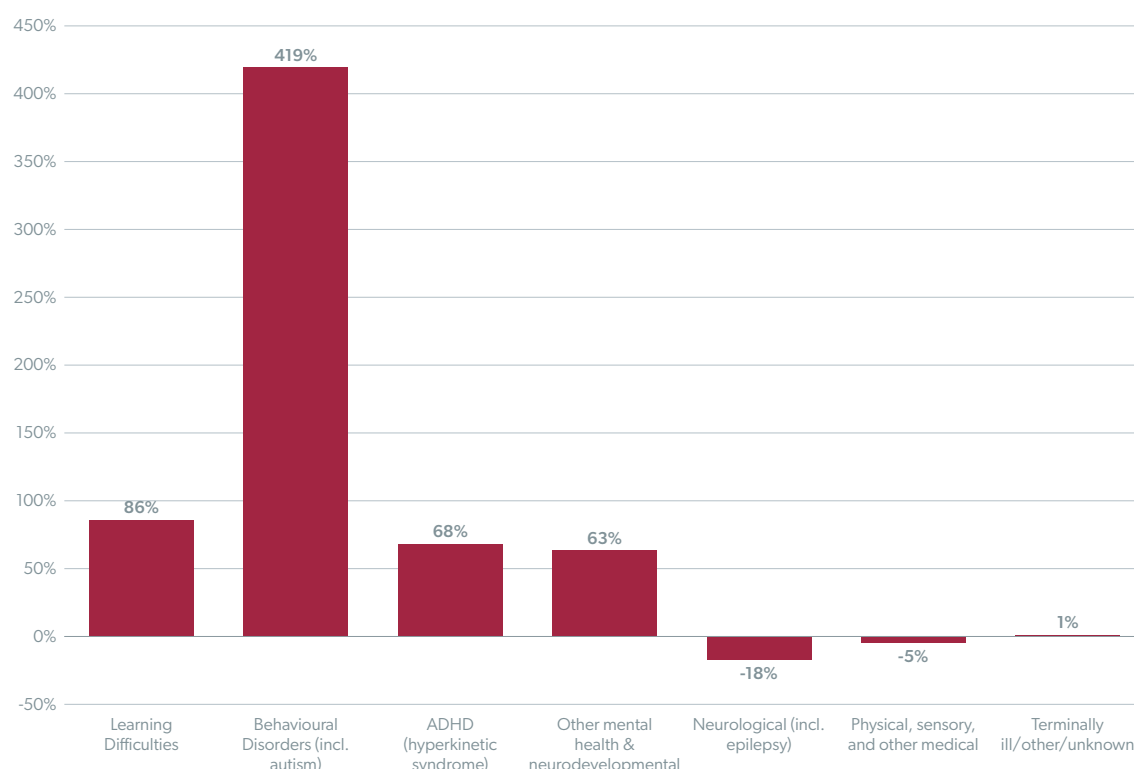
Source: Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

The increase in CDLA caseloads is almost exclusively an increase in claims for neurodevelopmental conditions, namely learning difficulties, behavioural disorders, or ADHD. Caseloads for these conditions have more than doubled since May 2018 – driven largely by behavioural disorders, which has seen a 419 per cent increase – and they now make up 85 per cent of claims. As we pointed out in *Change the Prescription: Update*, this maps almost exactly onto the increase and composition of SEN and EHCPs. Indeed, there is significant overlap between the two systems: 84 per cent of children receiving CDLA had SEN, while 77 per cent of children with an EHCP receive CDLA.³²⁰

Both the caseload and the cost of CDLA are forecast to continue climbing. The DWP forecasts that 1.4 million children will be receiving CDLA by 2030/31 at a cost of almost £8 billion in 2026/27 prices. The forecast, in other words, is that real-terms expenditure on CDLA will have increased by 155 per cent in ten years. The CDLA caseload feeds into the working-age adult disability caseload, since every child is invited to claim PIP once they reach 16, making it a significant contributor to the growth in working-age disability claims discussed above.

320 CSJ (June 2026), p.10.

Figure 2.13: Percentage change in CDLA caseloads by main disabling condition, May 2018 to March 2026



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

2.8.3 Legal issues affecting Disability Living Allowance for children

The legislative basis for CDLA is the Social Security Contributions and Benefits Act 1992. The key provisions for this benefit are laid out between Section 71 and 73 of the Act. Section 71 establishes that the benefit comprises a care component and a mobility component; section 72 sets out the care component, its day and night conditions of attention and supervision, and its three rates; and section 73 sets out the mobility component, its conditions, and its two rates.

Section 72 (1A) provides that a child can satisfy the care conditions only where their requirements are 'substantially in excess of the normal requirements of persons of his age'.³²¹ This comparison rule, which applies to the lower-rate mobility component, is the statutory expression of the principle that entitlement turns not on a child's needs in absolute terms, but on the excess over those of a non-disabled child of the same age.

Both components were originally available to claimants of all ages. This changed under the Welfare Reform Act 2012, which created PIP. From 2013, DLA was closed to new claims from working-age adults and existing working-age claimants were progressively re-assessed and migrated to PIP.³²²

321 Social Security Contributions and Benefits Act 1992, s.72, 1(A) (b.i). Accessed via: legislation.gov.uk/ukpga/1992/4/section/72#commentary-key-cd-d0a03ea113a45a792296aed3d77354. (Accessed: 5 June 2026)

322 The Social Security (Personal Independence Payment) Regulations 2013. Accessed via: [The Social Security \(Personal Independence Payment\) Regulations 2013](https://www.gov.uk/government/consultations/the-social-security-personal-independence-payment-regulations-2013). (Accessed: 5 June 2026)

The framework described here does not extend to Scotland. In Scotland, responsibility for disability benefits passed to the Scottish Ministers in 2020, and CDLA has since been replaced for Scottish residents by Child Disability Payment (CDP), a devolved benefit with similar eligibility requirements, components, and rates delivered by Social Security Scotland under the Social Security (Scotland) Act 2018 and the Disability Assistance for Children and Young People (Scotland) Regulations 2021. Northern Ireland maintains its own parallel legislation, mirroring the provisions in England and Wales under the 'parity principle'.

The process for appealing a CDLA decision is similar to the other benefits covered in this chapter. The claimant first seeks a 'mandatory reconsideration' from DWP. Should their decision remain the same, a claimant can appeal to the First Tier Tribunal with a completed SSCS1 form, a copy of their mandatory reconsideration notice, and any further evidence they may wish to provide. Cases can be escalated to the Upper Tribunal, the Court of Appeal, and, exceptionally, to the Supreme Court.

CDLA has been shaped by two episodes of judicial expansion. The first of these was an interpretative expansion, triggered by the House of Lords in the 1990's broadening the vague, care-component language ('attention', 'bodily functions') beyond the original legislative intention. The interpretative expansion largely ceased in 2013 due to the limiting of DLA to under-16-year-olds. Those most likely to generate new test litigation (working-age adults and 16-plus claimants) were, from that point, migrated to PIP. The second, later expansion was marked by the Supreme Court's 2015 decision to use the Human Rights Act/ECHR to strike down an explicit government economy measure.

The first expansion came in two significant cases:

- › *Mallinson v Secretary of State for Social Security* [1994] 1 WLR 630: The claimant was blind and could walk unaided but needed another person to guide him when walking outdoors in unfamiliar surroundings. The case was fought on the footing that the relevant bodily function was walking. The department's position (upheld by the Commissioner and a majority of the Court of Appeal) was twofold: that guiding amounted to 'supervision' rather than 'attention', and that walking in unfamiliar surroundings was not a distinct bodily function with which attention could correct since the claimant could walk perfectly well in himself. The House of Lords allowed the appeal, reframing the case around the impaired faculty of sight. Lord Woolf held, first, that guiding a blind person is active 'attention', not passive 'supervision'; and second, that attention is given 'in connection with a bodily function' if it provided a substitute for what that function would supply were it not impaired. The relevant impaired function was seeing: the guide acted as the claimant's eyes, doing for him what he could not do himself. The fact that a function is so impaired that the claimant cannot perform it at all does not put the attention outside the section. The significance of this decision was that it loosened the care test from a narrow, personal-care reading tied to acts the claimant could still partly perform, recognising that attention may substitute for an absent faculty such as sight.³²³
- › *Secretary of State for Social Security v Fairey; Cockburn v Chief Adjudication Officer* [1997] 1 WLR 799: In *Fairey*, a profoundly deaf claimant communicated mainly by sign language and needed the help of an interpreter to take part in social activity. The question was whether attention of this kind was 'reasonably required' or whether the benefit reached only attention needed for basic bodily maintenance. The House held that the attention reasonably required is not confined to what is necessary for survival but extends to attention that enables a severely disabled person to enjoy a normal life, including a reasonable level of social activity. The companion appeal, *Cockburn*, marked the outer edge of the same phrase. The claimant was incontinent and severely arthritic, and her

323 *Mallinson v Secretary of State* R(A) 3/94, CA/117/1991. Accessed via: administrativeappeals.decisions.tribunals.gov.uk/judgmentfiles/j461/A3_94.doc. (Accessed: 5 June 2026)

daughter dealt with the laundry her incontinence generated, taking it away from her flat to be washed. The issue was whether laundering counted as attention in connection with her bodily functions. The house dismissed her appeal by a majority. They held that the relevant attention must be given while in the presence of the disabled person. Read together, the two decisions show the courts simultaneously widening and bounding a single statutory test. Fairey saw the extension of the attention reasonably required to encompass social participation, while Cockburn confined attention to services performed in the disabled person's presence.³²⁴

The second expansion followed one particular case:

- › *Mathieson v Secretary of State for Work and Pensions* [2015] UKSC 47: The appellant's son was diagnosed with both cystic fibrosis and Duchenne muscular dystrophy, a combination of grave conditions then shared by only one other child in the UK. His parents provided care for him throughout a prolonged hospital visit. Under regulations 8 and 12A of the Social Security (Disability Living Allowance) Regulations 1991, payment of both components of CDLA ceases once the child has been an in-patient in an NHS hospital for 84 days. This is because it is presumed that the child's disability-related needs are by then being met by the health service. The child's DLA was duly suspended. His family challenged the suspension on the grounds that it discriminated against him, contrary to Article 14 of the ECHR (which prohibits discrimination in the enjoyment of Convention rights) read together with Article 1 of Protocol 1 (the right to peaceful enjoyment of possessions). The appeal eventually reached the Supreme Court, which rejected the government's argument which was based on the 'rule against overlapping provision'. It held that, as a severely disabled child requiring lengthy in-patient treatment, suspending his benefit treated him less favourably than a severely disabled child not requiring such treatment. Evidence of the financial and caring demands on the parents of a disabled child in hospital proved decisive. Eventually, the government removed the 84-day rule by amending the law via SI 2016/556.³²⁵

324 House of Lords (May 1997), '*Judgments – Cockburn v. Chief Adjudication Officer and Another and Secretary of State for Social Services v. Fairey*'. Accessed via: publications.parliament.uk/pa/ld199798/ldjudgmt/jd970521/cock01.htm. (Accessed: 5 June 2026)

325 *Mathieson v Secretary of State for Work and Pensions* [2015] UKSC 47. Accessed via: administrativeappeals.decisions.tribunals.gov.uk/judgmentfiles/j3679/%5B2015%5D%20AACR%2019ws.doc. (Accessed: 5 June 2026)

Chapter 3:

The welfare state

3.1 The Department

The DWP is the UK government department responsible for welfare, pensions, and child maintenance policy and, since April 2026, adult skills and apprenticeships policy. It is the largest public service department in Whitehall, with 91,306 staff and annual expenditure totalling £320.2 billion.³²⁶ Seeking to 'enable and empower everyone to thrive', the Department administers the state pension and working-age, disability, and ill-health benefits to around 23 million people.³²⁷

The DWP is fundamentally a vast payments engine. £309.5 billion of its £320.2 billion in annual expenditure is Annually Managed Expenditure (AME).³²⁸ AME is demand-led spending that flows directly to claimants and pensioners according to entitlement. It is set by policy and largely falls outside of the Department's year-to-year discretion. The department's vast AME budget grew by £21.7 billion between 2024/25 and 2025/26.³²⁹ The money that the DWP plans and directs – known as Departmental Expenditure Limit (DEL) – stood at £10.6 billion in 2025/26. Table 3.1 breaks down how the DWP's annual expenditure was spent in 2025/26.

The Department's labyrinthine structure can be split into two parts: the core department and the other bodies that fall into its remit.

The core department is led by the SSWP (Pat McFadden), who is supported by the Permanent Secretary (Dame Sarah Healey). It is organised into seven groups led by eight Directors General (the Policy Group is divided into two DG-led portfolios, Welfare and Pensions Policy and Labour Market and Skills Policy). The Department's business is divided across a ministerial team that, at the time of writing, includes Sir Stephen Timms, Andrew Western, Baroness Sherlock OBE, Baroness Smith of Malvern, Torsten Bell and Lilian Greenwood.³³⁰ This division of labour itself illustrates the breadth of the Department's remit.

The seven groups of the core department

- Finance – This group is the department's financial management and assurance function. It provides expert financial and commercial services, planning and performance management, reporting, business strategy, governance advice, security and business partnering, and is the custodian of the DEL budget.
- Jobs and Careers Service Operations – The operational delivery engine of the department, and the home of the new merged jobs and careers service. It runs the frontline operations

³²⁶ Department for Work and Pensions (9 Jul 2026), 'Annual Report and Accounts 2025/26', p.246, p.27. Accessed via: ANNUAL REPORT and ACCOUNTS 2025 to 2026. (Accessed 3 August 2026); DWP's fraud and error statistics for the same year use a figure of around 24.3 million.

³²⁷ DWP (9 Jul 2026). p.10.

³²⁸ Ibid., pp.27–28.

³²⁹ Ibid., p.28.

³³⁰ GOV.UK, 'Ministers'. Accessed via: Ministers - GOV.UK - GOV.UK. (Accessed 3 August 2026)

(Jobcentre network etc.) that serve local communities, support the most vulnerable, and help people into work.

- Services and Fraud – Responsible for paying benefits and pensions and for the department’s counter-fraud operation.
- Policy – The reform and welfare-spending function. It is composed of two portfolios: Welfare and Pensions Policy and Labour Market and Skills Policy. This group develops proposals for change and manages the department’s AME spending.
- People and Capability – Responsible for organisation design and development, HR services, talent and engagement, and the Department’s people strategy.
- Digital and Transformation – This group provides expert digital, data, and business-transformation services and information management. Critically, this group is responsible for the modernisation of the Department.
- Corporate Transformation – Setting and leading the Department’s workplace transformation and estates strategy. It also runs major change projects focused on corporate services. It is responsible for how and where the Department’s own staff work.³³¹

Table 3.1: DWP core department annual expenditure, 2025/26

Expenditure Type	Expenditure	Money spent
DEL	Jobs & Careers Service Operations	£2.3bn
	Contract Management & Partner Delivery	£2.2bn
	Digital and Transformation Group	£1.9bn
	Services & Fraud	£1.6bn
	Corporate Transformation	£1.4bn
	Policy Group	£0.4bn
	Money & Pensions Service	£0.2bn
	People & Capability	£0.2bn
	Health & Safety Executive	£0.2bn
	Other Corporate	£0.0bn
	Finance Group	£0.2bn
AME	Benefits paid to pensioners	£177.2bn
	Benefits paid to working-age people and children	£132bn
	Other AME	£0.3bn
Total		£320.2bn

Source: CSJ analysis of information from Department for Work and Pensions (9 July 2026), ‘Annual Report and Accounts 2025/26’

Note: Figures may not sum due to rounding. The September 2025 transfer of adult skills and apprenticeships from DfE was not reflected in DWP’s 2025/26 financial reporting. The associated budgets will transfer from 2026/27.

331 GOV.UK, ‘Our Governance’. Accessed via: gov.uk/government/organisations/department-for-work-pensions/about/our-governance (Accessed: 10 June 2026)

The raft of other bodies that fall under the DWP’s remit is shown in Table 3.2. It is a sprawling apparatus: a core department of seven groups, a wider family of agencies and arms-length bodies, and a workforce of more than 91,000, all built around the movement of £320 billion per year.³³²

Table 3.2: DWP Agencies and Public Bodies (arms-length bodies), September 2026

Type of Agency/Public Body
Skills England
Construction Industry Training Board
Engineering Construction Industry Training Board
Health and Safety Executive
Money and Pensions Service
The Pensions Regulator
Industrial Injuries Advisory Council
Social Security Advisory Committee
The Pension Protection Fund Ombudsman
The Pensions Ombudsman
National Employment Savings Trust (NEST) Corporation
Pension Protection Fund
Independent Case Examiner
Remploy Pension Scheme Trustees Ltd

Source: [GOV.UK](#), ‘Departments, agencies and public bodies’

All these resources and staff are underpinned by five priority outcomes that the DWP has set itself, agreed with HM Treasury at the 2025 Spending Review. These five priority outcomes are the Department’s own statement of purpose. The breadth of these goals exceeds this chapter’s remit. Those concerning child poverty and the outcomes of disabled people are pursued chiefly through the level and reach of payments, questions of policy and entitlement which are explored at length in Chapter 2. Here, we concentrate on the two goals that have an identifiable operational apparatus behind them: the first (to help people get into and on at work), and the fifth (to deliver high quality, efficient services).

DWP Priority Outcomes³³³

- **Priority Outcome One:** Enable people to get into work and to get on at work, ensuring employment opportunity for all.
 - Outcomes: Employment rate of 18–66 year olds, percentage of 18–24-year-olds not in employment, education or training (NEET).

332 DWP (9 Jul 2026), p.247.

333 National Audit Office (Nov 2025), ‘Department for Work and Pensions Overview, 2024/25’. Accessed via: [nao.org.uk/wp-content/uploads/2025/11/Department-for-Work-and-Pensions-Overview-2024-25.pdf](#) (Accessed: 10 June 2026)

- **Priority Outcome Two:** Tackle child poverty and hardship, ensuring financial security for all.
 - Outcomes: Percentage of children in relative poverty after housing costs, percentage of working-age adults in relative poverty after housing costs, real earnings component of real household disposable income amongst non-retired households.
- **Priority Outcome Three:** Shape the pensions system to serve the interests of savers and pensioners, ensuring decent and secure retirement incomes for all.
 - Outcomes: Percentage of pensioners in relative poverty after housing costs, pensioner income levels.
- **Priority Outcome Four:** Pursue a just, equal and inclusive society, ensuring independence and control for all disabled people.
 - Outcomes: Disability employment rate gap, rate of relative poverty (after housing costs) for individuals in families where someone is disabled, percentage of long-term sick inactive 18–66 year olds.
- **Priority Outcome Five:** Deliver high quality efficient services, ensuring that people are treated with dignity and respect.
 - Outcomes: Monetary value of overpayment/underpayment by rate and value, overall customer satisfaction with DWP.

3.1.1 Getting people into work

The primary goal for the DWP is to enable people to get into work and to get on at work. This is measured against two outcomes: the employment rate of those aged 18–66 and the share of 18–24 year-olds that are NEET.³³⁴ The Department does not directly control these outcomes, but it does influence them through the Jobcentre network, the work-coach role, the conditionality regime, and the contracted provision beyond them, as well as the financial incentives within the benefit system (see Chapter 6).

The DWP’s machinery to get people into work has two parts: what the Department delivers itself and what it pays others to deliver. The first is the Jobcentre network. This is a frontline consisting of between 600 and 650 offices and the work coaches who staff them. A huge number of working-age claimants pass through these establishments every day, and it is here that the Department’s day-to-day interactions with claimants are conducted.³³⁵ The second is contracted employment support: national programmes delivered by private and voluntary-sector providers under contract, to which the Jobcentre refers claimants who need more intensive help. Support is tied to entitlement, and participation can be required as a condition of it.

³³⁴ National Audit Office (Nov 2025), p.4.

³³⁵ NAO (Nov 2025), p.4.

Jobcentres

Jobcentres are the front doors through which working-age claimants enter the welfare system, receive employment support, and have entitlement and conditionality administered. For most working-age claimants, the Jobcentre is the DWP. The network sits within the Jobs and Careers Service Operations group, the delivery arm of the Department.

After a raft of reforms to the delivery of services to working-age people seeking employment and/or claiming benefits, Tony Blair announced the co-location of Benefits Agency and Employment Service functions into a single service in March 2000.³³⁶ These became the Jobcentre Plus: a ‘one-stop shop’ for both benefit payments and job searches, which has often been credited as improving people’s ability to move into employment.³³⁷ Gone were the ‘screwed-down chairs and filthy lino floors’ of the old Jobcentres and social security offices, replaced by ‘modernised offices intended to feel more like a bank than the dole’.³³⁸

Jobcentre Plus offices were rolled out area by area between 2002 and 2008, meaning that their labour-market impact could be evaluated by comparing benefit off-flows in areas where they had been introduced against areas where they had not yet arrived. The business case for Jobcentre Plus assumed a net employment addition of around 28,000 per year once substitution and displacement were taken into account, expected to generate around £620 million per year in AME savings.³³⁹ A 2011 evaluation broadly vindicated the investment, estimating that flows from benefits into jobs were around 40,000 a year higher than they would otherwise have been.³⁴⁰

The Jobcentre network has experienced significant churn in the last six years. Anticipating a sharp rise in unemployment courtesy of the COVID-19 pandemic, the Department opened 194 temporary Jobcentres (or additional space within existing ones) and recruited additional work coaches to staff them.³⁴¹ The surge in claims proved less severe and shorter-lived than feared and from July 2022 the Department began to reverse the expansion. Using lease breaks, it moved to vacate older, poorer-quality buildings. Most of the temporary sites were decommissioned, except those that offered better quality accommodation, which were retained.³⁴²

The programme of Jobcentre closures ran through to 2026, returning the network towards its pre-pandemic size. By 2025/26 the Department reported that only one of the 194 temporary Jobcentres remained open (and was being converted to a permanent site), and that it had additionally exited four established Jobcentres and four service and support centres during the year while completing improvement work at a further 30. Pandemic-driven recruitment of permanent and temporary staff triggered a real-terms increase of £571 million (52 per cent) in direct spending between 2018/19 and 2021/2022, which then contracted by £421 million between 2021/22 and 2023/24.³⁴³

The most significant change to Jobcentres is still taking place. In November 2024, the *Get Britain Working* white paper set out proposals that the Department described as the biggest reforms to employment

336 Ibid., p.4.

337 Riley, Rebecca et al. (2011). ‘The introduction of Jobcentre Plus: An evaluation of labour market impacts’. Accessed via: assets.publishing.service.gov.uk/media/5a7cd46b40f0b6629523c11a/rrep781.pdf. (Accessed 11 June 2026)

338 Timmins, Nicholas (2017), p.566.

339 Riley, Rebecca et al. (2011), p.1.

340 Ibid., p.50.

341 GOV.UK (Mar 2026), ‘Temporary Jobcentres’. Accessed via: gov.uk/guidance/temporary-jobcentres-during-the-coronavirus-covid-19-pandemic. (Accessed 11 June 2026)

342 GOV.UK (Mar 2026)

343 NAO (Mar 2025), p.14.

support in a generation.³⁴⁴ At the centre of this is the creation of a new Jobs and Careers Service, bringing together Jobcentre Plus and the National Careers Service in England. Backed by an initial £55 million in 2025/26, the reform moved from paper to pavement in June 2025, when the first Jobs and Careers Service Pathfinder launched in Wakefield.³⁴⁵ The merger was completed in October 2026.³⁴⁶

The pathfinder is trialling a new Coaching Academy for departmental staff, more personalised appointments, and careers events oriented towards local growth sectors. Alongside it, the Department is testing other new ways of delivering support through a 'Flexible Delivery Network'. The most visible of these are 'mobile Jobcentres': vans staffed by work coaches that park outside family hubs, supermarkets, leisure centres and football matches in areas with high unemployment and inactivity.³⁴⁷ First tested in Bolton and parts of Wales and the Scottish Highlands in early 2025, the fleet had expanded to nine areas across England, Scotland, and Wales by February 2026. Notably, just over half of those visiting the vans are not claiming benefits, suggesting the service is reaching economically inactive people who would not typically engage with a traditional Jobcentre.³⁴⁸

The reform is now widening. In March 2026 the Department announced two further Pathfinders in the North East and Nottingham.³⁴⁹ These focused respectively on supporting disabled people and people with health conditions, and young people. It is also aligning Jobcentre Plus boundaries with mayoral strategic authorities to support more coherent place-based delivery.³⁵⁰ In May 2026, a new digital service began rolling out, allowing customers to explore job options, build CVs, search and apply for jobs and receive tailored training suggestions without needing to physically visit a Jobcentre.³⁵¹

The reformed frontline, however, remains largely prospective. The service as it operates today is still largely built around the fixed office. As of 2026, the DWP has a network of between 600 and 650 Jobcentres across Great Britain. These are organised into 37 districts within seven regions, all reporting directly to the DWP.³⁵² Although these Jobcentres can differ in size and are run locally, they all offer a standardised level of support to claimants.

In 2023/24, the Department spent £1.2 billion running its Jobcentres (excluding estates, digital, and other corporate costs), of which 93 per cent was spent on staff.³⁵³ A Jobcentre's capacity to deliver is, almost by definition, a function of how many work coaches it employs and how it deploys them. The Department pursues an *outcome* (more people in work) through a *network*: a fixed estate of standardised local offices through which claimants are processed and supported. This network hinges almost entirely on the role of the work coach.

Work coaches implement a 'central support model': a nationally consistent framework that governs who receives support, how much, and how often. The model aims to calibrate support and conditionality to each claimant's circumstances, a single standardised offer being neither affordable nor sensible at scale. That calibration works through allocation. Every Universal Credit claimant is placed into one of six

344 Department for Work and Pensions, HM Treasury, Department for Education (Nov 2024), 'Get Britain Working White Paper'. Accessed via: gov.uk/government/publications/get-britain-working-white-paper/get-britain-working-white-paper. (Accessed 11 June 2026)

345 Work and Pensions Committee (Sep 2025), 'Get Britain Working: Creating a new jobs and careers service', p.14. Accessed via: [Get Britain Working: Creating a new jobs and careers service](#). (Accessed: 23 September 2026); Department for Work and Pensions (5 Jun 2025), 'Biggest shake-up of Jobcentres in decades gets underway'. Accessed via: gov.uk/government/news/biggest-shake-up-of-jobcentres-in-decades-gets-underway. (Accessed 11 June 2026)

346 Department for Work and Pensions (Jul 2026), 'Get Britain Working: an update on the Jobs and Careers Service'. Accessed via: [Get Britain Working: an update on the Jobs and Careers Service - GOV.UK](#). (Accessed: 23 September 2026)

347 Department for Work and Pensions (Feb 2026), 'Mobile Jobcentres hit the road in six new areas to deliver employment support'. Accessed via: gov.uk/government/news/mobile-jobcentres-hit-the-road-in-six-new-areas-to-deliver-employment-support. (Accessed: 11 June 2026)

348 Department for Work and Pensions (Feb 2026)

349 DWP (9 Jul 2026), p.37.

350 Ibid., p.35.

351 Ibid., p.38.

352 NAO (Mar 2025), p.13.

353 Ibid., p.5

labour market categories according to their earnings and personal circumstances. Jobcentres use labour market regimes to determine the level of support that a claimant receives. They are dynamic, changing as earnings and circumstances change.

Universal Credit Labour Market Regimes (as of October 2024)³⁵⁴

- **Intensive Work Search (IWS) (1.6 million):** This category is for claimants earning less than the AET. The DWP expects these claimants to receive significant support from a work coach and requires them to undertake work-related activities as a condition of receiving Universal Credit.
- **Light Touch (0.9 million):** Claimants in this category earn more than the AET but less than the CET. Jobcentres are expected to provide some support to those in this category. This regime can apply work-related conditionality but does not currently do so.
- **Working Enough (1.3 million):** Those sorted into this group earn at or more than the CET. Claimants in this group are not expected to meet regularly with a work coach and cannot be required to undertake work-related activities as a condition of receiving Universal Credit.
- **Work Preparation (0.4 million):** For those with limited capability for work or who are lead carers with their youngest child aged two. These claimants can be required to begin preparing for work and to meet with a work coach every month as a condition of receiving Universal Credit.
- **Work-Focused Interview (0.1 million):** Claimants in this category include lead carers with their youngest child aged one, for example. In order to receive Universal Credit, they can be required to meet with a work coach every three months for a work-focused interview.
- **No Work-related Requirements (2.9 million):** DWP does not expect those in this category to work. This may be because they are ill, over state pension age, have significant caring responsibilities, etc. Therefore, claimants in this group are not expected to undertake work-related activities as a condition of receiving Universal Credit.

The majority of work coach resources are concentrated on the IWS category, as it is judged that this cohort are most likely to be helped into work. For these claimants, the model prescribes a 30-minute opening interview (reduced from 50 minutes in 2023 and made permanent in 2025) at which the Claimant Commitment is agreed, followed by mandatory work search reviews that typically last around 10 minutes. These are held weekly for the first 13 weeks of a claim and, thereafter, fortnightly.

Work coaches perform two contrasting and unequal functions: providing support, and administrative enforcement. Support can range from advising on job searching, matching claimants to vacancies, building relationships intended to 'encourage, motivate, and build trust', to referring claimants to further provision.³⁵⁵ Work coaches have access to a limited discretionary budget (the Flexible Support Fund, FSF) for costs which may present a barrier to work for claimants, such as travel or clothing.³⁵⁶ Simultaneously, they are responsible for monitoring and enforcing compliance with the work-related conditions attached to a claimant's entitlement, drawing up and policing the Claimant Commitment and, where its conditions are not met, raising a 'sanction doubt' and referring the case to a separate DWP decision maker, whose adverse decision reduces the claimant's payment.³⁵⁷

354 National Audit Office (31 Mar 2025), 'Supporting people to work through Jobcentres'

355 Department for Work and Pensions (Apr 2016), 'Written evidence from Department for Work and Pensions: Executive Officer DWP Operations – Work Coach'. Accessed via: IWP0043 - Evidence on Universal Credit in-work progression. (Accessed 30 June 2026)

356 NAO (Mar 2025), p.14.

357 Ibid., p.16.

The Claimant Commitment is the document that fixes what a claimant must do to keep their entitlement. It is, in the Department's language, an 'agreement' between the claimant and the DWP and 'sets out what actions or conditions they are required to complete'.³⁵⁸ It is drawn up at the initial interview, where the coach assesses the claimant's circumstances and capability and sets the work-search, preparation and availability requirements that will apply.³⁵⁹ The idea of 'agreement' is complicated by the fact that a claimant must accept the Claimant Commitment for their benefit to be paid. Claimants who do not accept on the spot are given a 'cooling-off' period of up to five working days to consider it, during which they can request a second opinion from a different work coach. Regardless, the underlying position is that refusal results in no income.³⁶⁰

Contact with the Jobcentre follows a distinct rhythm.³⁶¹ It begins with an initial interview that opens the claim and sets the terms of what follows. After this, the claimant is obliged to return for routine work-search interviews: weekly for the first 13 weeks and fortnightly thereafter.³⁶² These tend to be short encounters – the opening interview is the longest single appointment a claimant will likely have. Appointments also follow a consistent shape. Meetings usually fall into three sections: 'nurturing claimants, driving progress, and ensuring compliance'.³⁶³ These are not separate activities so much as a sequence: the coach builds rapport, uses it to advise and encourage, and is then 'able to ensure compliance through undertaking checks that the claimant is meeting their claimant commitment'.³⁶⁴

As of March 2025, the Department employed 17,160 FTE work coaches – a number set by two separate but linked processes.³⁶⁵ First, the Department estimates how many work coaches it will need to recruit through a complex funding model which gauges the expected demand for support through economic forecasting and work coach productivity data. This process is overseen by the Demand and Supply Scrutiny Committee, which meets twice per year to scrutinise the model's findings and assure that outputs are the best possible estimates of demand. This settlement is subsequently negotiated with HM Treasury, which the DWP is obliged to gain permission from for shortfall-management changes with a potential impact on AME.

In the first six months of 2024/25, the Department estimated that it needed 18,900 work coaches to meet the expected demand for Jobcentre support.³⁶⁶ In this period, the NAO estimates that the Department had 2,100 fewer work coaches than it needed, a shortfall of around 11 per cent against its own estimate of demand.³⁶⁷ What's more, demand for work coach support is expected to continue rising, and claimants' needs are due to grow more complex as the reforms in the Get Britain Working white paper and the Pathways to Work green paper take effect.

In most periods, the Department has had fewer work coaches in post than it has had funding for. Turnover among Executive Officers working in Jobcentres reached 8.5 per cent in 2023/24, and it takes time to train new staff to the required standard.³⁶⁸ The combined result is that, with the exception of May 2022, the DWP had fewer work coaches than it estimated it needed throughout the period from April

358 Social Security Advisory Committee (Sep 2019), 'The effectiveness of the claimant commitment in Universal Credit', p. 12. Accessed via: assets.publishing.service.gov.uk/media/5d88d60ced915d521bde8a81/ssac-occasional-paper-21-effectiveness-of-claimant-commitment-in-universal-credit.pdf. (Accessed 13 June 2026)

359 Social Security Advisory Committee (Sep 2019), p.12.

360 Ibid., p.13.

361 NAO (Mar 2025), p.26.

362 DWP et al., (Nov 2024), para.168.

363 Department for Work and Pensions (Feb 2026), 'What makes work search reviews effective: a synthesis report'. Accessed via: gov.uk/government/publications/what-makes-work-search-reviews-effective/what-makes-work-search-reviews-effective-a-synthesis-report. (Accessed 11 June 2026)

364 DWP (Feb 2026)

365 UK Parliament (22 Apr 2025), 'Jobcentres: Staff – Question for Department for Work and Pensions'. Accessed via: questions-statements.parliament.uk/written-questions/detail/2025-04-22/46884. (Accessed 11 June 2025).

366 NAO (Mar 2025), p.8.

367 Ibid.

368 Ibid.

2022 to September 2024.³⁶⁹ Staffing pressures feed directly into the caseloads that work coaches carry. Jobcentres are funded to operate with a caseload per work coach of approximately 100 IWS cases. In September 2024, however, the district-level average caseloads ranged from 67 to 123 cases per work coach.

A national framework for local flexibility was introduced in September 2023 to provide guidance on how work coaches should prioritise their resources in a consistent manner in situations where Jobcentres are labouring under excessive demand. Should a work coach have an IWS caseload of more than 110 which is forecast to stay there for at least three months, the DWP has provided a series of graduated measures that a Jobcentre can implement.

1. The first meeting between a claimant and a work coach can be shortened from 50 to 30 minutes. This measure was made permanent.
2. Employed claimants in the IWS category to be met monthly rather than weekly/fortnightly.
3. Support for self-employed claimants in the initial 12-month period is reduced from four 30-minute interviews to two.
4. Some work coach support for people with health conditions and disabilities who claim ESA is paused. (This measure was suspended in May 2024).
5. All claimants in the IWS category are met fortnightly, rather than some of them being met weekly.

The NAO reported that 57 per cent of Jobcentres used these flexibilities to reduce the support they offered to claimants between September 2023 and November 2024.³⁷⁰ These measures have since hardened into national policy. Since June 2025, the Department has permanently shortened the initial meeting to 30 minutes and reduced the frequency of appointments for much of the IWS group. These measures have been taken partly to redeploy around 1,000 work coaches to support disabled people and those with health conditions.

This is not the whole of the Department's effort, however. For the claimants judged to need more than a work coach can offer, the most intensive support is not delivered by the Jobcentre at all. Rather, it is contracted out – bought from private and voluntary-sector providers under national programmes to which the Jobcentre refers. It is to this contracted machinery that we now turn.

Outsourced Intensive Employment Support

Rather than building and providing intensive employment support in-house, the DWP often outsources it to private and voluntary organisations. In 2023/2024, the NAO found that the Department spent £785 million on national contracted employment programmes.³⁷¹

What emerges is a two-tiered employment support architecture. On one level, there is the in-house support – this is the basic job-search support and administration provided by Jobcentres and covered in detail above. On another level sits the intensive, programme-based support for those furthest from the labour market, delivered by external providers under national contracts. These tiers are porous, with Jobcentre work coaches responsible for referring claimants onto outsourced programmes through the mechanisms discussed below.

³⁶⁹ Ibid.

³⁷⁰ Ibid., p.4.

³⁷¹ Ibid., p.14.

The case for buying rather than building this support turns on a trade-off in control.³⁷² In-house delivery affords government the flexibility to expand or contract provision as demand changes without having to renegotiate a contract. Hence, the more a service's demand is likely to fluctuate, the stronger the case for making rather than buying it. Contracting can, however, transfer financial risk away from the state, draw in specialist capacity, and allow provision to be scaled up at a much faster pace. Employment support, where demand rises and falls with the economic cycle, is a service for which the contracted model carries a particular and predictable risk, a point to which this chapter will return.

The system as it stands in mid-2026 is not, however, a settled one. It is a system in transition. The programme that has defined contracted provision for the past five years, Restart, is closing: its final referrals were made in June 2026, with delivery winding down over the next twelve months as existing participants complete their support.³⁷³ The Work and Health Programme stopped taking referrals in September 2024 and its support to existing participants ended in July 2026.³⁷⁴

Rather than a single national successor programme, the Department is creating a dispersed set of arrangements. Several of these will be grant-funded and commissioned locally rather than contracted nationally, and they will be weighted towards people with health conditions and disabilities rather than the general long-term unemployed. A national contracted successor to Restart (provisionally titled Future Employment Support, or FES) is in procurement and is not expected to begin delivery until 2028.³⁷⁵ The result, in mid-2026, is a landscape mid-way between two models.

Two features of the landscape are worth drawing out. The first is that the outgoing and incoming models differ not only in which programmes are running but in *how* provision is bought. Restart and the Work and Health Programme are national contracts, contracted out to a small number of large providers who carry financial risk in exchange for payment weighted towards results. Connect to Work (CtW) is a grant, paid to local 'accountable bodies' that commission delivery in line with local priorities, with no payment-by-results (PBR) risk transferred to a national prime.

The system is, in other words, moving in two directions at once. It is moving away from national contracting and towards local commissioning, and away from PBR and towards grant funding (at least for the health-related half of the caseload). This shift is deliberately weighted towards a particular group. The new provision (CtW, WorkWell, Youth Guarantee etc.) is directed principally at people with disabilities, health conditions, and complex barriers to work. This reflects the fact that long-term sickness has become the largest driver of working-age economic inactivity.³⁷⁶ The reformed *national* contracting model, once FES arrives, is expected to carry the more familiar load of the general long-term unemployed.

For all the change now under way, the model that has dominated national contracted provision for the past 15 years is a consistent one, and it is worth understanding it in its own right. It still governs the programmes now winding down and the FES is expected to inherit much of its architecture. Four principal features recur: prime contracting, PBR, geographic packaging, and framework procurement. The clearest and best-documented illustration of all four is the Restart Scheme – the largest contracted programme of the recent period, launched in 2021 to meet a forecast surge in pandemic unemployment and closing to referrals in June 2026. Because it is now ending, Restart also serves as a useful summary of the model at its fullest development, and it is used in that way here.

372 Institute for Government (Jul 2023), 'How to approach insourcing and outsourcing: A practical guide for ministers', p.8. Accessed via: instituteforgovernment.org.uk/sites/default/files/2023-08/itg-academy-outsourcing-insourcing.pdf. (Accessed 15 June 2026)

373 Department for Work and Pensions (Dec 2025), 'Restart Scheme statistics to October 2025'. Accessed via: [Restart Scheme statistics to October 2025 - GOV.UK](https://gov.uk/restart-scheme-statistics). (Accessed 31 July 2026)

374 Department for Work and Pensions (May 2026), 'Work and Health Programme Official Statistics to February 2026'. Accessed via: [Work and Health Programme Official Statistics to February 2026 - GOV.UK](https://gov.uk/work-and-health-programme-official-statistics). (Accessed 31 July 2026)

375 Department for Work and Pensions (Apr 2026), 'Future Employment Support'. Accessed via: [Future Employment Support - Find a Tender](https://gov.uk/future-employment-support). (Accessed 31 July 2026)

376 Office for National Statistics (Jul 2023), 'Rising ill-health and economic inactivity because of long-term sickness, UK: 2019 to 2023'. Accessed via: [Rising ill-health and economic inactivity because of long-term sickness, UK: 2019 to 2023](https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/longtermconditions/articles/risingillhealthandeconomicinactivitybecauseoflongtermsicknessuk2019to2023/2023-07-14). (Accessed 31 July 2026)

Prime contracting and geographic packaging

When outsourcing a programme, the Department usually contracts a small number of large ‘prime’ contractors who are responsible for delivering the service, carrying the financial risk, and subcontracting to a wider supply chain. In the Restart scheme, this produced a supply chain of 77 providers in total, including the eight primes.³⁷⁷ Contracts were awarded in spring 2021, with the scheme going live in June 2021 and first referrals in July. Referrals were originally due to end in June 2024, but at the November 2023 Autumn Statement the scheme was extended, with £1.1 billion funding two further years of referrals to June 2026 and an estimated 550,000 additional starts.³⁷⁸

Large, predominantly private-sector primes are the preferred contractors because PBR transfers financial risk to providers which only large balance-sheets can carry. They are usually afforded delivery autonomy, able to choose how to support people with minimal interference from the Department itself.³⁷⁹ Each prime is allocated a geographical area to operate in, known as a Contract Package Area (CPA). In the Restart Scheme, there were 12 CPAs across England and Wales, with some primes allocated more than one: Ingeus, for example, administered both Greater Manchester and Central and West London.³⁸⁰

Large primes do not subcontract by re-tendering the work. Instead, each prime assembles its supply chain as part of its bid for a CPA.³⁸¹ Partners are identified through expressions of interest and, increasingly, through the DWP’s overarching commercial arrangements. The prime alone holds the contract with the Department and bears the PBR risk, while subcontractors deliver beneath it. Some do this as larger ‘end-to-end’ partners covering part of the prime’s territory, while others act as smaller, specialist organisations taking referrals for particular barriers such as health or language.³⁸²

Subcontracts are a commercial matter, and their terms are not published. They are, however, bounded by the prime’s overarching contract with the Department, which they cannot outlast. To guard against primes squeezing the smaller, specialist providers beneath them, DWP historically required prime contractors to be accredited against the Merlin Standard (a code of fair supply-chain conduct, backed by an independent mediation service) within a set period of a contract award. The dedicated Merlin guidance was, however, withdrawn in 2022.³⁸³

377 National Audit Office (Dec 2022), *The Restart scheme for long-term unemployed people*, p.4. Accessed via: [The Restart scheme for long-term unemployed people](#) (Accessed 15 June 2026)

378 Department for Work and Pensions (Aug 2024), *Restart Scheme: Contracts Finder*. Accessed via: [contractsfinder.service.gov.uk/notice/ba9d897e-3c20-40ac-a1a2-16d586f55295?origin=SearchResults&p=1](#). (Accessed 15 June 2026); Because participants receive up to 12 months’ support from their referral date, delivery tails off through the first half of 2027 rather than ending at the point of referral; Department for Work and Pensions (June 2026), *Restart scheme statistics to April 2026*. Accessed via: [Restart Scheme statistics to April 2026 - GOV.UK](#). (Accessed: 19 August 2026)

379 House of Commons Work and Pensions Committee (Oct 2015), *Welfare-to-work, Second Report of Session 2015–16*, p.12. Accessed via: [publications.parliament.uk/pa/cm201516/cmselect/cmworpen/363/363.pdf](#). (Accessed 15 June 2026)

380 NAO (Dec 2022), p.38.

381 Employment Related Services Association (15 Jun 2026), *How the Restart scheme will work*. Accessed via: [ersa.org.uk/news/how-the-restart-scheme-will-work](#). (Accessed 15 June 2026)

382 Department for Work and Pensions (3 Jun 2026), *Restart Scheme provider guidance*. Accessed via: [gov.uk/government/publications/restart-provider-guidance/restart-scheme-provider-guidance](#). (Accessed 15 June 2026)

383 Department for Work and Pensions (20 Nov 2013), *The Merlin Standard: Guide for Prime providers*. Accessed via: [gov.uk/government/publications/the-merlin-standard-guide-for-dwp-providers/the-merlin-standard-a-guide-for-dwp-providers](#). (Accessed 15 June 2026)

Table 3.3: Restart Scheme stratified by prime provider

CPA	Prime Provider	Renegotiated Contract Value	Renegotiated forecast scheme starts	Key subcontractors
West Central	Serco	£173 million	77,000	Reed in Partnership, Ingeus, Seetec Pluss
North West	G4S	£107 million	39,000	Growth Company, Seetec Pluss, Fedcap
Central and West London	Ingeus	£245 million	110,000	Get Set UK, Seetec Pluss, Groundwork, Twin Training
East Central	Jobs 22	£142 million	61,000	Acorn Training, WorkPays, Business 2 Business UK Ltd
Greater Manchester	Ingeus	£106 million	43,000	Growth Company, B2W, Rochdale Council
South and East London	Maximus	£144 million	60,000	Reed in Partnership, Get Set UK, Bexley Council
North East and Humberside	Reed in Partnership	£113 million	44,000	People Plus, Triage, Standguide
South West	Seetec Pluss	£100 million	37,000	Go Train Ltd, Prospect Training Services, Wiseability
Home Counties	Reed in Partnership	£185 million	82,000	People Plus, Seetec Pluss, Forward Trust
South and West Yorkshire, Derbyshire and Nottinghamshire	Maximus	£173 million	69,000	Growth Company, Reed in Partnership, Future Advice, Skills and Employment
South Central	Fedcap	£113 million	42,000	Palladium International Ltd, Portsmouth City Council, Get Set UK
Wales	Serco	£82 million	27,000	Maximus, PeoplePlus, Itec Skills and Employment

Source: National Audit Office (2 December 2022), 'The Restart scheme for long-term unemployed people'

Payment by results

Payment structure is the second recurring feature, and the one on which the outgoing and incoming models most clearly diverge. Under PBR, the DWP pays contractors for each 'job outcome' that they achieve. The Work Programme, for example, paid providers up to £4,400 for each mainstream JSA claimant moved into sustained employment (rising to £6,600 for JSA claimants seriously disadvantaged in the labour market) made up of a start fee, a job outcome payment, and sustainment payments for each period the participant remained in work.³⁸⁴

The Department has traditionally used PBR as the payment model for outsourced programmes. In recent years, this has settled into a hybrid PBR structure. This combines the PBR format, where the amount of money each contractor receives depends on the number of people they move into work, with a fixed delivery fee at a 70 per cent PBR:30 per cent fixed delivery fee ratio.³⁸⁵

384 Department for Work and Pensions (Dec 2012), 'The Work Programme', p.7. Accessed via: The Work Programme. (Accessed: 18 August 2026)

385 NAO (Dec 2022), p.37; After the renegotiations caused by low demand, the PBR share fell to an average of 56 per cent.

A PBR outcome payment is triggered by a 'job outcome': a participant earning the equivalent of sixteen hours per week at the NLW for six months.³⁸⁶ This threshold is confirmed automatically through HMRC's RTI system rather than by the provider's own reporting. Above a set share of outcomes, an 'accelerator' pays a higher fee per job outcome, rewarding providers that push their performance beyond a defined threshold.³⁸⁷ Layered on top of these mechanisms are two cost-transparency tools drawn from the Cabinet Office's 2020 *Outsourcing Playbook*. 'Should-cost modelling' is a departmental estimate of what delivery ought to cost, and 'open-book accounting', where providers are required to expose their actual costs to the Department.³⁸⁸

Framework procurement

For its major contracted programmes, the Department did not select primes from the open market but drew them from a pre-qualified panel: the Commercial Agreement for the provision of Employment and Health Related Services (CAEHRS), the five-year framework (2020–2025) through which it procured its outsourced employment support. Providers had to hold a place on the framework and then compete with other members to win a contract.³⁸⁹ The largest call-offs (contracts worth more than £11 million per year, the band into which the major employment programmes fall) were reserved for Tier 1 of the framework, open only to providers that cleared the Department's financial viability and capability thresholds.³⁹⁰

The selection of Restart's providers ran through this structure. From the pre-qualified pool, the Department held a 'mini-competition' – inviting tenders, taking best-and-final bids, and awarding the contracts.³⁹¹ The competition was shaped by the prior decision to set a minimum price and maximum performance expectation, which every successful bidder offered. This minimum price was determined by reference to the reasonable cost of delivery, meaning bidders could then discount up to a fixed limit. The decision was a direct response to the previous tendering of employment support where providers had bid too low and were later unable to deliver, which encouraged corner-cutting. CAEHRS itself reached the end of its delivery window in 2025/26. FES will be procured under new arrangements made possible by the Procurement Act 2023, a point taken up in the final part of this section.

Restart's national successors are already in procurement. The provision operating around them in the meantime works in a different mode from the one set out above. Where Restart was a national contract let to large primes carrying PBR risk, the newer programmes are mostly grant-funded and commissioned locally, weighted towards people with health conditions and disabilities. They form part of a wider £3.5 billion package of employment support for sick and disabled people announced under the government's *Pathways to Work* banner.³⁹²

386 Ibid., p.8

387 Ibid., p.21.

388 Ibid.

389 Department for Work and Pensions (Apr 2024), 'Planning: CAEHRS Replacement', p.3. Accessed via: [CAEHRS Replacement - Find a Tender](#) (Accessed 15 June 2026)

390 DWP (Apr 2024)

391 NAO (Dec 2022), p.36.

392 DWP (9 Jul 2026), p.10.

Connect to Work

CtW is the largest of these new programmes: a voluntary supported-employment scheme for people with disabilities, health conditions, and complex barriers to work. Unlike Restart, it is not a national contract. Its commissioning has been devolved to a local level, with delivery split into 49 delivery areas (45 of them in England). Rather than being funded through a CAEHRS call-off, CtW is funded through a DWP grant to an ‘accountable body’ (usually a local or combined authority), which then commissions delivery in line with local priorities.³⁹³

Over its lifetime, CtW is intended to support around 300,000 people in England and Wales at a projected cost of around £1.23 billion.³⁹⁴ The Department describes it as backed by £1 billion over the course of this parliament, and aims for it to support around 100,000 people a year at full-scale. The money reaches delivery areas by two routes. Most English areas receive a direct grant from the DWP, while a small number of mayoral authorities (initially the West Midlands and Greater Manchester, but expanding to seven established mayoral strategic authorities from 2026/27, together covering ten CtW delivery areas) receive theirs through Integrated Settlements administered via the MHCLG.³⁹⁵

Rollout, however, has been markedly slower than planned. Delivery areas opened on their own local timetables through 2025/26. By the end of March 2026 only 41 of the 49 areas were open to participants, with 14,000 people having started on the programme across the year.³⁹⁶ This gradual ramp-up left the Department forecasting an overall underspend on its employment programmes at the end of 2025/26, which the Work and Pensions Committee attributed to the slower-than-expected rollout of CtW. The Committee noted, moreover, that unspent funding arising from these delays would not be carried forward the following year or retained within the programme.³⁹⁷

WorkWell

WorkWell is run jointly by DWP and the Department of Health and Social Care (DHSC) and is part of the same package as CtW. It is delivered through NHS Integrated Care Boards, backed by £259 million over a three-year period, and seeks to provide early intervention to keep people with health conditions in work before they fall out of the labour market.³⁹⁸ At national rollout, it is intended to reach up to 250,000 people.³⁹⁹ Like CtW, it locates commissioning and delivery below the level of the national contract (in this case within the health system rather than local government) and directs support at the health-related cohort.

393 Department for Work and Pensions (May 2026), ‘Connect to Work: Grant Guidance for England’, para. 20. Accessed via: assets.publishing.service.gov.uk/media/6a0466c8ee62840dba48a1d4/connect-to-work-guidance-for-england.pdf. (Accessed 15 June 2026)

394 Work and Pensions Committee (Jun 2026), ‘Employment support for disabled people: Connect to Work’, P.3. Accessed via: committees.parliament.uk/publications/53604/documents/299918/default. (Accessed 13 July 2026)

395 DWP (May 2026), para. 20.

396 Department for Work and Pensions (Jun 2026), ‘Thousands moved closer to work with support from landmark employment scheme’. Accessed via: [Thousands moved closer to work with support from landmark employment scheme - GOV.UK](https://www.gov.uk/government/news/thousands-moved-closer-to-work-with-support-from-landmark-employment-scheme). (Accessed 13 July 2026)

397 Work and Pensions Committee (Jun 2026), P.28.

398 Department for Work and Pensions, Department of Health and Social Care (Mar 2026), ‘WorkWell prospectus: Guidance for Local System Partnerships’, chapter 4. Accessed via: gov.uk/government/publications/workwell/workwell-prospectus-guidance-for-local-system-partnerships. (Accessed 15 June 2026)

399 DWP (Jun 2026)

Youth Guarantee

The Youth Guarantee is a package intended to ensure that every young person can access further learning, help to get a job, or an apprenticeship. Announced in the November 2024 *Get Britain Working* white paper in response to the number of NEET young people, it was first trialled from Spring 2025 in eight mayoral ‘trailblazer’ areas backed by £45 million in 2025/26. These trailblazers were extended for a further year, and by a further £45 million, in August 2025.⁴⁰⁰

The funding has since increased in stages. The 2025 Autumn Budget provided £820 million for the Youth Guarantee over the three years from 2026/27 to 2028/29 as part of a £1.5 billion employment and skills package that included £725 million for apprenticeships.⁴⁰¹ In March 2026, the government announced an additional £1 billion and rebranded the expanded offer a ‘New Deal’ for young people, taking the total investment in the Youth Guarantee and the Growth and Skills Levy to £2.5 billion over three years.

The package has several components. A Jobs Guarantee provides six months of fully funded paid work to 18- to 24-year-olds who have been on Universal Credit for 18 months without earning or learning. The government expects that this will provide employment for 90,000 young people over three years.⁴⁰² A Youth Jobs Grant, launched in June 2026, pays employers £3,000 for every 18- to 24-year-old they take on who has been on Universal Credit and looking for work for six months, with 60,000 young people expected to be hired as a result over three years.⁴⁰³ Alongside these sits a Youth Guarantee Gateway (a dedicated support session, followed by four weeks of intensive support), up to 150,000 additional work experience placements and up to 145,000 additional sector-based work academy places, and a new £2,000 hiring grant for non-levy paying employers in England taking on apprentices aged under 25.⁴⁰⁴

Physical delivery runs through Youth Hubs, which offer up to six months of support from a dedicated work coach. There were 114 fully opened hubs in January 2026, with a further 20 opened between March and June 2026. In June 2026, the locations were announced for another 178 hubs to open over the following two years.⁴⁰⁵

Future Employment Support

The newer provisions described above should not be mistaken for the wholesale replacement of national contracting. FES will be the direct successor to Restart, retaining the essential architecture of that scheme’s model: a national programme, let to prime contractors across CPAs, delivering personalised support to out-of-work Universal Credit claimants and paid substantially on employment outcomes.⁴⁰⁶

Where CtW and WorkWell are directed at the health-related and economically inactive population, FES is aimed at the unemployed and its published procurement documents describe support spanning skills development, work experience, health-related employment support and self-employment guidance.⁴⁰⁷ It is being procured under the Procurement Act 2023 rather than through the CAEHS framework, reflecting the wider change in the government’s commercial regime.⁴⁰⁸

400 House of Commons Library (Jul 2026), ‘Youth Guarantee’, p.5. Accessed via: [CBP-10827.pdf](#). (Accessed: 18 August 2026)

401 House of Commons Library (Jul 2026), pp.5–6.

402 Ibid., p.6.

403 Ibid.

404 Ibid.

405 Ibid.

406 DWP (Apr 2026)

407 Ibid.

408 Department for Work and Pensions, ‘Procurement at DWP’. Accessed via: [Procurement at DWP - Department for Work and Pensions - GOV.UK](#). (Accessed 31 July 2026)

The timing, however, leaves a gap. Restart's final referrals were made in June 2026 and its delivery tails off through the first half of 2027 as participants complete their support; the FES contracts are (provisionally) advertised to run from February 2028. For a period, therefore, the national contracted tier for the general long-term unemployed will be at its thinnest in over a decade. This is a transitional consequence of the staggered wind-down and stand-up of overlapping programmes, and a reminder of the cyclical instability to which the contracted model is prone.

3.1.2 Groups, centres, and systems

Responsibility for delivering the single promise of high-quality service is dispersed across the DWP. The previously detailed network of Jobcentres is responsible for face-to-face support and compliance, whilst approximately 70 'back-of-house' service centres process claims, and a cloud-based contact centre hub handles the bulk of telephony.⁴⁰⁹

This dispersal is compounded by the systems the Department uses. The Department still administers its benefits through a patchwork of separate computer systems, many of them decades old and unable to communicate with one another. A claimant's information is often dispersed across different systems, meaning that the Department can lack a holistic view of all the information it holds about a customer.⁴¹⁰ The Department itself ranks this among its gravest exposures.

The clearest, and most instructive, illustration of this is the IT system through which Carer's Allowance is paid. The live Carer's Allowance caseload is still managed on the Carer's Allowance Computer System (CACS), which went live in 1997.⁴¹¹ Although its underlying code was updated in 2015, the system has retained the same design and functionality since its inception, with the 2025 Sayce Review finding it to be at the end of its life and incapable of significant change.⁴¹² Further, CACS does not hold all the information a caseworker needs to make a decision on claimant entitlement. The Sayce Review found that staff must also draw on Searchlight, a separate customer-information system, and on other DWP systems which CACS does not connect to, obliging caseworkers to navigate multiple systems and transfer information across by hand.⁴¹³

This process elevates the risk of error. The information that ultimately determines entitlement (a carer's weekly earnings) is not generated by the DWP. Instead, this information is held by HMRC's RTI system, which reaches the Department through the Verify Earnings and Pension Service (VEPS).⁴¹⁴ This system is not part of routine claim processing but amounts to a bolt-on check, which generates alerts about a carer's earnings only where a member of staff has manually switched on monitoring for that individual claim. Even when it flags that someone may have earned too much, it cannot correct the claim itself. Instead, it can only raise the case for a caseworker to investigate.

For most benefits, processing remains internal to DWP and within its direct control. However, the Department also relies on external actors to deliver its services.⁴¹⁵ The functional health assessment for PIP is carried out by private contractors and has been, since September 2024, delivered under the Functional Assessment Services Framework (FAS Framework), a set of five regional contracts running from 2024 to

409 National Audit Office (Jul 2024), 'DWP customer service', p.17. Accessed via: [NAO report on DWP customer service](#) (Accessed 16 June 2026)

410 NAO (Jul 2024), p.38.

411 Department for Work and Pensions (Nov 2025), 'Independent Review of Carer's Allowance Overpayments'. Accessed via: [gov.uk/government/publications/review-of-carers-allowance-overpayments/independent-review-of-carers-allowance-overpayments](#). (Accessed 16 June 2026)

412 DWP (Jul 2025)

413 Ibid.

414 Ibid.

415 Independent Assessment Services (Apr 2022), 'Written evidence from the Independent Assessment Services (IAS) (HAB0103)'. Accessed via: [committees.parliament.uk/writtenevidence/108275/pdf](#). (Accessed 16 June 2026)

2029 (with an option to extend for two further years) and worth, in total, more than £2 billion: Maximus in northern England; Capita in the Midlands and Wales, and separately in Northern Ireland; Serco in south-west and south-central England; and Ingeus in London, the south-east and East Anglia.⁴¹⁶ Each provider conducts the assessments that determine, in large part, whether and at what rate a claim succeeds. The Department reports that the FAS Framework ‘continues to have significant underspends and remains volatile’, with significant challenges to increasing assessment volumes linked to the recruitment and retention of healthcare professionals.⁴¹⁷

The same pattern can be observed within the Department, not just at its contractual edges. The accuracy of the Universal Credit award depends substantially on data that the Department itself does not generate. Monthly entitlement is calculated automatically from earnings reported through HMRC’s RTI system. Where a claimant’s pay cycle does not align with their monthly assessment period (e.g., where two salary payments happen to fall within a single period), the system can read this as a surge in income and cut the award – a distortion produced by the interface between two departments’ systems rather than by any change in the claimant’s circumstances.⁴¹⁸ Following a successful legal challenge, the Department now has discretion to reallocate one of two monthly salary payments to a different assessment period.⁴¹⁹ However, this remedy applies only to those paid on a calendar-monthly basis. Claimants paid weekly, fortnightly or four-weekly remain exposed. Ultimately, the accuracy of payments depends on claimants themselves reporting changes promptly and correctly.

These are the components through which the Department processes and pays the claims of around 23 million people: two delivery groups, 70 service centres, a telephony estate, a patchwork of ageing systems, and a set of external actors on whose data and decisions parts of the service depend. Ultimately, it is a service assembled from many hands rather than run from one.

Across the machinery built to achieve the Department’s strategic goals, a common structure is visible. The Department pursues outcomes it cannot fully command through machinery it only partly owns: a frontline divided between what it delivers itself and what it buys through contracted providers; and a service dispersed across various systems, centres, and groups. In both, the Department sets the goals and supplies the funding, but the delivery is shared. This is how the Department is built to meet the strategic goals and outcomes it pursues.

Artificial Intelligence (AI)

The Department has acknowledged artificial intelligence (AI) as the ‘next step in digital transformation’.⁴²⁰ Here, it is not wrong. AI’s capabilities are revolutionary, with the potential to transform the DWP’s operations. In practice, though, its use of this technology is still narrow. It is limited to seven algorithmic tools confined to a single benefit or business area and a small number of generative AI models operating at scale.

The DWP has its own Responsible AI Framework: six principles that must be followed when creating AI initiatives. AI outputs must be explainable, mitigated, controlled, understood, value-led, and

416 UK Parliament (May 2023), ‘*Health Transformation Programme update*’. Accessed via: questions-statements.parliament.uk/written-statements/detail/2023-05-25/hcws807. (Accessed 16 June 2026).

417 DWP (9 Jul 2026), p.33.

418 R (Johnson, Woods, Barrett & Stewart) v SSWP [2020] EWCA Civ 778. Accessed via: judiciary.uk/wp-content/uploads/2019/01/johnson-and-others-judgment-final.pdf. (Accessed 16 June 2026)

419 The Universal Credit (Earned Income) Amendment Regulations 2020, SI 2020/1138, reg.2, substituting reg.61(6) of the Universal Credit Regulations 2013. Accessed via: [The Universal Credit \(Earned Income\) Amendment Regulations 2020](https://www.legislation.gov.uk/uksi/2020/1138/contents/make). (Accessed: 23 September 2026)

420 Mel Stride MP (Dec 2023), ‘*DWP use of artificial intelligence (AI)*’. Accessed via: committees.parliament.uk/publications/42458/documents/211057/default. (Accessed: 14 September 2026)

governed.⁴²¹ While the department has a framework that dictates how AI should be governed, it does not have a published strategy for using it. The department's approach to AI is reconstructable only from the Algorithmic Transparency Recording Standard (ATRS), annual reports, parliamentary answers, and FOI disclosures.

Oversight of AI is embedded within existing Digital structures. Until summer 2025, a single team was responsible for AI. The Department has subsequently moved away from that arrangement, with AI projects now primarily governed through the Digital Planning Forum and the Digital Design Authority, in accordance with the government Functional Standard for Digital.⁴²² Delivery sits with the Department's AI and Innovation Unit.

Seven algorithmic tools have been recorded on the ATRS by the DWP. These can be stratified into three groups depending on their purpose.

First, the DWP uses two models which help to protect public money. The Universal Credit Advances Model is a supervised binary classification machine-learning model which risk assesses Universal Credit advances ahead of payment. This enables the Department to 'focus its efforts on reviewing and verifying Universal Credit Advances assessed to have the highest risk of fraud'.⁴²³ Performance information suggests the model is around 2.5 times more effective at identifying fraud risk than a randomised control group sample.⁴²⁴ The Child Maintenance Service's Predictive Analytics Compliance tool is used to support caseworkers in the reduction of payment breakdowns and in identifying the best actions to take to maintain case compliance. Its record reports model accuracy of 0.86 and precision of 0.79, against a minimum accepted precision threshold of 0.62.⁴²⁵

Second, the DWP has tools which identify at-risk claimants by scanning claimant communications for signs of vulnerability. The Urgent Journal Messages tool flags messages from Universal Credit customers that may indicate a risk of harm.⁴²⁶ Similarly, the Whitemail Insights and Vulnerability Scanner reads around 25,000 scanned documents and letters each day and flags those which require urgent assistance because of vulnerability.⁴²⁷

Finally, the department uses three tools to process routine work faster. The Conversational Platform is a telephone-based virtual assistant which asks callers the reason for their call, uses speech recognition to understand the response, and then either signposts them to self-service options or routes the call elsewhere.⁴²⁸ The CMG Return Letters is a computer vision tool that extracts the address and reference number from returned letters.⁴²⁹ The ESA Medical Matching tool maps conditions entered into the free-text box on an ESA claim against the list of conditions recognised by the Department, with the condition still validated by an agent.⁴³⁰ Of the tools recorded on the ATRS, only the Conversational Platform interacts directly with a claimant.

421 DWP (July 2026), p.221.

422 Ibid.

423 Department for Work and Pensions (Dec 2025), 'Effectiveness Assessment of Universal Credit Advances Model'. Accessed via: [Effectiveness Assessment of Universal Credit Advances Model - GOV.UK](#). (Accessed: 15 September 2026)

424 Ibid.

425 Department for Work and Pensions (Oct 2025), 'DWP: Child Maintenance Service (CMS) - Predictive Analytics Compliance'. Accessed via: [DWP: Child Maintenance Service \(CMS\) - Predictive Analytics Compliance - GOV.UK](#). (Accessed: 14 September 2026)

426 Department for Work and Pensions (Oct 2025), 'DWP: Urgent Journal Messages'. Accessed via: [DWP: Urgent Journal Messages - GOV.UK](#). (Accessed: 14 September 2026)

427 Department for Work and Pensions (Nov 2025), 'DWP: Whitemail Insights and Vulnerability Scanner'. Accessed via: [DWP: Whitemail Insights and Vulnerability Scanner - GOV.UK](#). (Accessed: 14 September 2026)

428 Department for Work and Pensions (Dec 2025), 'DWP: Conversational Platform'. Accessed via: [DWP: Conversational Platform - GOV.UK](#). (Accessed: 14 September 2026)

429 Department for Work and Pensions (Dec 2025), 'DWP: CMG Return Letters processing'. Accessed via: [DWP: CMG Return Letters processing - GOV.UK](#). (Accessed: 14 September 2026)

430 Department for Work and Pensions (Feb 2025), 'DWP: Employment and Support Allowance Online Medical Matching'. Accessed via: [DWP: Employment and Support Allowance Online Medical Matching - GOV.UK](#). (Accessed: 14 September 2026)

The seven tools above classify, sort and read. But the DWP has also explored how generative AI can be used through the Lighthouse Programme. This is a dedicated initiative aimed at exploring the use of sophisticated AI tools in a safe and governed environment. It has studied how AI might be used to complement the services of work coaches, enhance software engineering, and provide productivity tools for DWP employees.⁴³¹ The Department has employed a ‘test-and-learn’ approach here, applying a ‘start-up mindset’ to AI development wherein agile funding processes enable small AI-model prototypes to be built quickly. Progressing in stages, projects are then supported through increasingly large tests if early trials show the potential to save money and improve public services.⁴³²

3.2 Beyond the Department for Work and Pensions

The welfare state is not purely the purview of the DWP. Almost every domestic policy Department now administers or regulates welfare schemes aiming to support low-income or otherwise vulnerable individuals. These range from the colossal Adult Social Care system, which sits with local authorities, to the social housing system, and to a smorgasbord of passported and in-kind benefits which Onward estimates together cost more than £10 billion per year in support to working-age claimants alone.⁴³³

Each of these schemes and passported benefits carry their own rules, caps, and earnings thresholds. Their interactions with the benefit system are complex: a Universal Credit claim can act as a gateway to a sprawling array of further support, the financial benefit of which is rarely considered in simple welfare-to-work comparisons (a point we return to in Chapter 5). The relative low-income metric, moreover, does not factor in households’ receipt of in-kind benefits, distorting the Government’s preferred poverty metric.

We cannot understand the workings of the welfare state without exploring the system that sits outside the DWP.

3.2.1 Adult social care

Adult social care encompasses a range of supportive services designed to assist adults who may have disabilities or age-related challenges. It aims to help individuals maintain their independence and well-being by aiding with daily activities, enhancing their quality of life, and ensuring their safety. Adult social care is distinct from the medical care provided by the NHS, which focuses on health conditions and treatment. It focuses on daily wellbeing, independence, and quality of life for people needing care and support.

Adult social care is available to a wide range of people. Older adults are one of the main beneficiaries of adult social care, which helps with mobility, personal care, or safety at home. In some cases, the social interaction, routine, and 24/7 support older adults may need is provided in a care home. Adult social care also provides for adults with learning and physical disabilities, providing equipment, home adaptations, and regular living assistance. Furthermore, it can provide dementia-specific care services for those living with the disease. Finally, social care can support adults with mental health conditions through supported accommodation, daily living, rehabilitation, and community-based services.⁴³⁴

431 Mel Stride MP (Dec 2023)

432 Department for Science, Innovation and Technology (March 2025), ‘Government to take a ‘test and learn’ approach with spending on AI and digital to push innovation’. Accessed via: [Government to take a ‘test and learn’ approach with spending on AI and digital to push innovation - GOV.UK](https://www.gov.uk/government/news/government-to-take-a-test-and-learn-approach-with-spending-on-ai-and-digital-to-push-innovation). (Accessed: 14 September 2026)

433 Elsom, C. (Feb 2026), ‘The Hidden Benefits Bill: How Universal Credit claimants get £10 billion in extra benefits’, p.4.

434 The King’s Fund (Jun 2025), ‘Key facts and figures about adult social care’. Accessed via: [kingsfund.org.uk/insight-and-analysis/data-and-charts/key-facts-figures-adult-social-care](https://www.kingsfund.org.uk/insight-and-analysis/data-and-charts/key-facts-figures-adult-social-care). (Accessed 23 June 2026)

Social care is often broken down into 'short-term care' and 'long-term care'. Short-term care refers to a time-limited care package, with the intention of maximising the independence of the individual being cared for and eliminating their need for future or ongoing support. On the other hand, long-term care is provided on an ongoing basis with no definite end point.

Responsibility for adult social care sits with local authorities, rather than the NHS or DWP. Local authorities assess people's needs, arrange care, and pay for much of it. Most social care services are delivered by independent sector home care and residential care providers. These are mainly for-profit organisations, with some voluntary sector organisations also operating in this space. Regardless of who provides it, care is regulated by the Care Quality Commission (CQC), the independent regulator of health and adult social care in England, which registers providers and inspects the quality and safety of their services.⁴³⁵

Eligibility for state-funded social care depends on two separate assessments, both of which are administered by the local authority and must be passed by the claimant. Firstly, the needs assessment assesses whether a person's needs meet the national eligibility threshold set out under the Care Act 2014. Broadly, this judges whether a claimant has care needs arising from a physical or mental impairment that significantly affects their wellbeing.⁴³⁶ Secondly, the means test establishes whether the claimant has the financial means to afford their own care, or whether the state needs to pay for it.

The means test is built around two capital thresholds, which have been frozen in value since 2010. A person with assets above the upper capital limit of £23,250 receives no support from their local authority at all and must fund their own care in full as a 'self-funder'.⁴³⁷ A person with assets below the lower capital limit of £14,250 has their capital disregarded entirely, though they are still expected to contribute from their income.⁴³⁸ Those with assets falling between these limits contribute from their capital on a sliding scale known as 'tariff income', which is set at £1 per week for every £250 of assets held above the lower limit.⁴³⁹

These thresholds catch not only savings and investment but, in the case of permanent residential care, the value of a person's home.⁴⁴⁰ However, this is only the case for those requiring care in a permanent residential setting. Those receiving care in their own home have the value of their home disregarded.⁴⁴¹

There is no limit on the total amount an individual can be required to spend on their care over their lifetime. For example, someone with high needs and modest assets above the threshold can see their savings, and even the value of their home, drawn down almost without end.⁴⁴² A limit to care costs has been legislated for, but has never been brought into force. The Care Act 2014 provided for a cap on lifetime care costs, following the Dilnot Commission's 2011 recommendation of a cap of £35,000. The cap was originally set at £72,000, raised to £86,000 in the 2021 reforms, and cancelled in July 2024.⁴⁴³

Where the state does pay, the individual is not absolved of all contribution. Those in a care home must hand over most of their income towards the cost, retaining a Personal Expenses Allowance of £31.80

435 Care Quality Commission, 'About Us'. Accessed via: gov.uk/government/organisations/care-quality-commission/about. (Accessed 23 June 2026)

436 The Care Act 2014, c.23, Part 1, ss. 9, 13. Accessed via: legislation.gov.uk/ukpga/2014/23/contents. (Accessed 23 June 2026)

437 House of Commons Library (May 2024), 'Paying for adult social care in England', p.10. Accessed via: researchbriefings.files.parliament.uk/documents/SN01911/SN01911.pdf. (Accessed 23 June 2026)

438 House of Commons Library (May 2024), p.10.

439 Ibid.

440 Ibid.; Unless the home remains occupied by a partner, or by a relative who is over the age of 60, is incapacitated, or is a child.

441 Ibid, p.16.

442 House of Commons Library (Jul 2024), 'Introducing a cap on care costs', p.7. Accessed via: researchbriefings.files.parliament.uk/documents/CBP-9315/CBP-9315.pdf. (Accessed 23 June 2026)

443 House of Commons Library (Jul 2024), p.10.

per week.⁴⁴⁴ For those receiving care in other settings, they are left with a Minimum Income Guarantee intended to cover everyday living costs.⁴⁴⁵

Support funded by a local authority can be delivered in two ways. By default, the local authority arranges and commissions the care itself, contracting directly with a provider on the person's behalf. Alternatively, the person (or someone nominated by them) can *request* a 'direct payment': a cash budget with which they arrange their own care, whether by employing a personal assistant or purchasing services from a provider of their choosing. The authority must agree to such a request where the statutory conditions are met — chiefly that the person is capable of managing the payment, with support if needed, and that a direct payment is an appropriate way to meet their needs — though because these conditions turn partly on the authority's own judgement, the route is a qualified entitlement rather than an unconditional choice.⁴⁴⁶

Where a person's needs are judged to be primarily about health rather than daily living, responsibility shifts from the local authority to the NHS under a scheme called 'NHS Continuing Healthcare' (CHC). A person assessed as having a 'primary health need' has the full cost of their care met by the NHS, regardless of their income or assets.⁴⁴⁷ Eligibility is dependent on the nature, intensity, complexity and unpredictability of a person's needs. This is assessed by a multidisciplinary team using a national Decision Support Tool.⁴⁴⁸ For those who fall short of full CHC eligibility but still require nursing, the NHS pays a flat weekly contribution towards the nursing element of their fees, known as NHS-funded Nursing Care (FNC). This is set nationally at £267.68 per week and is paid directly to the nursing home. It is not means-tested, with the resident or their local authority remaining responsible for the rest of the cost.⁴⁴⁹

As of 31 March 2025, 672,000 people were receiving long-term care arranged by local authorities in England, up from 650,000 a year earlier.⁴⁵⁰ Across the year as a whole, some 889,000 people received long-term care at one point or another.⁴⁵¹ These figures only capture care that a council arranges or funds (those who arrange and pay for their own care privately do not appear in them at all), and they sit alongside a much larger volume of enquiries that never become a care package. Councils received just over 2 million requests for support from 1.4 million new clients. 71 per cent of requests (1.44 million) were judged to not need further action and 19 per cent (390,000) referred to short-term support, with only around 6 per cent going on to receive long-term support.⁴⁵²

444 Department of Health and Social Care (Feb 2026), 'Social care – charging for care and support 2026 to 2027: local authority circular'. Accessed via: gov.uk/government/publications/social-care-charging-for-local-authorities-2026-to-2027/social-care-charging-for-care-and-support-2026-to-2027-local-authority-circular. (Accessed 23 June 2026)

445 Department of Health and Social Care (Feb 2026)

446 The Care Act 2014, c.23, Part 1, ss. 31–33.

447 Department of Health and Social Care (Jul 2022), 'National Framework for NHS Continuing Healthcare and NHS-funded Nursing Care', p.8. Accessed via: [National Framework for NHS Continuing Healthcare and NHS-funded Nursing Care - July 2022 \(Revised\) - corrected May 2023](#). (Accessed 23 June 2026)

448 House of Commons Library (Feb 2023), 'NHS continuing healthcare in England', p.16. Accessed via: [SN06128.pdf](#). (Accessed 23 June 2026)

449 NHS (20 May 2024), 'NHS-funded nursing care'. Accessed via: [NHS-funded nursing care - Social care and support guide - NHS](#) (Accessed 23 June 2026)

450 Department of Health and Social Care (Jun 2026), 'Adult social care activity report 2024 to 2025: commentary'. Accessed via: [Adult social care activity report 2024 to 2025: commentary - GOV.UK](#) (Accessed 23 June 2026)

451 Department of Health and Social Care (Jun 2026)

452 Ibid.

Older people are the largest group receiving social care but working-age adults also draw upon substantial amounts of long-term support. Of those receiving long-term care at the year's end, 41 per cent (276,000) were working-age adults aged 18 to 64.⁴⁵³ Local authorities spent £29.4 billion on adult social care in 2024/25 (9 per cent more than in 2023/24), of which £23.6 billion went on long-term care.⁴⁵⁴ Despite the working-age caseload accounting for 41 per cent of all long-term care cases, this cohort accounts for £11.5 billion of spending.⁴⁵⁵ This is because working-age care tends to be more intensive and to last longer. Much working-age care is for adults with learning disabilities, and learning-disability support alone cost £7.7 billion, the single largest cost for long-term spending on working-age adults.⁴⁵⁶

This does not fall exclusively on the public purse. A substantial share is recovered from the people receiving care through the financial means test: client contributions reached £4.7 billion in 2024/25, up 14 per cent in a single year and now a larger source of income than the NHS.⁴⁵⁷ The rest is met from council tax (including the dedicated adult social care precept), central government grant and NHS transfers, bringing overall public spending on adult social care to an estimated £27.8 billion.⁴⁵⁸

3.2.2 Social Housing

Social housing is housing let at below-market rents to people whose needs are not adequately met by the open market. It is allocated according to need rather than ability to pay and is paid in-kind as a rent subsidy. Under the Housing and Regeneration Act 2008, social housing comprises 'low-cost rental accommodation' together with 'low-cost home ownership accommodation', such as shared ownership.⁴⁵⁹

Two kinds of landlord provide social housing. The first are local authorities, which own and manage council housing. The second are housing associations (private, not-for-profit bodies, known formally as private registered providers) which, since large-scale transfers of council house stock from the 1980s onwards, own the largest share of social homes in England.⁴⁶⁰ Both are overseen by the Regulator of Social Housing, which maintains the register of providers and sets the standards on rent, safety, quality, and governance that must be met. Complaints by individual tenants are handled separately by the Housing Ombudsman.⁴⁶¹ Local authority providers are automatically registered and regulated, whereas housing associations join the register to become registered providers.⁴⁶²

Not all social housing is let on the same terms, with the rent that a tenant pays depending on which regime their house falls under. The traditional and most common form is 'social rent', whose level is set by a national formula introduced in 2001 and based on the relative value of a property, local earnings, and the size of the home. In practice, this has typically produced rents at around half of open-market levels.⁴⁶³ Alongside this sits 'Affordable Rent', a regime introduced in 2011 under which providers may charge

453 Ibid.

454 Department of Health and Social Care (Nov 2025), 'Adult social care finance report, England: 2024 to 2025'. Accessed via: [Adult social care finance report, England: 2024 to 2025 - GOV.UK](#). (Accessed 23 June 2026)

455 Department of Health and Social Care (Nov 2025)

456 Ibid.

457 Ibid.

458 Ibid.; This figure is a DHSC measure that adds local authorities' net current expenditure (£24.7 billion) to planned minimum Better Care Fund social-care spending (£3.1 billion).

459 Housing and Regeneration Act 2008, c.17, ss. 68–70. Accessed via: [Housing and Regeneration Act 2008](#) (Accessed 23 June 2026)

460 House of Commons Housing, Communities and Local Government Committee (Jul 2020), 'Building more social housing'. Accessed via: [Building more social housing - Housing, Communities and Local Government Committee - House of Commons](#). (Accessed 23 June 2026)

461 Housing and Regeneration Act 2008, c.17, Part 2 (as amended by the Social Housing (Regulation) Act 2023, c.36)

462 Ibid.

463 Ministry of Housing, Communities and Local Government (Apr 2026), 'Policy statement on rents for social housing'. Accessed via: [Policy statement on rents for social housing - GOV.UK](#). (Accessed 23 June 2026)

up to 80 per cent of the local market rate (inclusive of service charges).⁴⁶⁴ A third, hybrid form (shared ownership) allows a household to buy a share of a home and pay a sub-market rent on the remainder.⁴⁶⁵ Annual rent increases across all these forms are capped by the Regulator under a government direction, currently capped at CPI + 1 per cent.⁴⁶⁶

Local authorities administer social housing. Each local authority runs a housing register and operates an allocation scheme that gives 'reasonable preference' to defined categories of applicant judged to be in the greatest need. This includes those who are homeless or threatened with homelessness, those living in overcrowded or insanitary conditions, and those who need to move on medical or welfare grounds.⁴⁶⁷ Councils retain considerable discretion within this statutory framework. Most operate 'choice-based lettings' (under which applicants bid for advertised properties) and, since the Localism Act 2011, impose local-connection or residency tests that applicants must pass to qualify for the register in the first place. Nominations to housing association properties are made by the local authority within the same legal framework.⁴⁶⁸

On 31 March 2025, 1.34 million households were on local authority waiting lists in England, the highest number since 2014.⁴⁶⁹ Against this stood a far smaller flow of available homes. Of the roughly 4.3 million social rented properties in England, only around 6 per cent are let in any given year. In 2024/25, there were just 263,000 new lettings in total.⁴⁷⁰ Hence, qualifying for social housing is not the same as receiving it: a household accepted onto the register may still wait several years for housing.

As the supply of lettings has fallen, allocations have been concentrated on those in the greatest need. The share of new lettings going to households given priority rose from a third in 2014/15 to over half by 2024/25, with homelessness now the single most common reason for a priority allocation.⁴⁷¹

Social housing remains a large part of the national housing stock: around 4.3 million homes in England, which is roughly 16 per cent of all households.⁴⁷² However, this share has been shrinking for decades, with the sector peaking at around 5.5 million homes in 1981.⁴⁷³ The fall has been steepest in council housing, where local authority stock has dropped from 5.1 million homes in 1981 to around 1.6 million today.⁴⁷⁴ This has been driven by Right to Buy – under which more than 1.9 million council homes have been sold to their tenants since 1980 – and large-scale transfers of remaining stock to housing associations.

The welfare system interacts with social housing in two distinct ways. The first concerns the rent itself. A social home is already a subsidy in kind, let at a sub-market rent. Yet for most tenants that rent is not paid out of their own pocket but met by a second, cash subsidy: either Housing Benefit or the housing element of Universal Credit. Unlike private renters, whose support is capped at the LHA, a social tenant's award is based on their actual eligible rent, so the two subsidies compound.

464 Ministry of Housing, Communities and Local Government (Apr 2026)

465 Ibid.

466 Ibid.

467 Ministry of Housing, Communities and Local Government (Nov 2025), 'Allocation of accommodation: guidance for local housing authorities in England', p. 24. Accessed via: [Allocation of accommodation: guidance for local housing authorities in England](#). (Accessed 23 June 2026)

468 House of Commons Library (Feb 2022), 'Allocating social housing (England)', p.13. Accessed via: [SN06397.pdf](#). (Accessed 23 June 2026)

469 Ministry of Housing, Communities and Local Government (Nov 2025), 'Social housing lettings in England, tenants: April 2024 to March 2025'. Accessed via: [Social housing lettings in England, tenants: April 2024 to March 2025 - GOV.UK](#). (Accessed 23 June 2024)

470 Ministry of Housing, Communities and Local Government (Nov 2025)

471 Ibid.

472 Ibid.

473 Ibid.

474 Ministry of Housing, Communities and Local Government (Nov 2012), 'Live tables on dwelling stock (including vacants): Table 104: by tenure, England (historical series)'. Accessed via: [Live tables on dwelling stock \(including vacants\) - GOV.UK](#). (Accessed: 19 August 2026)

This cover, however, is not complete. The Social Sector Size Criteria (otherwise known as the 'Bedroom Tax') reduces the housing element of a working-age tenant judged to be under-occupying their home by 14 per cent for one spare bedroom and 25 per cent for two or more.⁴⁷⁵ Furthermore, where the benefit cap applies, the household's Universal Credit award is reduced below the level of its assessed needs (including its housing costs) so a tenant can find a sub-market social rent no longer fully covered. In both cases, a shortfall opens between the rent charged and the support received, which the tenant must meet from other income or seek to bridge through a Discretionary Housing Payment. This is a cash-limited, discretionary council top-up that is now part of the Crisis and Resilience Fund.⁴⁷⁶

3.2.3 Free School Meals

Free School Meals (FSM) provide a child with a meal during the school day at no cost to the household. In England, entitlement runs on two separate tracks. All infants (those in reception, Year 1, and Year 2) receive a meal irrespective of household income.⁴⁷⁷ For children in Year 3 and onwards, eligibility is means-tested and passported through benefit receipt.

The main benefit that passports to FSM is Universal Credit. Each meal is funded at £2.66, equivalent to around £505 per pupil across an academic year of 190 meals.⁴⁷⁸ Children with a 'No Recourse to Public Funds' visa condition also qualify, subject to separate income criteria set out in dedicated guidance, as do children whose parents are above the state pension age and in receipt of the guaranteed element of Pension Credit.

Taking all these routes together, approximately 1.6 million children currently claim an FSM through the means-tested system from Year 3 onwards.⁴⁷⁹ Counting the universal infant entitlement alongside the means-tested cohort, the total caseload stands at approximately 2.68 million children, at an annual cost of £1.1 billion.⁴⁸⁰ Additionally, 123,000 children who are eligible for a means-tested FSM are not making use of the benefit, leaving roughly £69 million in support unclaimed.⁴⁸¹

From the start of the 2026/27 academic year, FSM underwent a radical change. The cap that previously prevented those on Universal Credit with more than £7,400 of earned income was removed. Eligibility for FSM was extended to every child in a family on Universal Credit regardless of earnings.⁴⁸² However, the earned income cap still applies for certain support that FSM passports to, such as Free School Transport and the Holiday Activities and Food Programme (covered below).

The DfE estimates that more than 500,000 children would become newly eligible in September 2026.⁴⁸³ The Institute for Fiscal Studies calculates that, in the long run and once existing transitional protections

475 Shelter, 'Size-related criteria for universal credit housing costs element'. Accessed via: england.shelter.org.uk/professional_resources/legal/benefits/universal_credit/size-related_criteria_for_universal_credit_housing_costs_element#bedroom-entitlement. (Accessed 13 July 2026)

476 Shelter, 'Housing payments from your council to help with rent'. Accessed via: england.shelter.org.uk/housing_advice/benefits/discretionary_housing_payments_dhp. (Accessed 13 July 2026)

477 House of Commons Library (Oct 2025), 'Free school meals in England'. Accessed via: commonslibrary.parliament.uk/research-briefings/cbp-10677. (Accessed 24 June 2026)

478 Department for Education (Jun 2026), 'Universal infant free school meals (UIFSM): conditions of grant 2026 to 2027'. Accessed via: [Universal infant free school meals \(UIFSM\): conditions of grant 2026 to 2027 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/106777/universal_infant_free_school_meals_ui fsm_conditions_of_grant_2026_to_2027.pdf). (Accessed: 20 August 2026)

479 Ibid.

480 Ibid, p.18.

481 Policy in Practice (Sep 2025), p.6.

482 Elsom, C. (Feb 2026), p.23.

483 Department for Education (May 2026), 'Estimate of additional children claiming Free School Meals following expansion of eligibility'. Accessed via: explore-education-statistics.service.gov.uk/find-statistics/estimate-of-additional-children-claiming-free-school-meals-following-expansion-of-eligibility/2026. (Accessed: 20 August 2026)

wash out of the system, around 1.7 million children between Year 3 and Year 11 should benefit, at a steady-state cost of around £1 billion per year.⁴⁸⁴

3.2.4 Free School Transport

Free home-to-school transport is a statutory entitlement administered by Local Authorities. The universal baseline entitlement, applying to all children regardless of income, covers travel where the nearest suitable school is beyond a set walking distance. For children aged five to seven, this covers distances over two miles, and for those aged eight to sixteen, distances over three miles are covered.

Children in receipt of FSM and whose parents earn less than the old £7,400 income cap have wider qualifying conditions.⁴⁸⁵ The threshold falls to two miles for eight- to eleven-year-olds, and for children aged eleven to sixteen, free transport becomes available for distances two to six miles away (if it is among the three nearest suitable schools) or two to fifteen miles away (if chosen on grounds of religion or belief).

The cohort qualifying for free school transport through the FSM-passported extended right is small relative to the wider transport bill. A DfE data-collection exercise in February 2025 found that 7 per cent of pupils receiving free home-to-school transport qualified via this extended right (some 36,400 pupils).⁴⁸⁶ For 2024/25, local authorities were allocated just over £52 million to fund this extended right, a figure that has risen by almost 30 per cent in four years.⁴⁸⁷ The FSM expansion will not, however, widen entitlement to free transport. The extended-rights element will remain tied to the existing £7,400 threshold, not the new Universal Credit-wide FSM criterion.

3.2.5 Holiday Activities and Food Programme

The Holiday Activities and Food Programme (HAF) provides free activities and meals at holiday clubs during the school holidays. It is funded by the DfE and administered through local authorities. It is passported through FSM, again retaining the old £7,400 net earned-income threshold. However, councils are encouraged to spend up to 15 per cent of their funding on places for non-eligible children they judge could benefit, such as those with low school attendance.⁴⁸⁸ Providers are expected to follow a 4x4x4 model: at least four hours per day, four days per week, for four weeks of the summer holiday.

In the summer of 2024, around 624,000 children took up HAF places, and the DfE estimates that the programme saves parents over £300 per year.⁴⁸⁹ In reality, the true market value of an equivalent place is likely higher. In 2025, approximately 628,000 children made use of HAF at an annual cost of roughly £214 million.⁴⁹⁰

When HAF became a national programme in 2021, it was backed by around £220 million a year. The most recent settlement, announced in 2025, earmarked only £600 million for the next three years, with almost £214 million expected to be allocated in 2026/2027.⁴⁹¹ As with other FSM-passported schemes,

484 Institute for Fiscal Studies (Jun 2025), 'Benefits – and costs – of expanding access to free school meals will grow over time'. Accessed via: [Benefits - and costs - of expanding access to free school meals will grow over time | Institute for Fiscal Studies](#). (Accessed 20 August 2026)

485 GOV.UK, 'Free school transport'. Accessed via: [Free school transport - GOV.UK](#) (Accessed 24 June 2026)

486 Elsom, C. (Feb 2026), p.28.

487 Ibid.

488 Ibid., p.29.

489 Ibid.

490 Ibid.

491 Ibid.

the government has confirmed that children made newly eligible by the removal of the FSM earnings threshold will not gain access to HAF in the next school year.

3.2.6 Vulnerable Students Bursary

The Vulnerable Students Bursary (VSB) is a cash payment for young people aged 16 to 19 in non-advanced education in England, delivered through the wider 16–19 Bursary Fund.⁴⁹² Eligibility is restricted to a defined group of vulnerable students: those in care, care leavers, those receiving Income Support and or Universal Credit in their own right, and those receiving DLA or PIP in their own right alongside ESA or Universal Credit.⁴⁹³ Up to £1,200 a year is available, with guidance emphasising that funding must reflect students' actual assessed costs, evidenced for audit.⁴⁹⁴ This £1,200 maximum was set when the VSB replaced the Education Maintenance Allowance in 2011. It has not been uprated since.⁴⁹⁵ In 2024/25, awards averaging £720 went to around 23,700 students, at a cost of just over £17 million.⁴⁹⁶

3.2.7 Extra Support Childcare

Extra Support Childcare provides an additional 15 hours a week of term-time funded childcare for two-year-olds in England who would otherwise have no funded entitlement. It is passported through Universal Credit, but through its own distinct test: a family qualifies where earned income is below £15,400 per year.⁴⁹⁷ This deliberately includes parents who are not working, as it is set below typical full-time earnings. It is also available without any income cap to two-year-olds who are in care, have an EHCP, or receive DLA.⁴⁹⁸

In 2025, just under 93,000 families on Universal Credit or legacy benefits were receiving the Extra Support Childcare, at an average subsidy of just under £6,000 per child – a total annual cost of roughly £544 million.⁴⁹⁹ Only around 65 per cent of eligible families take up the offer, and a 2023 study by Nesta found that, even among those who did take a place, attendance ran about 6 per cent below that of fee-paying children, with almost a quarter attending for less than 70 per cent of their scheduled hours.⁵⁰⁰

3.2.8 Help with Health Costs

NHS Help with Health Costs is not a single scheme but a family of exemptions and discounts covering prescriptions, dentistry, eye tests, glasses, certain travel costs, and other medical items. These all run off a common eligibility regime. For working-age claimants, there are two passported routes. The first is an automatic exemption for Universal Credit claimants whose earned income in their most recent monthly assessment period was £435 or less (or below £935 if they receive the child or health element).⁵⁰¹ At the 2026/27 National Living Wage of £12.71, the £435 threshold equates to roughly 8 hours' work per week, and the £935 threshold to roughly 17. The second is the separate NHS Low Income Scheme, open to low-income adults regardless of benefit status. After an income and savings assessment (with savings

492 Department for Education (May 2026), '16 to 19 Bursary Fund guide: 2025 to 2026'. Accessed via: gov.uk/government/publications/16-to-19-bursary-fund-guidance/16-to-19-bursary-fund-guide-2025-to-2026. (Accessed 24 June 2026)

493 Department for Education, (May 2026)

494 Elsom, C. (Feb 2026), p.30.

495 Ibid.

496 Ibid.

497 Ibid., p.32.

498 Ibid.

499 Ibid., p.32.

500 Ibid.

501 Ibid., pp.32–33.

capped at £16,000), a HC2 (full help) or HC3 (partial help) is granted. In 2024/25, around 154,000 HC2 and 87,900 HC3 certificates were issued.⁵⁰² The same Universal Credit-or-HC2 test governs each component, so a single qualifying claimant is exempt across the board.

The two components large enough to cost reliably are prescriptions and dentistry. In England, NHS prescriptions carry a £9.90 charge per item, but most items are dispensed free. In spending terms, 96 per cent of the total cost of prescribed items (around 90 per cent of items by volume) is exempted, so charges are the exception rather than the rule.⁵⁰³ In 2024/25, just under 123 million items were dispensed under a Universal Credit exemption.⁵⁰⁴ Free NHS dentistry is more heavily subsidised than prescriptions. Standard patients pay between £27.90 (Band 1) and £332.10 (Band 3) per course of treatment. Universal Credit- and legacy-exempt patients received 3.7 million courses of dental treatment in 2024/25, costing £302 million.⁵⁰⁵

3.2.9 Sure Start Maternity Grant

The Sure Start Maternity Grant (SSMG) is a one-off, tax-free payment of £500 to help with the costs of a new baby. It is available in England, Wales and Northern Ireland to families on Universal Credit or another qualifying benefit. It is restricted to the first child (with exemptions for certain families arriving from Afghanistan and Ukraine, and where a multiple birth adds to an existing family) and can be claimed from 11 weeks before the due date until six months after birth.⁵⁰⁶

Eligibility is passported through Universal Credit receipt rather than through a separate earnings test. The grant is still administered by paper form, requiring third-party evidence of the pregnancy or birth from a health professional. This can depress take-up and makes it costly to administer relative to the size of the award. In 2024/25, the most recent data available, SSMG expenditure was £25 million, up from £23.7 million the previous year.⁵⁰⁷ The £500 award has not risen since 2002, so in real terms it now meets a considerably smaller share of the upfront costs of a new baby than it did at introduction.

3.2.10 Healthy Start

Healthy Start provides a pre-paid payment card to help pregnant women and families with young children to buy basic foods. It is available to Universal Credit claimants with earned income below £408 per month (£4,896 per year), from ten weeks of pregnancy until a child turns four.⁵⁰⁸ A card is loaded with £4.65 per week (£242 per year) from the 10th week of pregnancy, increasing to £9.30 (£484 per year) between birth and the child turning 1, before dropping back down to £4.65 between 1 and 4 years old.⁵⁰⁹ Recipients can also obtain free Healthy Start vitamins through NHS and local authority providers. Although the card is intended for milk, infant formula, fruit and vegetables, it functions as an ordinary pre-paid Mastercard usable wherever the scheme is accepted, with no check at the till on what is actually bought.⁵¹⁰

502 Ibid., p.37.

503 Ibid., p.34.

504 Ibid.

505 NHS (Mar 2025), 'How much NHS dental treatment costs'. Accessed via: [How much NHS dental treatment costs - NHS](#). (Accessed: 20 August 2026)

506 Elsom, C. (Feb 2026), pp.36–37

507 Department for Work and Pensions (Dec 2025), 'Social Fund Account 2024–2025', p.8. Accessed via: [assets.publishing.service.gov.uk/media/694145631d8a56d-23b7f0aa5/social-fund-account-2024-to-2025.pdf](#). (Accessed 24 June 2026)

508 NHS, 'Get help to buy food and milk (the Healthy Start scheme)'. Accessed via: [healthystart.nhs.uk](#). (Accessed 24 June 2026)

509 NHS, 'Your payments and how to shop'. Accessed via: [healthystart.nhs.uk/what-youll-get-and-how-to-shop](#). (Accessed 24 June 2026)

510 NHS, 'Healthy Start scheme rules'. Accessed via: [healthystart.nhs.uk](#). (Accessed 24 June 2026)

The most recent published figures show that the scheme cost around £86 million per year and served 354,720 claimants in December 2025.⁵¹¹ Take-up is a persistent weakness. In the last month for which reliable data exists, it stood at 62 per cent, well below the government's 75 per cent target. As with the NHS health exemptions, the monthly earnings test creates a steep cliff-edge for working families. 56 per cent of working Universal Credit households with children have earnings consistently below the £408 threshold, but 43 per cent lose eligibility at least once a year when earnings rise above it in an assessment period.⁵¹² While there is an eight-week grace period which cushions a single rise, those with seasonal or fluctuating earnings must reapply each time.

3.2.11 Warm Home Discount

The Warm Home Discount (WHD) is an annual £150 rebate applied to a low-income or vulnerable household's electricity bill over the winter.⁵¹³ Unlike most schemes in this section, WHD is not funded by the Exchequer. Rather, energy suppliers administer it under Ofgem regulation and recoup the cost from the bills of their customers, meaning the burden falls on billpayers rather than on general taxation.⁵¹⁴

Eligibility runs through two groups. Core Group 1 covers pensioners receiving the Guarantee Credit element of Pension Credit. Core Group 2 covers working-age and other households receiving a qualifying means-tested benefit: Universal Credit, Housing Benefit, income-related ESA, income-based JSA, Income Support, or the Savings Credit element of Pension Credit.⁵¹⁵ For the overwhelming majority of recipients the rebate is automatic, applied through data-matching between the Department and energy suppliers. Only around 4 per cent obtain it by contacting the WHD helpline.⁵¹⁶

Until 2024/25, Core Group 2 reached only those households on a qualifying benefit who also lived in a home judged hard to heat. From 2025/26, that 'high cost to heat' property test was abolished, so that any household on a qualifying means-tested benefit now qualifies regardless of the energy profile of its home.⁵¹⁷ As a result, WHD delivered Core group rebates to 5.52 million households in Great Britain, an increase of around 2.3 million households (71 per cent) on the previous year. The rise was concentrated almost entirely in the newly broadened Core Group 2.⁵¹⁸ Spending on those rebates rose accordingly to £827.6 million, an increase of around £344.2 million year on year.⁵¹⁹

511 Elsom, C. (Feb 2026), pp.38–39.; A data error since January 2023 means current take-up figures are not being published.

512 Ibid., p.39.

513 House of Commons Library (Nov 2025), 'The Warm Home Discount (WHD)'. Accessed via: commonslibrary.parliament.uk/research-briefings/cbp-10366. (Accessed 24 June 2026)

514 House of Commons Library (Nov 2025)

515 Department for Energy Security and Net Zero (Jun 2026), 'Warm Home Discount statistics, 2025 to 2026'. Accessed via: gov.uk/government/statistics/warm-home-discount-statistics-2025-to-2026/warm-home-discount-statistics-2025-to-2026. (Accessed 24 Jun 2026)

516 Department for Energy Security and Net Zero (Jun 2026)

517 Ibid.

518 Ibid.

519 Ibid.

3.2.12 Energy Company Obligation

The Energy Company Obligation (ECO) funds physical energy-efficiency improvements to a household's home. Like the WHD, it is funded by a legal obligation placed on larger energy suppliers who must deliver qualifying measures to low-income, fuel-poor, and vulnerable households, recouping the cost from their wider customer base. The current phase, ECO4, began in April 2022 and was originally due to end in March 2026. Following a January 2026 consultation response it was extended by nine months to 31 December 2026, after which no successor supplier obligation is planned.⁵²⁰ There is no set award: suppliers decide which measures to fund and at what level, with households occasionally being asked to contribute.⁵²¹

Eligibility is more restrictive than a simple benefit passport. A household must both receive a qualifying benefit (Universal Credit being the main one) and live in a property with a poor energy-efficiency rating (Energy Performance Certificate band D to G), since the scheme is targeted at the least efficient homes.⁵²² A separate 'ECO4 Flex' route allows local authorities and the devolved administrations to refer low-income or vulnerable households who do not receive the qualifying benefits but would still benefit from the improvements.⁵²³

This dual conditionality makes ECO a comparatively small-volume scheme with a high per-household value. Onward estimates that around 18,500 households received it at an average measure value of roughly £19,700, with total expenditure reaching £366 million.⁵²⁴

3.2.13 Cold Weather Payments

Cold Weather Payments (CWP) are an automatic £25 payment made to certain benefit recipients for each seven-day spell of freezing weather, intended to help with heating costs during cold snaps.⁵²⁵ A payment is triggered whenever the average temperature recorded or forecast at a household's local weather station is zero degrees Celsius or below for seven consecutive days between 1 November and 31 March, with no limit on how many can be triggered in a winter.⁵²⁶

Eligibility is passported through benefit receipt. Recipients of Pension Credit, income-based JSA, income-related ESA, Income Support, or Universal Credit qualify. For working-age Universal Credit claimants, the payment is restricted to those who are not employed or self-employed and who have limited capability for work, a child under five, or a disabled child.⁵²⁷ No claim is needed, as payments are issued automatically into the bank account through which the qualifying benefit is paid.

The scheme's expenditure swings wildly from one winter to the next, owing to the fact that the number of payments and their total cost depend entirely upon the weather. The DWP does not count the payments it makes, instead estimating the number of eligible recipients at the start of each season and deriving expenditure at the fixed £25 rate.⁵²⁸ The audited Social Fund accounts show the effect: total CWP expenditure was £36 million in 2024/25, up from £30 million in 2023/24. The Department attributes this rise to a colder winter with more qualifying cold spells.⁵²⁹ Any single year's cost is therefore best read as a function of that winter's temperatures rather than as a stable annual commitment.

520 Department for Energy Security and Net Zero (Jan 2026), 'Consultation outcome: Extending the ECO4 end date: government response'. Accessed via: [Extending the ECO4 end date: government response \(HTML\) - GOV.UK](#). (Accessed: 19 August 2026)

521 Ofgem, 'Energy Company Obligation (ECO)'. Accessed via: [ofgem.gov.uk/environmental-and-social-schemes/energy-company-obligation-eco](#). (Accessed 24 June 2026)

522 Ibid.

523 Ibid.

524 Elsom, C. (Feb 2026), p.18.; A data error since January 2023 means current take-up figures are not being published.

525 Department for Work and Pensions (Apr 2026), 'Background and methodology: Cold Weather Payment estimates 2025 to 2026'. Accessed via: [gov.uk/government/statistics/cold-weather-payment-estimates-2025-to-2026/background-and-methodology-cold-weather-payment-estimates-2025-to-2026](#). (Accessed 24 June 2026)

526 DWP (Apr 2026)

527 Ibid.

528 Ibid.

529 DWP (Dec 2025), p.8.

3.2.14 Water Support

Support with water bills is not delivered by government, but by regional water companies. Each company operates its own help under a common regulatory framework and funds it through a small cross-subsidy levied on its other customers' bills.

There are two main forms of water support. The first is WaterSure, which functions as a statutory bill cap. Here, a metered household receiving a qualifying means-tested benefit, and with high essential water use (either because someone has a medical condition requiring substantial water use, or because three or more children under 19 live in the household), has its combined water and sewage bill capped at the company's average household bill, regardless of how much it actually uses.⁵³⁰ According to the government, in 2024/25 around 260,000 households benefited from WaterSure, saving an average of £325 each.⁵³¹

WaterSure is undergoing a substantial expansion. In early 2027, three further benefits (Attendance Allowance, DLA, and PIP) will become qualifying routes, bringing an estimated 53,000 more high water-using households into scope. Furthermore, the cap is being recalculated. Around 53,000 single-person households will save roughly £100 each as their cap is set to a one-person average, and about 130,000 multi-occupant households will save around £26 each from the use of the lowest available average bill.⁵³²

Water companies also offer broader social tariffs. These are discretionary low-income schemes that sit alongside WaterSure and typically cut bills by a set percentage for households below an income threshold.⁵³³ For example, United Utilities gives eligible, low-income customers a fixed annual £50 discount on water charges.⁵³⁴ Here, the defining feature is inconsistency. Eligibility, income limits and discount levels are set by each company, inserting a 'postcode lottery' element to support.⁵³⁵

3.2.15 Broadband social tariffs

Broadband social tariffs are discounted internet packages for people on means-tested benefits, typically offering superfast speeds at a reduced monthly price with no setup fee, mid-contract price rise, or early-exit charge. The government neither runs, funds, nor mandates them – there is no statutory entitlement and no regulated price. Instead, Ofcom takes a deliberately persuasive rather than regulatory approach, encouraging providers to offer a tariff. As a result, availability, pricing and qualifying benefits all vary from one company to another.⁵³⁶

Most providers require receipt of a qualifying, means-tested benefit, though some extend eligibility to disability benefits such as PIP. Since 2022, a data-sharing partnership with the DWP enables providers to verify a claimant's eligibility instantly. Prices range from around £10 to £24 per month.⁵³⁷ Onward estimates that, by June 2024, total expenditure on broadband social tariffs was around £101 million.⁵³⁸

530 Citizens Advice (Feb 2020), 'WaterSure scheme — help with paying water bills'. Accessed via: citizensadvice.org.uk/consumer/water/problems-with-paying-your-water-bill/watersure-scheme-help-with-paying-water-bills. (Accessed 24 June 2026).; and Consumer Council for Water, 'Help with bills'. Accessed via: ccw.org.uk/save-money-and-water/help-with-bills/. (Accessed 24 June 2026)

531 Department for Environment, Food and Rural Affairs; Hardy MP, Emma (Mar 2026), 'Reduced bills for around 300,000 households in WaterSure reform'. Accessed via: gov.uk/government/news/reduced-bills-for-around-300000-households-in-watersure-reform. (Accessed 24 June 2026)

532 Department for Environment, Food and Rural Affairs; Hardy MP, Emma (Mar 2026).

533 Consumer Council for Water, 'Help with bills'. Accessed via: ccw.org.uk/save-money-and-water/help-with-bills. (Accessed 24 June 2026)

534 United Utilities, 'Low income water discount'. Accessed via: unitedutilities.com/my-account/your-bill/difficulty-paying-your-bill/how-we-can-help/low-income-water-discount. (Accessed 10 July 2026)

535 United Utilities.

536 Ofcom (Jun 2026), 'Social tariffs: Cheaper broadband and phone packages. Accessed via: ofcom.org.uk/phones-and-broadband/saving-money/social-tariffs. (Accessed 24 June 2026)

537 Ofcom (Jun 2026)

538 Onward (Feb 2026), p.

The scheme suffers from chronically low take-up. Ofcom estimates that around 6.2 million households are eligible, but as of June 2025 only about 532,000 were signed up to a social broadband or mobile tariff (roughly 8.6 per cent of those who could benefit).⁵³⁹ Awareness is the principal barrier to take-up, with Ofcom finding that as many as 69 per cent of benefit claimants are unaware the tariffs exist at all.

3.2.16 Legal aid

Legal aid funds legal advice and representation for those who cannot afford it. It is available only for certain categories of cases, and only to those who pass a means test. Receipt of a qualifying benefit can automatically satisfy this.

For civil legal aid, the test sets a gross income limit of £2,657 per month, a disposable income limit of £733 per month, and a capital limit of £8,000.⁵⁴⁰ Universal Credit and the Guarantee Credit element of Pension Credit act as a passport through both income tests.⁵⁴¹ However, even these passporting benefits are not total: a passported claimant must satisfy the £8,000 capital limit, so benefit receipt alone does not necessarily guarantee eligibility.⁵⁴² Criminal legal aid is assessed separately, with eligibility in the magistrates' courts turning on adjusted income thresholds of £12,475 and £22,325 rather than the civil limits.⁵⁴³

Universal Credit confers automatic passage through the civil income test, regardless of the size of the Universal Credit award.⁵⁴⁴ Universal Credit entitlement now reaches some way up the earnings distribution, meaning a claimant can be passported straight through to full civil legal aid even where their earnings would otherwise exceed the £2,657 limit.

Onward estimates that legal aid passported through benefit receipt costs around £472 million a year and reaches some 145,000 cases.⁵⁴⁵ A reformed means test was announced in 2023 but its implementation has been repeatedly delayed. The government has confirmed it intends to keep passporting all Universal Credit recipients through the income assessment for criminal legal aid, but only require those with household earnings above £500 per month to go through an income assessment for civil legal aid.⁵⁴⁶

3.2.17 Court fee remission

Most civil and family proceedings carry a fee, ranging from £35 to issue a small claim to several hundred pounds for larger claims and hearings. For those who cannot afford it, it is possible to apply for court fees to be waived or reduced under the 'Help with Fees' scheme.⁵⁴⁷

Eligibility runs through two tests. An applicant must pass both an income test and a capital test. The savings limit varies by fee size: under £4,250 for fees up to £1,420, rising to £16,000 for the largest fees. Receipt of a qualifying benefit can satisfy the income test automatically. However, for Universal Credit

539 Ofcom (Feb 2026), 'Pricing and consumer engagement: Trends in the UK communications sector', p.8. Accessed via: ofcom.org.uk/siteassets/resources/documents/research-and-data/multi-sector/pricing/2025/pricing-and-consumer-engagement-report.pdf?v=413104. (Accessed 25 June 2026).

540 Legal Aid Agency (Apr 2026), 'Civil legal aid: means testing'. Accessed via: gov.uk/guidance/civil-legal-aid-means-testing. (Accessed 25 June 2026)

541 Legal Aid Agency (Apr 2026)

542 Ibid.

543 Ministry of Justice, 'Annex C: The Current Legal Aid Financial Eligibility Rules – Summary'. Accessed via: consult.justice.gov.uk/digital-communications/legal-aid-eligibility-and-universal-credit/supporting_documents/annexcsummaryofcurrentlegalaiddfinancialeligibilityrules.pdf. (Accessed 25 June 2026)

544 Legal Aid Agency (Apr 2026), 'Keycard 62: General Information', p.2. Accessed via: [Eligibility Keycard](#). (Accessed 3 August 2026)

545 Elsom, C. (Feb 2026), p.50.; A data error since January 2023 means current take-up figures are not being published.

546 Ministry of Justice (May 2023), 'Legal Aid Means Test Review'. Accessed via: gov.uk/government/consultations/legal-aid-means-test-review/legal-aid-means-test-review. (Accessed 25 June 2026)

547 HM Courts and Tribunal Services (Jan 2026), 'How to apply for help with fees: EX160A'. Accessed via: gov.uk/government/publications/how-to-apply-for-help-with-a-court-or-tribunal-fee-ex160a/how-to-apply-for-help-with-fees-ex160a. (Accessed 25 June 2026)

claimants, the passport is conditional, only applying where the claimant's earnings from work are below roughly £6,000 per year. Income-based JSA, income-related ESA, Income Support, and the Guarantee Element of Pension Credit passport without this earnings condition.⁵⁴⁸ However, the capital test does still apply, so benefit receipt alone is not always enough.

For those not passported, eligibility turns on gross monthly income. It operates in two tiers: full remission and partial remission. Full remission requires a monthly income below £1,420 for a single applicant or £2,130 for a couple, with allowances added for each child. Partial remission (wherein the applicant pays a contribution and the rest is waived) extends to incomes of £4,420 for a single applicant or £5,130 for a couple.⁵⁴⁹ Recent estimates put court fee remission costs at around £81 million per year, with remission granted in some 122,500 cases.⁵⁵⁰

3.2.18 Funeral Expenses Payment

The Funeral Expenses Payment helps people on a low income meet the cost of a funeral they are responsible for arranging. It is split into two parts: it covers the necessary costs of burial and cremation in full and without limits and contributes up to a capped sum of £1,000 towards all other funeral expenses, such as the funeral director's fees, a coffin, or the service.⁵⁵¹

Eligibility is passported through benefit receipt, with no separate income or savings test on the claimant. A person qualifies if they or their partner receive a qualifying benefit, principally Universal Credit or Pension Credit (the list also covers Housing Benefit and, until their closure in mid-2026, the legacy income-related benefits).⁵⁵² In place of a means test, the scheme applies a relationship test: the Department must accept that it is reasonable for the applicant to bear the cost, and a claim can be refused if a relative who is equally or more closely connected to the deceased is not themselves on a qualifying benefit.⁵⁵³ Any payment is recoverable from the estate of the person who has died.

In 2024/25, the scheme cost £49.74 million.⁵⁵⁴ The inherent weakness of this benefit is the frozen £1,000 cap on other costs, which has not been uprated since 2020 despite the average cost of a funeral rising substantially. Hence, the payment now only covers a fraction of a typical bill, with the shortfall falling on the bereaved. The limits of the scheme are also visible in how little is recovered: of the payments made in 2024/25, the Department recovered just £0.7 million from estates and wrote off £46.82 million of funeral-payment debt, overwhelmingly because the deceased left no estate to recover from.⁵⁵⁵

3.2.19 Help to Save

Help to Save is a savings scheme for people on a low income in work, designed to help them build a financial buffer. Account-holders can pay in up to £50 per month for four years and receive a tax-free government bonus of 50 per cent on what they save. The first bonus is paid after two years, and a second after four, which is together worth up to £1,200 if the claimant saves the maximum of £50 per month.⁵⁵⁶

548 HM Courts and Tribunal Services (Jan 2026)

549 Ibid.

550 Elsom, C. (Feb 2026), p.18.; A data error since January 2023 means current take-up figures are not being published.

551 GOV.UK, 'Get help with funeral costs (Funeral Expenses Payment)'. Accessed via: gov.uk/funeral-payments. (Accessed 25 June 2026)

552 GOV.UK, 'Get help with funeral costs (Funeral Expenses Payment)'.

553 Ibid.

554 DWP (Dec 2025), p.22.

555 Ibid., p.27.

556 GOV.UK, 'Get help with savings if you're on a low income (Help to Save)'. Accessed via: gov.uk/get-help-savings-low-income. (Accessed 25 June 2026)

Eligibility is passported through Universal Credit, and a claimant becomes eligible after having earned at least £1 in their most recent monthly assessment period. Once an account is open it runs for its full four years regardless of any later change in circumstances. However, the savings that Help to Save actively encourages are treated as capital for Universal Credit, so a saver whose total capital passes £6,000 would see their Universal Credit award reduced.⁵⁵⁷

3.2.20 Flexible Support Fund

Rather than an entitlement triggered by benefit receipt, the Flexible Support Fund (FSF) is a discretionary pot of money held at each Jobcentre and handed out by work coaches to help claimants overcome practical barriers to work. This can include covering the cost of interview clothing, travel to an interview, a training course, or the first month of childcare before Universal Credit can reimburse it.⁵⁵⁸ These awards are grants and need not be repaid. There is no application: a work coach decides, case by case, and may decline a request even where it appears to qualify. Eligibility is loosely drawn around those receiving Jobcentre support on a qualifying benefit and is tied to a claimant's conditionality regime rather than to any income threshold. There is no set award, and the fund cannot be used to replace ordinary benefit payments or cover routine living costs.⁵⁵⁹

3.2.21 Crisis & Resilience Fund

The Crisis & Resilience Fund (CRF), launched in April 2026, is a grant from the DWP to local authorities in England who design and run their own schemes (within central guidance) to support low-income households hit by a financial shock and to fund services that build long-term financial resilience.⁵⁶⁰ It replaces and consolidates two predecessors (Household Support Fund and Discretionary Housing Payments) into a single grant. The funding for CRF is multi-year, set at around £1 billion per year and confirmed to run through to March 2029.⁵⁶¹

Eligibility is set locally and is deliberately broad: households on Universal Credit, DLA or other qualifying benefits are typically eligible, but crisis payments are not confined to benefit recipients. In fact, several councils extend support to low-income working households not on benefits.⁵⁶² Help is usually unlocked through a demonstrable crisis rather than a fixed income threshold, with guidance directing councils to pay 'cash first' so that recipients can meet whatever need is most pressing.

557 Low Incomes Tax Reform Group (Apr 2026), 'Help-to-save'. Accessed via: litrg.org.uk/savings-property/tax-savings-and-investments/help-save. (Accessed 25 June 2026)

558 Jobcentre Plus Offices (Jun 2026), 'Flexible Support Fund: What It Covers and How to Apply in 2026'. Accessed via: jobcentreplusoffices.co.uk/jobseekers/financial-support/flexible-support-fund-2026. (Accessed 25 June 2026)

559 Department for Work and Pensions (2025), 'Flexible Support Fund: Guidance, Version 32.0'. Accessed via: data.parliament.uk/DepositedPapers/Files/DEP2025-0364/069_Flexible_Support_Fund-Guidance_V32.0.pdf. (Accessed 25 June 2026)

560 Department for Work and Pensions (Apr 2026), 'Crisis and Resilience Fund: Guidance for local authorities in England (1 April 2026 to 31 March 2029)'. Accessed via: gov.uk/government/publications/crisis-and-resilience-fund-guidance-for-local-authorities-in-england-1-april-2026-to-31-march-2029/the-crisis-and-resilience-fund-guidance-for-local-authorities-in-england-1-april-2026-to-31-march-2029. (Accessed 25 June 2026)

561 DWP (Apr 2026)

562 Shropshire Council, 'Crisis and Resilience Fund'. Accessed via: next.shropshire.gov.uk/cost-of-living-help/crisis-and-resilience-fund. (Accessed 25 June 2026)

PART 2:

Broken Britain

"[Social security] is one part only of an attack upon five giant evils: upon the physical Want with which it is directly concerned, upon Disease which often causes that Want and brings many other troubles in its train, upon Ignorance which no democracy can afford among its citizens, upon the Squalor which arises mainly through haphazard distribution of industry and population, and upon the Idleness which destroys wealth and corrupts men, whether they are well fed or not, when they are idle."

W.H. Beveridge, *'Social insurance and allied services'*

"There is no Wealth but Life. Life, including all its powers of love, of joy, and of admiration. That country is the richest which nourishes the greatest number of noble and happy human beings; that man is richest who, having perfected the functions of his own life to the utmost, has also the widest helpful influence, both personal and by means of his possessions, over the lives of others."

John Ruskin, *'Unto This Last'*

"Something has gone wrong with the basic, social fabric of life."

Big Listen East Midlands participant

Chapter 4:

Clarifying objectives

Welfare cannot do everything, all the time. It is both constrained by its available resources and limited by the trade-offs between different objectives. If we are to assess the current welfare system and design a better one, we must be explicit about the objectives we wish to prioritise and why.

Our fundamental belief is that welfare is one *means* to an *end*, not the *end* itself. That is, we believe that welfare exists to help free people from poverty. Poverty, however, is not just caused by a lack of resources but by drivers including worklessness, family breakdown, addiction, educational failure, and severe personal debt. A welfare system that boosts claimants' benefit income but leaves them on these pathways will never sustainably solve poverty.

The reverse of the pathways, moreover, is not just *freedom from* poverty, but *freedom to* flourish. The very basis for the birth of the British welfare state was the belief that poverty is a barrier to 'real freedom': the freedom to realise fully one's capacities. The reverse of the pathways both protects against poverty and helps individuals realise those capacities.

Work is more than a wage. It increases wellbeing, gives us purpose, and is the most tangible way we contribute to and participate in society. Family stability is valuable not only because it improves the health and wealth of both parents and children, but because it requires us to live altruistically, placing the needs of others first. Saving creates a buffer against income shocks, fosters prudence, and gives savers a direct, financial stake in society.

The CSJ's objectives are to create a benefits system that, while supporting those unable to support themselves, roots out poverty by (1) reducing worklessness, (2) supporting family stability, and (3) encouraging saving. These are, fundamentally, the same objectives that we aimed at when designing Universal Credit in 2009.⁵⁶³ *Welfare 2030*, therefore, assesses where Universal Credit has either achieved or fallen short of these objectives, as well as how the rest of the benefits system and the wider welfare state succeed and fail at them.

4.1 First principles

It has recently become fashionable to claim that welfare is a human right. The second principle in the Social Security (Scotland) Act 2018, for example, states 'social security is itself a human right and essential to the realisation of other human rights.'⁵⁶⁴ In a poll run by Opinium on behalf of the CSJ, 33 per cent of respondents agreed with the statement 'welfare is a human right' to a great extent.⁵⁶⁵

This idea can be traced back to the Idealism of late-Victorian Britain, particularly the thought of Thomas Hill Green. Green and the British Idealists that followed him emphasised the importance of individuals'

⁵⁶³ CSJ (Sep 2009), p. 45.

⁵⁶⁴ Social Security (Scotland) Act 2018, asp.9, s.1. Accessed via: [Social Security \(Scotland\) Act 2018](#) (Accessed: 20 January 2026)

⁵⁶⁵ Polling conducted by Opinium of 2,054 nationally representative adults between 25 and 27 March 2026.

moral self-development, arguing that society required not just ‘juridical freedom’ – freedom from coercion – but ‘real freedom’ – freedom to act and develop morally. Poverty is a barrier to the latter, implying society had a moral duty to clear such barriers so long as intervention did not itself undermine individuals’ ‘real freedom’.⁵⁶⁶

As the welfare state developed over the twentieth century, this duty increasingly came to be seen as the purview of the state. By the 1950s, another Thomas, Thomas Humphrey Marshall, could set social rights alongside political and civil rights, where social rights were ‘the whole range from the right to a modicum of economic welfare and security to the right... to live the life of a civilized being according to the standards prevailing in the society.’⁵⁶⁷ A moral duty to clear the barriers to ‘real freedom’ had evolved into a right that could be claimed against the state.

It is notable, however, that the duty, or right, elaborated by Green and Marshall was not simply a right to welfare, but a right to freedom from poverty. This is a subtle but essential distinction. The latter sets welfare as a *means* to an *end* – i.e., freedom from poverty – not the *end* itself. The former does not require welfare to be in any way beneficial to the people using it. Welfare’s only purpose is then to exist, indifferent to whether it benefits the people it pays.

This is, moreover, a surface-level distinction that betrays a deeper definitional gap. T.H. Green saw rights as a shorthand for a web of mutual obligation, where each person’s moral development could not be realised without association with others and service of a common good. The ‘political conception of justice’ upon which modern rights discourse is founded, however, reduces society to a contest of claims divorced from duties or a common good, with the very language of rights aiming to put issues outside of political debate.⁵⁶⁸ Reducing welfare to a right flattens it into a tick-box exercise uninterested in what we owe one another and how best to achieve it.

The belief that the welfare system is not a right but a *means* to an *end* is fundamental to the CSJ’s approach. In 2007, our report ‘Breakthrough Britain’ identified Five Pathways that led to poverty: educational failure, family breakdown, addiction, severe personal debt, and worklessness. Our 2023 report ‘Two Nations’ found the pathways continue to plague Britain, as does Chapter 6 of this report. Welfare policy can pull people down the pathways, or it can direct them away, but it is not neutral.

The pathways recognise the truth in Green’s perfectionist ethics without necessarily accepting its Idealist foundations.⁵⁶⁹ Poverty is a barrier to ‘real freedom’. Welfare policy that only serves to meet a ‘right’ or to boost benefit incomes without directing people away from the pathways is not a sustainable route out of poverty. As importantly, the reverse of the pathways are practices and institutions that support wellbeing and lead to flourishing, as we evidence throughout the succeeding sections.

The reverse of family breakdown, for instance, is family stability: an institution that both measurably benefits individual wealth and health and encourages us to live altruistically, placing others’ needs before our own. The reverse of worklessness is more than a wage. Work builds structure, gives purpose, and is the most tangible way in which we contribute to society. The reverse of debt is saving, which creates a buffer against income shocks and fosters prudence and independence.

566 Green, Thomas Hill (1888), ‘Lecture on Liberal Legislation and Freedom of Contract’ in ‘Works of Thomas Hill Green: Philosophical works’, ed. Nettleship, Richard Lewis, pp. 365–386. Accessed via: [LECTURE ON ‘LIBERAL LEGISLATION AND FREEDOM OF CONTRACT’ - Works of Thomas Hill Green](#). (Accessed: 24 March 2026)

567 Marshall (1950), p. 11.

568 Rawls, John (1999); ‘A Theory of Justice: Revised Edition’, Harvard University Press, pp. xii, 4. Accessed via: [A Theory of Justice: Revised Edition | JSTOR](#). (Accessed: 24 March 2026)

569 Perfectionists argue that there is an objective ‘good’ and that humans can live well or poorly by how closely their lives accord to or develop towards that good. The assumptions of this chapter are perfectionist, broadly neo-Aristotelean, though we do not advance a particular perfectionist framework for the sake of brevity. See Allyn (2008) for a useful summary of perfectionist philosophies and how they relate to the welfare state. Fives, Allyn (2008), ‘Political and Philosophical Debates in Welfare’, Palgrave MacMillan. Accessed via: [Political and philosophical debates in welfare : Fives, Allyn : Free Download, Borrow, and Streaming : Internet Archive](#). (Accessed: 24 March 2026)

There are two caveats that require stating here. Firstly, people can flourish without traversing the reverse of every pathway. Single people can and do live altruistically, for example, as those incapable of working can contribute to society in other ways. However, the reverse of the pathways, as we elaborate in the sections below, are beneficial to the vast majority of people the vast majority of the time. Secondly, the welfare system cannot and should not force people to adopt certain practices – evidently, no one should be forced to marry or have children. But it should recognise that there are institutions that help individuals flourish, which it should encourage, just as there are constraints that stop individuals flourishing, which it should remove.

Addressing the Five Pathways means creating a system that roots out poverty by promoting work, family stability, and saving.

4.2 Rooting out Poverty

It barely requires stating that sinking involuntarily below a basic level of resources prevents individual wellbeing. Even Aristotle recognised that *eudaimonia* (flourishing) presupposed ‘the addition of external goods... because without appliances it is impossible, or at all events not easy, to do noble actions.’⁵⁷⁰ Likewise, while certain actions may lead to a good life for the vast majority of people the vast majority of the time, misfortune can leave even the most virtuous individual empty handed. A person in poverty who is just, honest, and courageous may be better off than someone in poverty who is not, but ‘it is hard to swallow that a man in pain and hunger and poor and friendless is flourishing.’⁵⁷¹

The reasons for the welfare system to aim to root out poverty are, therefore, twofold. Firstly, poverty is intrinsically bad because it demeans human dignity, preventing people from fully developing their capacities as rational, moral beings. Secondly, allowing those who try to ‘do the right thing’ to fall into poverty is socially corrosive. In the most recent European Social Survey covering fairness and justice, only 36 per cent of Britons agreed that ‘by and large, people get what they deserve’ and only 28 per cent agreed that ‘in the long run people [are] compensated for injustice,’ neither suggests a happy society.⁵⁷²

This latter problem is one to which we will return. While the sections below show that work, family stability, and saving and financial resilience are the most sustainable ways to tackle poverty, there are exceptions. We discuss these exceptions, and the extent to which policy can and should respond to them, in Chapter 5.

Ending poverty also requires defining poverty. The standard definition of poverty used by the government is relative low-income, which measures the number of individuals or households earning less than 60 per cent of the median income after housing costs. The ‘re-discovery of poverty’ in the 1960s popularised relative, income-based poverty measures – we cover this further in Chapter 1 – but the 60 per cent relative low-income metric became the standard measure in the early 2000s following the DWP’s ‘Measuring Child Poverty’ consultation in 2003.⁵⁷³

The main argument for relative low-income is that it reflects changing societal standards. Lacking internet in 1948, for example, would have had no effect on someone’s living standards or ability to participate in

570 Aristotle, ‘*The Nicomachean Ethics*’, trans. Chase, D.P. (2003), 1.7. Accessed via: [The Project Gutenberg eBook of The Nicomachean Ethics of Aristotle, by Aristotle](#) (Accessed: 24 March 2026)

571 Anscombe, Elizabeth (2005), ‘*Modern Moral Philosophy*’ in ‘*Human Life, Action and Ethics*’, ed. Geach, Mary & Gormally, Luke, St Andrews Studies in Philosophy and Public Affairs, p. 193. Accessed via: [Human Life, Action, and Ethics](#). (Accessed: 24 March 2026)

572 European Social Survey (2018), ‘*ESS9 – integrated file, edition 3.3*’. Accessed via: [ESS9 – integrated file, edition 3.3 | ESS - Sikt](#) (Accessed: 18 August 2026)

573 Department for Work and Pensions (2003), ‘*Measuring Child Poverty*’. Accessed via: [Measuring child poverty : a consultation document - Digital Education Resource Archive \(DERA\)](#) (Accessed: 24 March 2026)

society, but it is detrimental today. Relative low-income assumes that earning less than 60 per cent of the contemporary median is a fair proxy for lacking such goods, with Peter Townsend evidencing in 1979 that deprivation and social exclusion significantly increased below that level.⁵⁷⁴ It is also easy to compare relative low-income internationally and to measure the possible effects of policy on it.

However, we do not believe that relative low-income remains the most effective measure. For a start, it fails to reflect absolute improvements in living standards. Poverty as measured by relative low-income can appear to fall when the median income falls, even if the living standards of those in poverty remain unchanged. For example, the relative low-income line fell by almost £10 per week between 2009/10 and 2010/11 following a fall in the median income, producing an apparent drop in child poverty despite no absolute improvement in their living standards.⁵⁷⁵ Relative low-income similarly fell during the Covid-19 pandemic, even as food bank usage and other measures of hardship spiked.⁵⁷⁶

Moreover, relative low-income fails on its own terms. It assumes that earning less than 60 per cent of the median income means lacking the societal standard of necessities, but it does not measure whether those below this line actually do lack such items. This is especially problematic given it does not adjust for differences in the cost of living across the UK beyond housing costs or for the in-kind support that many low-income households receive. A household may have a relatively low income on a national basis, in other words, but still have a decent standard of living.

Instead, poverty is better measured by the material deprivation metric. Material deprivation surveys whether individuals lack a list of 11 household items plus eight to 11 individual items, based on whether they are working age, a pensioner, or answering for a child. An individual counts as materially deprived if they lack four or more items because they cannot afford them. 58 per cent of working-age adults and 48 per cent of children in relative low-income are also materially deprived.

Consequently, throughout the rest of this report, we focus on those in material deprivation. Material deprivation is not a perfect metric. It still misses many of the social factors intrinsically linked to poverty, but it captures whether people actually lack the necessities that constitute a socially acceptable standard of living.

The material deprivation metric

The government's official poverty statistics are published annually in its Households Below Average Income (HBAI) release. HBAI is based on the Family Resource Survey (FRS), an annual survey of about 24,000 households covering income, housing tenures, caring needs, disabilities, savings and investments, employment, and household food security.

Material deprivation is estimated by asking households whether they lack a list of items/activities due to financial constraints. Every respondent is asked if they lack a list of 11 household items. Working-age respondents are asked about a further list of 10 questions, pensioners another eight items, and adults answering for children another 11 items.

The list of questions was updated in 2023/24 following a review by the London School of Economics. They developed a longlist of 103 items/activities which were then whittled down over

574 Townsend, Peter (1979), *Poverty in the United Kingdom*, Allen Lane, pp. 237–271. Accessed via: [Poverty in the United Kingdom | Poverty and Social Exclusion](#). (Accessed: 24 March 2026)

575 Department for Work and Pensions (2012), *Measuring child poverty: A consultation on better measures of child poverty*, p. 11. Accessed via: [Measuring child poverty: a consultation on better measures of child poverty CM 8483](#) (Accessed: 24 March 2026)

576 Centre for Social Justice (Dec 2024), *Lonely Nation: Part 4: Loneliness and food banks*, p. 5. Accessed via: [Lonely Nation](#) (Accessed: 31 July 2026)

several focus groups and tested on a small sample of FRS respondents. The updated list includes items such as:⁵⁷⁷

- Having a damp free home
- Covering the cost of repairing or to replacing appliances
- Having reliable access to the internet
- Being able to put money aside for unexpected expenses
- Eating three meals a day
- Having an annual break away from home

Respondents answer 'Yes' or 'No' to having each item and are then asked a follow up for the reasons they lack it. Options for this include:

- We/I do not have the money for this
- This is not a priority on my/our current income
- Health or disability prevents this
- Other reason
- We/I do not want/need this
- It is not relevant to me/us

Respondents are classed as 'in material deprivation' if they lack four or more items – five or more if they are of working-age – due to either not having money for it or not prioritising it on their income.

4.3 Work matters

Work is the most sustainable route out of poverty. 75 per cent of working-age adults in workless families are materially deprived and in relative low-income. This compares to only six per cent of adults living in families with at least one family member in work. The same holds true if we focus on child poverty. 46 per cent of children in workless families are materially deprived and in relative low-income, compared to 11 per cent of children in working families.

That is not to deny that in-work poverty exists. It does, as these statistics show. However, focusing on the rate of in-work poverty at one point in time misses two important facts: firstly, workless individuals who move into work tend to exit poverty and, secondly, the experience of in-work poverty is itself transitory. In 2015, the Office for National Statistics (ONS) found that 70 per cent of people aged 18 to 59 who were not working and entered employment between 2007 and 2012 left relative low-income. Even those entering part-time and temporary work tended to leave poverty, with 62 and 77 per cent exiting poverty respectively. Many of those experiencing in-work poverty also soon exited poverty as their pay and hours increased.⁵⁷⁸

⁵⁷⁷ Department for Work and Pensions (2025), 'Technical report: update to measures using material deprivation for households below average income FYE 2024'. Accessed via: [Technical report: update to measures using material deprivation for households below average income FYE 2024 - GOV.UK](#) (Accessed: 25 March 2026)

⁵⁷⁸ Office for National Statistics (2015), 'Poverty and employment transitions in the UK and EU: 2007–2012'. Accessed via: [Poverty and employment transitions in the UK and EU - Office for National Statistics](#) (Accessed: 17 March 2026)

Both findings have been buttressed by more recent academic literature. Vaalavuo and Sirniö (2022) conducted a fixed-effect estimation of poverty and transitions into work across European countries between 2010 and 2017. They found that entering work in the UK increased the likelihood of an individual leaving poverty by over 55 per cent for a man and almost 35 per cent for a woman.⁵⁷⁹ Hick and Lanau (2018) confirmed how transitory in-work poverty is and extended the analysis to material deprivation. In their analysis, 55 per cent of people who were in-work and relative low-income, and 46.5 per cent of people who were in-work and materially deprived, exited poverty in the following year.⁵⁸⁰

We can show the same effect visually, using the most recent waves of Understanding Society. Figure 4.1 shows the movement of working-age individuals who started in poverty in 2016/17. 66 per cent of those who entered work between 2016/17 and 2018/19 left relative low-income, with 45 per cent and 55 per cent of new workers leaving relative low-income in the succeeding waves. The same trend holds for material deprivation: over 95 per cent of those who enter work escape it across each wave. Many of those already in work, likewise, escape poverty under either definition through either higher pay or more hours.

These analyses still point to two problematic cohorts: a residual – who remain in work and in poverty – and those who repeatedly escape and fall back into poverty. These cohorts face distinct challenges, which we study further in Chapter 5. But the experience of the minority does not detract from the simple fact that work remains one of the most effective routes out of poverty for the majority. Setting welfare policy based on one period's stock of in-work poverty overlooks this fact and fails to target persistently affected groups.

Work is more than an escape route from poverty. It is protective and productive of individual wellbeing. One meta-analysis of 237 cross-sectional and 87 longitudinal studies found that worklessness increases the probability that someone has mental ill-health by 64 per cent, while another meta-analysis of 23 studies showed the reverse holds too: people in work are 48 per cent less likely to have depression and 21 per cent less likely to experience psychological distress.⁵⁸¹

Some jobs offer these benefits more definitively than others, but it is remarkable how robust the benefits of work are. Even gig workers in the Covid-19 Pandemic had better self-reported mental health than people who were unemployed or inactive, though still worse than full-time workers.⁵⁸² This was, of course, partly because gig workers were not locked down, but that is the point: their work generated activity and social interaction that increased their wellbeing. That is why replicating just some of the structure and social network of work through active labour market programmes has been found to significantly increase unemployed individual's mental wellbeing.⁵⁸³

579 Vaalavuo, Maria; Sirniö, Outi (2022), 'Jobs against poverty: a fixed effects analysis on the link between gaining employment and exiting poverty in Europe', *European Societies*, pp. 431–462. Accessed via: doi.org/10.1080/14616696.2022.2088821 (Accessed: 17 March 2026)

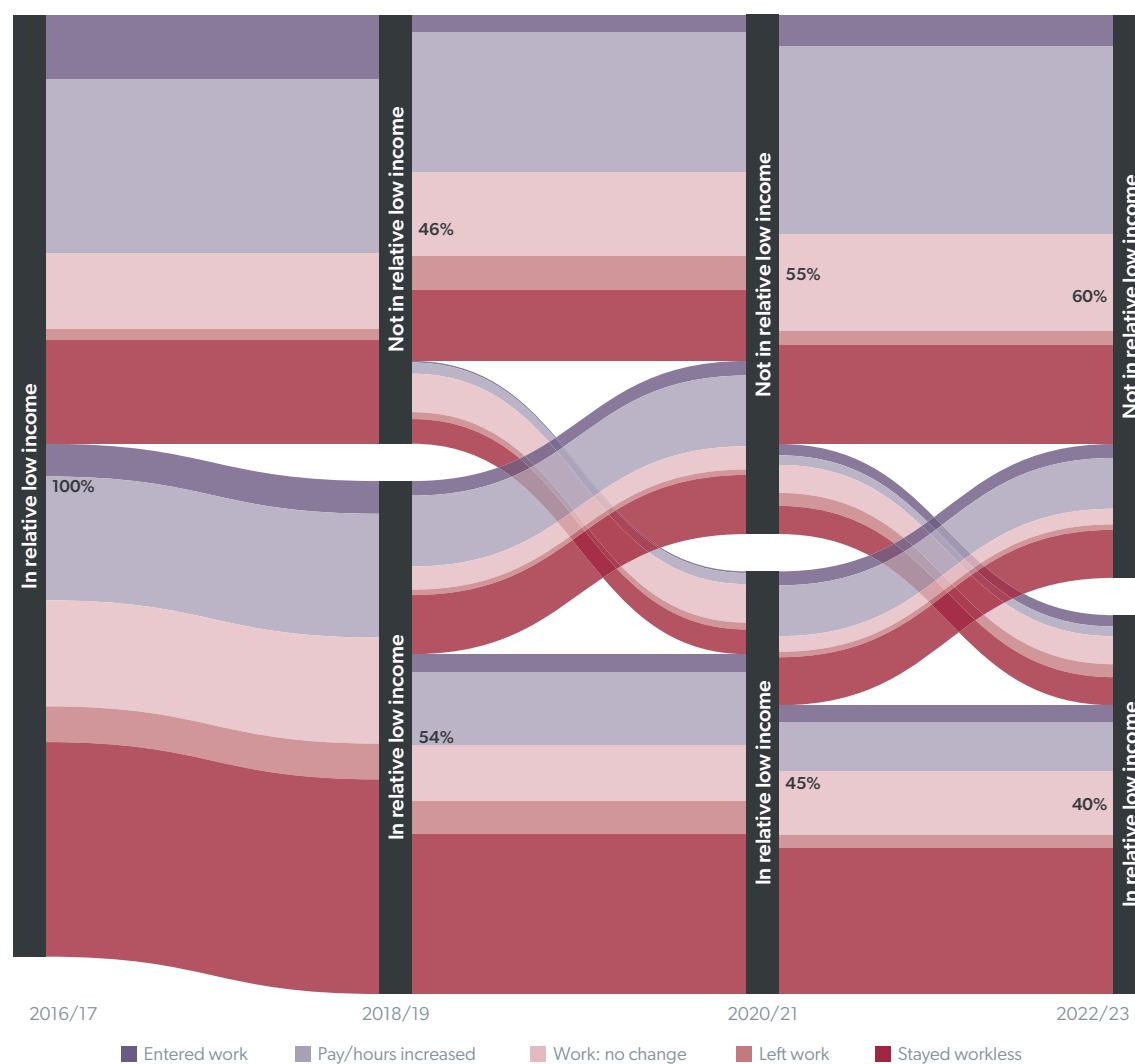
580 Hick, Rod; Lanau, Alba (2018), 'Moving in and out of in-work poverty in the UK: an analysis of transitions, trajectories and trigger events', *Journal of Social Policy*, pp. 661–682. Accessed via: doi.org/10.1017/S0047279418000028 (Accessed: 17 March 2026)

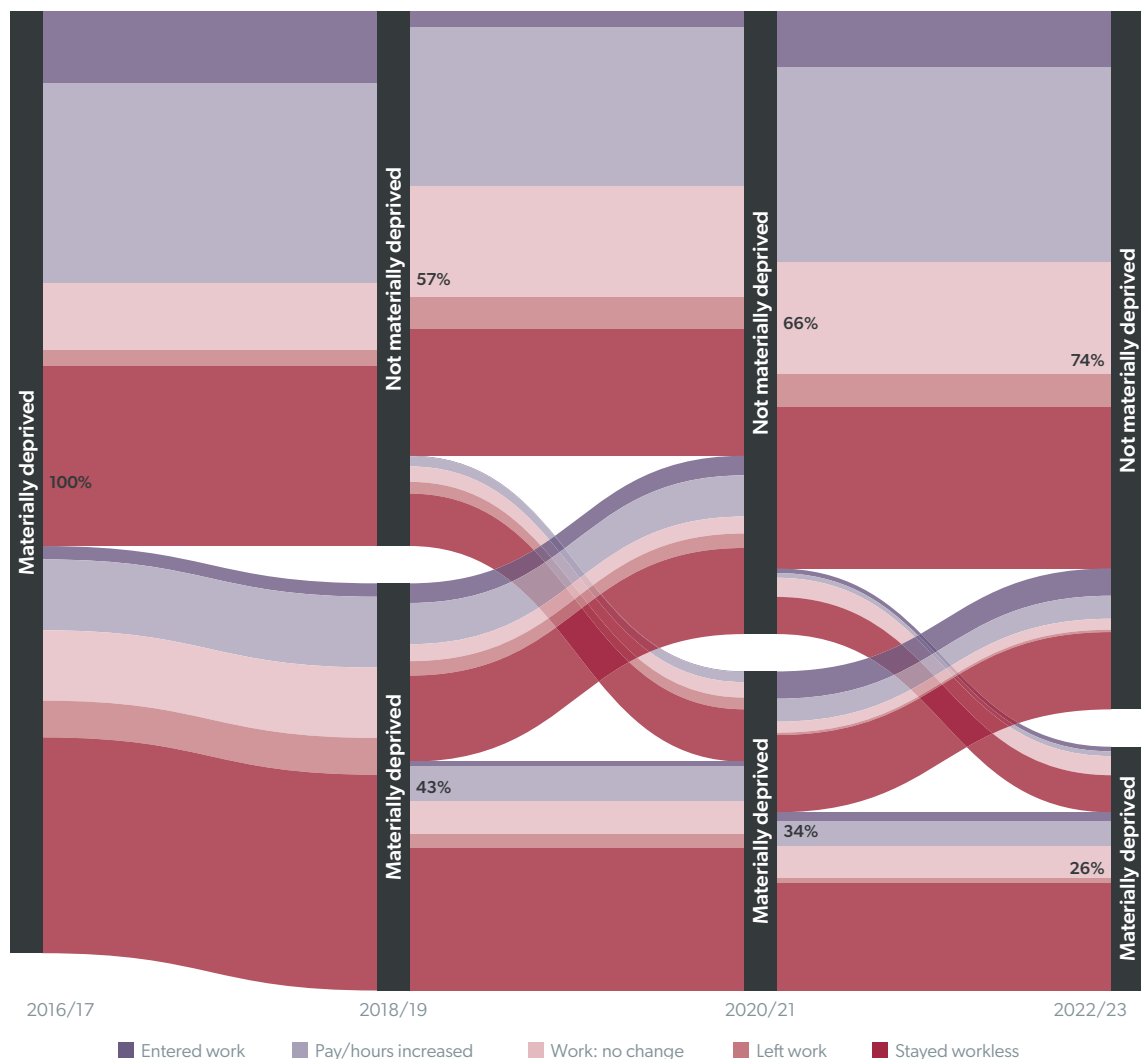
581 Paul, Karsten; Moser, Klaus (Jun 2009), 'Unemployment impairs mental health: Meta-analyses', p. 264. Accessed via: Unemployment impairs mental health: Meta-analyses - ScienceDirect (Accessed: 17 March 2026); Van der Noortd, Maaïke; Ijzelenberg, Helma; Droomers, Mariel; Proper, Karin (Feb 2014), 'Health effects of employment: a systematic review of prospective studies', p. 731. Accessed via: oem.bmj.com/content/71/10/730 (Accessed: 17 March 2026)

582 Wang, Senhu; Zixin Li, Lambert; Coutts, Adam (2022), 'National survey of mental health and life satisfaction of gig workers: the role of loneliness and financial precarity', *BMJ Open*, pp. 1–8. Accessed via: e066389.full.pdf (Accessed: 19 March 2026)

583 Wang, Senhu; Coutts, Adam; Burchell, Brendan; Kamerade, Daiga; Balderson, Ursula (2021), 'Can Active Labour Market Programmes emulate the mental health benefits of regular paid employment? Longitudinal evidence from the United Kingdom', *Work, Employment and Society*, pp. 545–565. Accessed via: Can Active Labour Market Programmes Emulate the Mental Health Benefits of Regular Paid Employment? Longitudinal Evidence from the United Kingdom (Accessed: 19 March 2026)

Figure 4.1: Transitions into and out of poverty between 2016/17 and 2022/23 by working status





Source: CSJ analysis of Understanding Society

Note: The first panel shows transitions for relative low-income and the second shows transitions for material deprivation. Each wave is two years apart as Understanding Society only asks about material deprivation in every other year.

These empirical findings are the result of humans' fundamental neurology. The neurologist Dr Paul Goldsmith summarises several strands of research in evolutionary neurology in his book *'The Evolving Brain'* arguing that our brains have evolved certain hardwired needs to ensure our survival and that going against the grain of them causes mental distress. We are, for example, wired to reward movement, because to stop moving meant dying; to seek social validation and interaction because group membership meant security; and to be goal-oriented, with the process of achieving subgoals more important – through dopamine release – than achieving ultimate goals because survival requires continual motivation.⁵⁸⁴

584 Goldsmith, Paul (2026), *'The Evolving Brain: How to survive in a world we were not made for'*, Headline Publishing Group Limited, pp. 32, 49, and 147.

“The dopamine released in making progress towards a goal and from moving through all subgoals and subgoals of subgoals is greater than that which result from having achieved it without effort”

Dr Paul Goldsmith, *‘The Evolving Brain’*⁵⁸⁵

Work meets these needs. The neurological rewards extend from the small completion of daily tasks to the achievement of earning a paycheque, while even a desk job requires a modicum of movement that stimulates positive hormonal releases. Social status and the identity that work gives magnifies these benefits as we take pride in our self-reliance and our contribution, while the baseline of social interaction necessitated by work meets our ingrained need for others.

Work matters, in other words, not only because through it people escape poverty, but because humans are wired for activity and for making and meeting goals. We need purpose, social engagement, and structure. Conversely, inactivity and isolation can result in melancholy and distress – the evidence for which we explore in the next chapter. These needs may, of course, be met by caring, volunteering, or parenting, but it is work that meets these needs for most people most of the time. Beyond the individual benefits, work serves a pro-social, moral purpose as the most tangible way for us to contribute to the common good of society. A welfare system that traps people in worklessness will be less effective at ending poverty and actively harmful to individual wellbeing.

4.4 Stable families matter

Family matters on three fronts: for partners, for children, and for society. The benefits of a stable family life to all three are robust and strongest for married partners. While there is selection in family formation – more educated and high-income individuals are likelier to form stable relationships and marry – the benefits of stable families and marriage persist even when these factors are controlled for.⁵⁸⁶ Cohabiting relationships produce similar, if smaller, benefits to marriages, but they are notably less stable. Cohabiting parents in the UK are three times more likely to split up each year compared to married parents across the income spectrum, with a yearly rate of separation of 6.5 per cent versus 1.9 per cent.⁵⁸⁷

The benefits of stable family life for the adult partners in a relationship are well-documented. At an observational level, our report *Lonely Nation* found that married and cohabiting couples were far more likely to report “hardly ever or never” feeling lonely than single people, with married couples less lonely than cohabiting ones.⁵⁸⁸ Table 4.1 shows this still holds in the latest wave of Understanding Society.

585 Goldsmith (2026), pp. 30–37.

586 Our paper *The Stability Advantage* summarises recent empirical research that evidences the stability and benefits of marital relationships controlling for socio-economic characteristics. Further evidence is discussed below. See Centre for Social Justice (Jul 2026), *‘The Stability Advantage: Marriage, family breakdown, and poverty in the UK’*. Accessible via: [Discussions paper - The Stability Advantage](#)

587 Centre for Social Justice (Dec 2025), *‘Lost Boys: Boyhood’*, p. 18. Accessed via: [Lost Boys: Boyhood](#) (Accessed: 20 March 2026)

588 Centre for Social Justice (May 2025), *‘Lonely Nation Part 1: How family can help to end the loneliness crisis’*, p. 36. Accessed via: [Lonely Nation](#) (Accessed: 19 March 2026)

Table 4.1: Self-reported loneliness and isolation by relationship status

	How often do you feel lonely?	How often do you feel isolated?
	Hardly ever or never	Hardly ever or never
Married	63%	63%
Cohabiting	59%	60%
Single	41%	46%

Source: CSJ analysis of Understanding Society Wave 15

The academic literature confirms these observational findings. Studies across Britain, Europe and the US have repeatedly shown that stable relationships lead to higher life satisfaction and greater physical and mental health even when controlling for factors such as educational outcomes and income.⁵⁸⁹

There is likewise strong and repeated evidence of a marriage premium in income and wealth. Some of the premium stems from economies of scale in living costs and pooled savings. But marriage also increases total family earnings to the extent that each partner is financially better off, even when one partner reduces their working hours and the other increases theirs in ‘marital specialisation’. There are several channels driving the wage premium, including the propensity for married individuals to gain promotion more rapidly and each partner’s freedom to be more selective in the labour market given the security of the other’s income and/or their pooled savings.⁵⁹⁰

The benefits for spouses, however, pale in comparison to the benefits for children. 43 per cent of children in lone parent households and 34 per cent in cohabiting households live in relative low-income compared to 25 per cent in married households. Only a tenth of children in married households live in material deprivation and relative low-income, compared to 29 per cent with a lone parent.

Yet static statistics are only part of the story. Citing numerous studies, Kearney and Levine (2017) state:

*“Conditional on other family and parental characteristics, children who grow up with an unmarried mother have lower levels of educational attainment and higher levels of teen childbearing, among other outcome differences. As adults, they have lower levels of employment, lower levels of income, higher rates of non-marital parenting, and higher rates of incarceration... the strength of the association and its robustness to a myriad of controls for observable factors is at least strongly suggestive of a causal relationship.”*⁵⁹¹

589 Makim Miika; Hagglund, Anna; Rotkirch, Anna; Hulathinal, Sangita; Myrskylä, Mikko (2025), ‘Stable Marital Histories Predict Happiness and Health Across Educational Groups’, *European Journal of Population*. Accessed via: [Stable Marital Histories Predict Happiness and Health Across Educational Groups | European Journal of Population | Springer Nature Link](#) (Accessed: 19 March 2026); Hsu, Tze-Li; Barrett, Anna, ‘The Association between Marital Status and Psychological Well-being: Variation across Negative and Positive Dimensions’, *Journal of Family Issues*. Accessed via: [The Association between Marital Status and Psychological Well-being: Variation across Negative and Positive Dimensions - Tze-Li Hsu, Anne E. Barrett, 2020](#) (Accessed: 19 March 2026); Braithwaite, Scott; Holt-Lunstad, Julianne, ‘Romantic relationships and mental health’, pp. 120–125. Accessed via: [Romantic relationships and mental health - ScienceDirect](#) (Accessed: 19 March 2026)

590 Altonji, Joseph G; Paez, Daniel G; Hynsjo, Disa M; Vidangos, Ivan (2024), ‘Marriage dynamics, earnings dynamics, and lifetime family income’, NBER Working Paper 28400. Accessed via: [w28400.pdf](#) (Accessed: 20 March 2026); Light, Audrey (2003), ‘Gender differences in the marriage and cohabitation income premium’, *Demography*, pp. 263–284. Accessed via: [Gender differences in the marriage and cohabitation income premium* | Demography | Springer Nature Link](#) (Accessed: 20 March 2026); Olivio-Villabril, M (2022), ‘The marital earnings premium: an IV approach’, *Empirical Economics*, pp. 709–747. Accessed via: [doi.org/10.1007/s00181-021-02021-7](#) (Accessed: 20 March 2026)

591 Kearney, Melissa; Levine, Phillip (2017), ‘The economics of non-marital childbearing and the “marriage premium” for children’, NBER Working Paper 23230, pp. 1–2. Accessed via: [w23230.pdf](#) (Accessed: 20 March 2026). Note: the studies they cite are listed within the paper.

They then show that, though it varies in size, the marriage premium for children persists regardless of their mother's age and educational attainment.⁵⁹²

These findings are not to shame lone parent families. Many children growing up with a single parent thrive, but they do so against the odds. Unlike adults, children learn primarily through observation: they develop socially, emotionally, and cognitively by seeing behaviours modelled.⁵⁹³ One recent study of 10,000 people born between 2000 and 2002 found that people who experienced warm and loving relationships with their parents at three-years-old had fewer mental health problems in early childhood and adolescence and displayed heightened 'prosocial' tendencies.⁵⁹⁴ Simply, having two parents in the household gives children more trusted adults to observe, while the sharing of household responsibilities grants each parent more time to model positive behaviours.

Finally, but most importantly, the benefits of stable families to society are more than the sum of its benefits to individuals. Gary Becker in his seminal paper *An Economic Analysis of the Family* noted that the family is one of the few institutions defined almost entirely by altruism instead of self-interest.⁵⁹⁵ Individuals benefit from the family – as we have laid out – but their primary motivation is affection, sharing in one another's successes and failures. For most people most of the time, family is the first welfare system, where we are cared for from the cradle and, in turn, give care to the grave, where rights are balanced by obligations, and where individual demands are subordinated to collective good.

That is why the CSJ believes in the importance of marriage. The quantitative differences between marriage and cohabitation are less significant than the qualitative, ontological distinction. Marriage is more than a decision to live together as long as love lasts. It is a binding commitment to live for the sake of another. A society that desires its members to live altruistically should encourage the microcosm that first and most explicitly showcases it.

For the sake of ending poverty and raising wellbeing, both immediately and over the long-term, the welfare system cannot be neutral on supporting stable families.

4.5 Savings matter

The original aim of the welfare system was to insure those without financial means against misfortune. 'Loss of earning power', as Beveridge put it, was and remains the primary driver of 'want'.⁵⁹⁶ The risk, however, of providing state insurance is that it discourages individuals from building their own financial buffer – a problem present in our system, as explored in Chapter 6. That risk is detrimental to the sustainability of the welfare system and, more importantly, harmful to the individual.

Building financial resilience and escaping poverty are, unsurprisingly, inextricably linked. Lacking money to cover surprise expenses is the primary reason for individuals to be classed as materially deprived. Over 90 per cent of materially deprived children live in households that lack such a buffer. A report by the University of Bristol found that holding £2,000 in savings reduced the likelihood of someone falling

592 Kearney and Levine (2017), pp. 23–26.

593 Buritica, Julia M; Eppinger, Ben; Heekeren, Hauke; Crone, Eveline; van Duijvenvoorde, Anna (2024), 'Observational Reinforcement Learning in Children and Young Adults', NPJ Science of Learning. Accessed via: [Observational reinforcement learning in children and young adults | npj Science of Learning](#) (Accessed: 20 March 2026)

594 Katsantonis, Ioannis; McLellan, Ros (2023), 'The role of parent-child interactions in the association between mental health and prosocial behavior: Evidence from early childhood to late adolescence', pp. 59–70. Accessed via: [The role of parent-child interactions in the association between mental health and prosocial behavior: Evidence from early childhood to late adolescence - Ioannis Katsantonis, Ros McLellan, 2024](#) (Accessed: 20 March 2026)

595 Becker, Gary (1986), 'An Economic Analysis of the Family', p. 7.

596 Beveridge, William H (1942), p. 18.

behind on bills several years later by at least 58 per cent, even controlling for income and demographic characteristics.⁵⁹⁷

Having such a buffer is vital, firstly, because those without one often turn to debt instead. Prudently used credit can help people manage their cash flow or ride out short-term shocks, but regulated, high-quality credit is inaccessible to many lower income individuals. Our report *Swimming with Sharks* estimated that over 1.08 million people in England were likely borrowing from an illegal money lender in 2022. Repeating the same methodology in March this year showed that this number has increased to 1.7 million people.⁵⁹⁸ 75 per cent of victims of illegal money lending referred to the Illegal Money Lending Team in 2021 were claiming a benefit and 62 per cent had an income below £20,000.⁵⁹⁹ A welfare system that does not help claimants save is placing them in the path of the most unscrupulous creditors.

Secondly, starting with a small level of savings improves individual's long-term financial prospects. Someone who holds a basic savings product is over 1.8 times more likely to have an Individual Saving Account (ISA), investment product, or private pension several years later, even controlling for demographic characteristics.⁶⁰⁰ Individuals with savings inevitably become wealthier. One LSE working paper found that opening a Stocks and Shares ISA increased an individual's wealth growth by 134 per cent. There was still a 27 per cent difference when Propensity Score Matching was applied to control for observable differences by matching individuals who only differed in having opened an ISA.⁶⁰¹

The same LSE paper found that the greatest relative benefits of holding an ISA accrued to the most disadvantaged. Bolstering savings democratised wealth. Gains in wealth also persisted past the period of ISA ownership, with the act of saving itself helping to strengthen individual's ability to manage their finances. Both these findings point to the deeper benefits of savings: that it fosters prudence and gives individuals a direct, financial stake in their society.

The former benefit is of particular salience in welfare. The political philosopher John Rawls is often supposed to have provided philosophical basis of the liberal welfare state.⁶⁰² He argued that the modern state needed a 'political conception of justice' that all 'reasonable citizens' could consent to, even if they held their own private conceptions of morality. That conception of justice, he contended, had to be 'justice as fairness', where all people have the same basic liberties and economic inequalities are only permissible insofar as they benefit the most disadvantaged (the 'difference principle').⁶⁰³ Though many have applied 'justice as fairness' to support the welfare state, treating welfare primarily as a tool to address the 'difference principle' was explicitly rejected by Rawls himself.⁶⁰⁴

Rawls' preferred application of 'justice as fairness' was a property-owning democracy. He feared the welfare state would create a demoralised underclass of citizens without independent resources. His property-owning democracy would instead aim for the widespread ownership of productive assets to ensure all citizens could participate in society on a fair basis and manage their own affairs.⁶⁰⁵ A more equitable society, in other words, is best achieved by broad-based participation rather than *post facto* transfers.

597 Evans, Jamie; Finney, Andrea; Davies, Sara (2025), 'Understanding the role of savings in building longer-term financial security', University of Bristol, Personal Finance Research Centre, p. 18. Accessed via: [The role of savings in building longer-term financial security](#) (Accessed: 24 March 2026)

598 Polling conducted by Opinium of 4,103 nationally representative adults (aged 18 or over) between 18 and 27 March 2026.

599 Centre for Social Justice (2022), 'Swimming with Sharks: Tackling Illegal Money Lending in England'. Accessed via: [CSJ-Illegal-lending-paper.pdf](#) (Accessed: 24 March 2026)

600 Evans, Finney and Davis (2025), p. 28.

601 Rushworth, George (2024), 'Bridging the Wealth Divide? Examining the roles of Stocks and Shares ISAs in reducing wealth inequality in the UK', London School of Economics, Social Policy Working Paper 01–2026. Accessed via: [WPS-01-26-George Rushworth](#) (Accessed: 24 March 2026)

602 See, e.g., Fives (2008), pp. 8–11.

603 Rawls, John (2001), 'Justice as Fairness: A Restatement', Harvard University Press, pp. 42–43.

604 Rawls (2001), pp. 137–140.

605 Ibid.

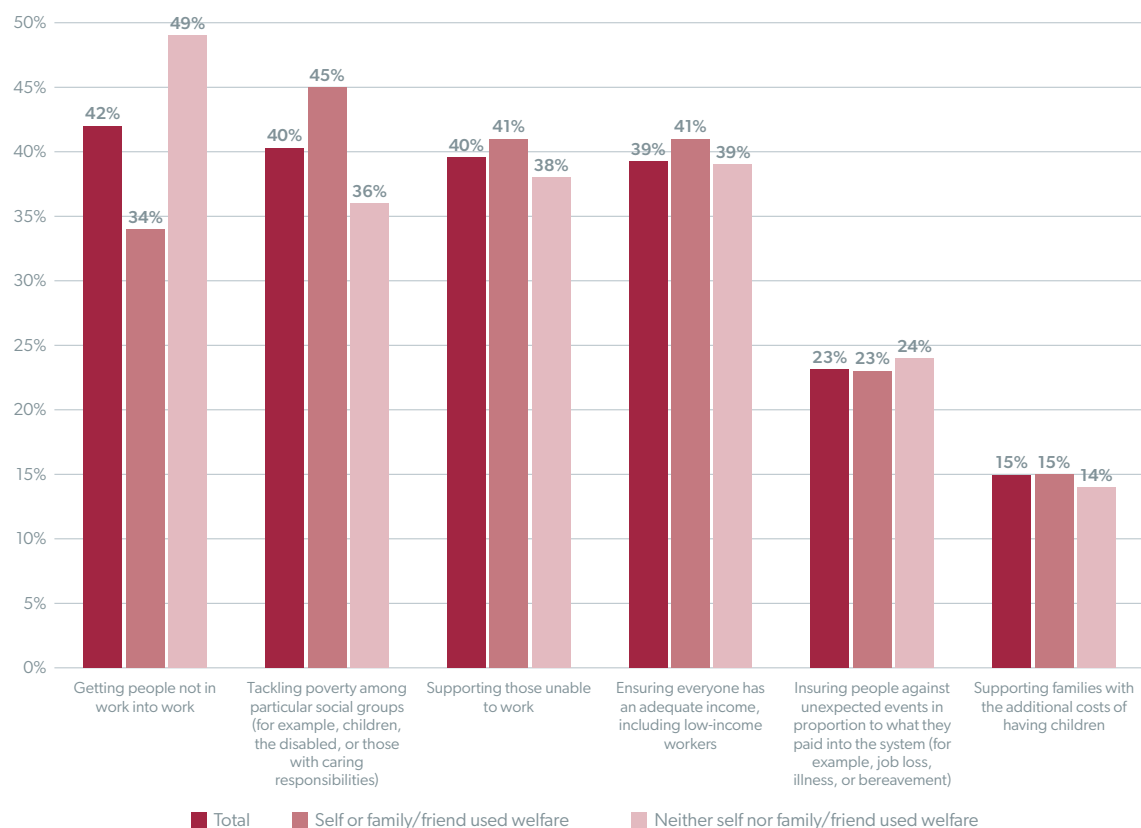
There are flaws in Rawls’ philosophy. A lot rests on his definition of ‘reasonable citizens’, for example, and his assumption that his ‘political conception of justice’ is divorced from any controversial moral claims.⁶⁰⁶ But his ‘difference principle’ remains as important a tool for considering the purpose of the welfare system as his fears for the agency of individuals dependent on welfare were clear-sighted.

Ensuring welfare claimants are encouraged – or at least not discouraged – from building savings heeds Rawls’ warning. Even a basic level of savings can build the habits that, in the longer run, lead to investment and asset ownership, and – in the meantime – creates the buffer claimants need to weather the storms of life.

4.6 Conclusion

Our aim is to create a welfare system that, while supporting those who are unable to support themselves, roots out poverty by (1) reducing worklessness, (2) supporting family stability, and (3) encouraging saving. These objectives reflect both the arguments above and, we believe, the views of the British public. They are the benchmark for the rest of *Welfare 2030*.

Figure 4.2: Responses to the question: ‘Which of the below do you believe are the most important aims of the working-age welfare system?’



Source: Polling conducted by Opinium of 2,054 UK adults between 25 and 27 March 2026.

Note: Respondents were asked to pick two options, which included options for ‘don’t know’, ‘none of the above’ and ‘other’.

606 Haldane, John (2009); ‘Practical Philosophy: Ethics, Society, and Culture’, Imprint Academic, pp. 209–260.

Chapter 5:

Benefit Britain

Benefit claims and expenditure are not evenly spread across Britain. A working-age individual in Birmingham or Blackpool is more than 3.5 times as likely to claim an out-of-work or incapacity benefit as a similarly aged person in Wokingham or Waverley. More worryingly, the same areas had the same differential over two decades ago.

This chapter's title – Benefit Britain – is a recognition of this fact. Welfare is often treated as a safety net for the temporarily unfortunate when, in reality, whole communities have depended on benefits for more than twenty years. Welfare is the anaesthetic that has kept areas of the country numbed during two decades of economic failure.

Importantly, while Benefit Britain receives large fiscal transfers from London and the South East, it invests very little in economic development. Since 2001, the North East, the East Midlands, and Yorkshire and The Humber have spent, on average, less than £370 per person on growth-focused capital investment, while London has spent almost £800.⁶⁰⁷ The latter regions, consequently, spent around 3.5 times more on means-tested benefits in the same period compared to London's 2.3 times.

New analysis for this report reveals the true face of Benefit Britain for the first time. Across England and Wales, we identify 3,400 welfare hotspots; small neighbourhoods, home to around 250 people on average, where the number of out-of-work claimants is equivalent to more than half of the working-age population. In almost 19,000 neighbourhoods, more than one in three working-age adults are estimated to receive out-of-work benefits.

In short, Britain has prioritised compensating communities for economic failure rather than reversing it. This might be acceptable if financial compensation was an effective salve for economic decline, communal breakdown, and generational despair, but it is not. This chapter argues that Benefit Britain still lives with the '*giant evils*' of idleness, want, disease, and squalor almost 84 years since Beveridge declared war upon them in his famous report (though we update his terminology for 21st century sensitivities).⁶⁰⁸ The current welfare system, at best, sedates these giant evils and, at worst, exacerbates them.

Creating a welfare system that roots out poverty by reducing worklessness, supporting stable families, and encouraging saving will help rebuild Benefit Britain both directly, by creating a healthy and able labour force, and indirectly, by freeing up space for higher levels of public and private investment.

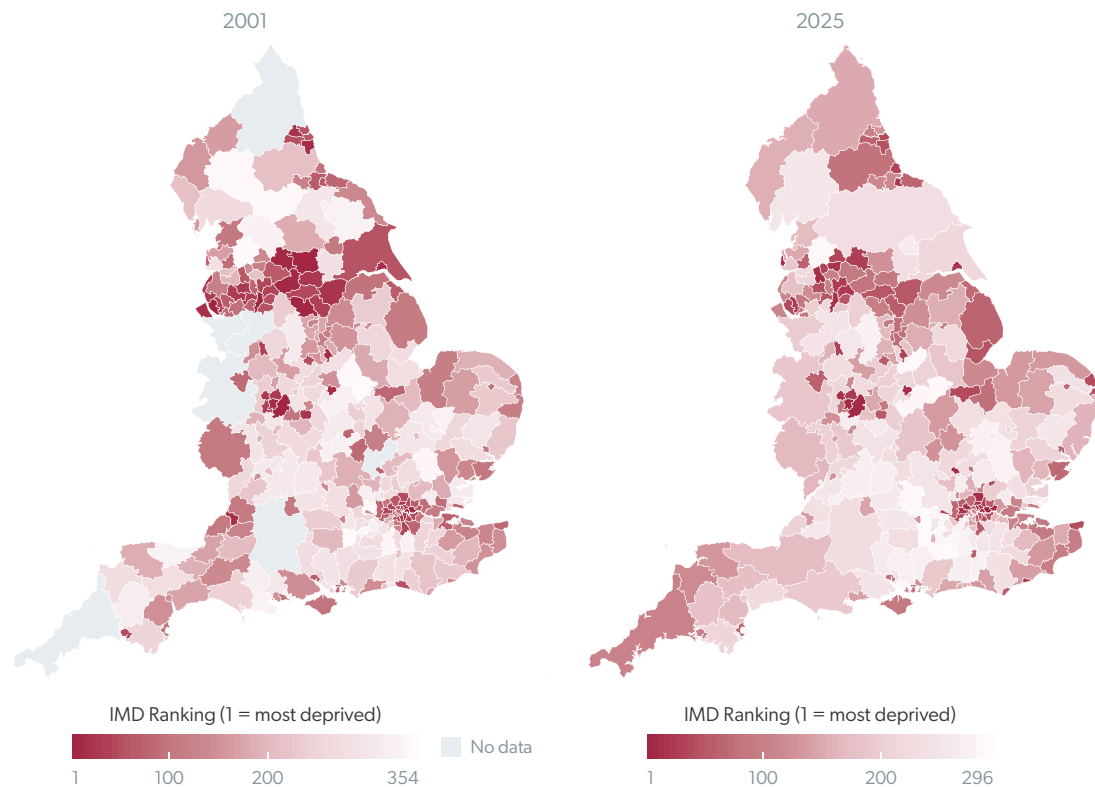
607 CSJ analysis of Office for National Statistics (May 2026), '*Country and regional public sector finances expenditure tables*'. Accessed via: [Country and regional public sector finances expenditure tables](#) - Office for National Statistics (Accessed: 25 August 2026). Note: Growth-focused capital investment denotes capital spending on 'economic affairs', this includes capital spending on transport infrastructure, science and technology, and economic development.

608 Beveridge, William H (1942); '*Social insurance and allied services*', p. 170. We leave 'ignorance' out as it primarily concerns the education system, which is beyond our scope.

5.1 Poverty (Want)

Tackling poverty is, alongside reducing worklessness, the primary role that British people assign to the welfare state. 40 per cent of respondents to our poll said, ‘tackling poverty among particular social groups’ was one of the most important aims of the welfare state, with another 39 per cent saying it was to ‘ensure everyone has an adequate income’.⁶⁰⁹

Figure 5.1: English local authorities ranked by the Indices of Multiple Deprivation measure of income deprivation



Source: CSJ analysis of the English Indices of Multiple Deprivation

Yet, for over three decades, poverty has barely changed. The proportion of children in relative low-income was 32 per cent in 1994/95 and is now 27 per cent (only 0.43 percentage points above its record low in 2011/12). The IFS’s longer series suggests that near identical rates date back to the early 1980s.⁶¹⁰ The number of children in material deprivation, our preferred measure, has meanwhile increased by 180,000 since it was first measured in 2004/05, translating into a less than two percentage point fall in over two decades. The areas that were most deprived in 2001 are broadly the same areas that are deprived now, as Figure 5.1 demonstrates. Many of the changes in rankings came from local government reorganisation rather than genuine improvements.

That is not to say that poverty would not be higher without the welfare system. Any reasonable estimate of poverty significantly rises in its absence. In 2023/24, for example, the poorest fifth of UK households had

609 Polling conducted by Opinium of 2,054 UK adults between 25 and 27 March 2026.

610 Institute for Fiscal Studies (2025), ‘Living standards, poverty and inequality in the UK’. Accessed via: [Living standards, poverty and inequality in the UK](#) | Institute for Fiscal Studies (Accessed: 11 June 2026)

an equivalised household income of £9,600 on average before taxes and benefits, lower than the relative low-income threshold in most cases.⁶¹¹ But mitigating poverty is not enough. Welfare is one *means* to the *end* of freedom from poverty.

Figure 5.2 illustrates both the contribution of benefit payments to tackling poverty and their limits. The first panel shows densities for households whose non-benefit income fell below the relative low-income line in 2023/24. Benefit payments smooth the income density and move around 29 per cent of children out of relative low-income. That still, of course, leaves over 70 per cent of children below the threshold. The second panel further complicates the picture: it shows the same data but highlights whether each child is in material deprivation.

Figure 5.2 suggests that the benefits system manages to pull even households with no starting income above the relative low-income line, yet many of those same households remain in material deprivation even after factoring in benefit payments. Conversely, the higher the individual's non-benefit income, the less likely they are to be in material deprivation, even when they receive barely any benefit payments and have a total income below the relative low-income line.

This betrays the stock and flow problem of anti-poverty policy. As discussed in the analysis in Chapter 4, over 95 per cent of adults in material deprivation who entered work escaped material deprivation between 2016/17 and 2022/23, while many already in work escaped material deprivation through either better pay or more hours. Many children in households towards the right hand of Figure 5.2 would likely be among those flowing out of poverty: it is already the case, in the static analysis, that children in workless households in relative low-income are 1.7 times more likely also to be in material deprivation than children in working households. That still leaves a residual, however, who remain stuck in poverty from period-to-period. Most of this cohort, as Chapter 4 showed, are those who remain workless, but there is a sizeable plurality who are in work.

Taking the latter group first, it is a tautology to state that their earnings are too little to meet their needs, but it presents the two sides of the problem: first, their earnings are low and, second, certain essentials are unaffordable. The second problem is shared with those out of work, so we return to it below. But the first is unique to them. As Figure 5.3 shows, the main driver of low earnings is not low hourly pay but low weekly pay: hours now matter more than wages.

A widely recognised effect of in-work benefits is that, by increasing the supply of labour to certain jobs, they indirectly subsidise them and, in the longer-term, increase the demand for them.⁶¹² In Britain, the roles in-work benefits most subsidise are part-time: a Universal Credit claimant with children moving from no work into 20 hours of work in 2022/23 faced an average effective tax rate of 38 per cent, but the same claimant faced an average effective tax rate of 58 per cent to progress from 20 hours of work to 40 hours of work.⁶¹³ The current system exacerbates low weekly earnings by encouraging claimants to seek, and employers to provide, work with fewer hours.

611 Office for National Statistics (Sep 2025), 'Effects of taxes and benefits on UK household income: financial year ending 2024'. Accessed via: [Effects of taxes and benefits on UK household income - Office for National Statistics](#) (Accessed: 29 May 2026)

612 See, e.g., Leigh, Andrew (2007), 'Earned Income Tax Credits and Labor Supply: New Evidence from a British Natural Experiment', *National Tax Journal*, vol. 60, pp. 205–224. Accessed via: [Earned Income Tax Credits and Labor Supply: New Evidence from a British Natural Experiment | National Tax Journal: Vol 60, No 2](#) (Accessed: 22 June 2026); Rothstein, Jesse (2010), 'Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence', *American Economic Journal: Economic Policy*, vol. 2, pp. 177–208. Accessed via: [Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence - American Economic Association](#) (Accessed: 16 June 2026); Shephard, Andrew (2017), 'Equilibrium search and tax credit reform', *International Economic Review*, pp. 1047–1088. Accessed via: [EQUILIBRIUM SEARCH AND TAX CREDIT REFORM - Shephard - 2017 - International Economic Review - Wiley Online Library](#) (Accessed: 16 June 2026); Azmat, Ghazala (2019), 'Incidence, salience, and spillovers: The direct and indirect effects of tax credits on wages', *Quantitative Economics*, vol. 10, pp. 239–273. Accessed via: [Incidence, salience, and spillovers: The direct and indirect effects of tax credits on wages - Azmat - 2019 - Quantitative Economics - Wiley Online Library](#) (Accessed: 16 June 2026)

613 Hoynes, Hilary; Joyce, Robert; Waters, Tom (2023), 'Benefits and tax credits', *IFS Deaton Review*, p. 21. Accessed via: [Benefits and tax credits](#) (Accessed: 9 June 2026)

Figure 5.2: Effect of benefits on household income for children in relative low-income after housing costs, 2023/24

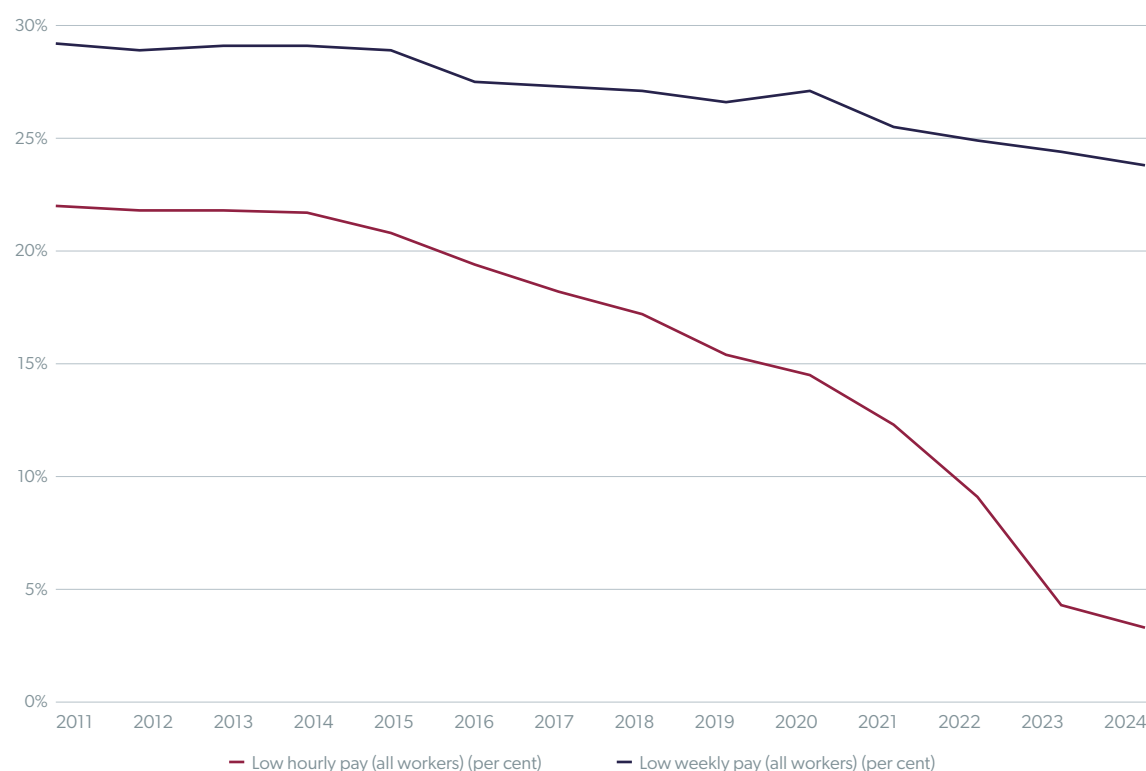


Source: CSJ analysis of raw Households Below Average Income data

Note: All income figures are net of taxes and after housing costs. The red dashed lines represent the relative low-income lines as calculated as 60 per cent of the median non-SPI'd, net equivalised household income after housing costs.

This was, partly, intentional. *Dynamic Benefits* set out to make part-time and micro-jobs financially viable for claimants when designing Universal Credit, in the belief that work is inherently beneficial such that even a claimant who can only manage a few hours of work should be enabled to work.⁶¹⁴ We share that belief (see Chapter 4). Similarly, *Dynamic Benefits* saw in-work benefits as a necessary tool to reduce in-work poverty for those who, for whatever reason, are stuck in lower earnings.⁶¹⁵ The challenge is to create an in-work benefit system that ensures work remains financially viable – however few the hours – that supports those unable to progress, *and* that incentivises those who can work more hours to do so while indirectly subsidising employers to offer such work. We return to this challenge in Chapter 6.

Figure 5.3: Proportion of workers with low weekly and low hourly pay, 2011 to 2024



Source: Low Pay Commission (2024), 'National Minimum Wage: Low Pay Commission Report 2024'

For those not in work, and those trapped in low paid work, Figure 5.2 showed the limits of welfare policy. Even children in households with post-benefit incomes above the relative low-income line remain in material deprivation. One of the reasons that material deprivation is a more helpful metric is that it reframes the poverty debate to reflect both sides of poverty: it is driven not just by low incomes, but the cost of basic goods.

The period between 2019/20 and 2022/23 demonstrates this point: rates of material deprivation jumped even as relative low-income marginally fell.⁶¹⁶ The rise was down to the soaring energy prices and, to a lesser degree, increased food prices. As shown in Figure 5.4, households with a head of household either economically inactive or in part-time work – proxies for workless and low-paid

614 CSJ (Sep 2009), pp. 181–182.

615 Ibid, p. 181.

616 Department for Work and Pensions (Mar 2026), 'Households Below Average Income (HBAI) Statistics'. Accessed via: [Households Below Average Income \(HBAI\) statistics - GOV.UK](#) (Accessed: 9 June 2026)

households – increased the share of their budget going to housing, fuel and power by 47 per cent and 42 per cent respectively, driven by a more than doubling in the share of their expenditure on electricity and gas bills. Households headed by full-time workers increased the share of their spending on housing, fuel and power by 27 per cent.

While the rise in energy prices tipped many households into poverty, the cost that makes up most of households' budgets is housing. The cost of housing was especially highlighted by participants in our Big Listen in the East Midlands:

"Housing costs are screwing families: we need to talk about housing when we talk about welfare... None of this considers the private rented sector. There is a huge problem there around affordability and availability."

Big Listen East Midlands participant

"Rent increases have driven a lot of people around here into debt... Rent in Leicester has increased exponentially."

Big Listen East Midlands participant

Welfare payments can mitigate these cost increases, but they are only part of the answer. Income transfers through the benefit system re-distribute some demand to the advantage of lower-income households but increase overall demand too. Goods like energy and housing are severely supply constrained.⁶¹⁷ Numerous studies across different jurisdictions have shown that subsidising demand for such goods passes mostly into rising prices, reducing the actual benefit to poorer households.⁶¹⁸ The difficulty of solving housing costs through welfare was, similarly, noted by Big Listen participants:

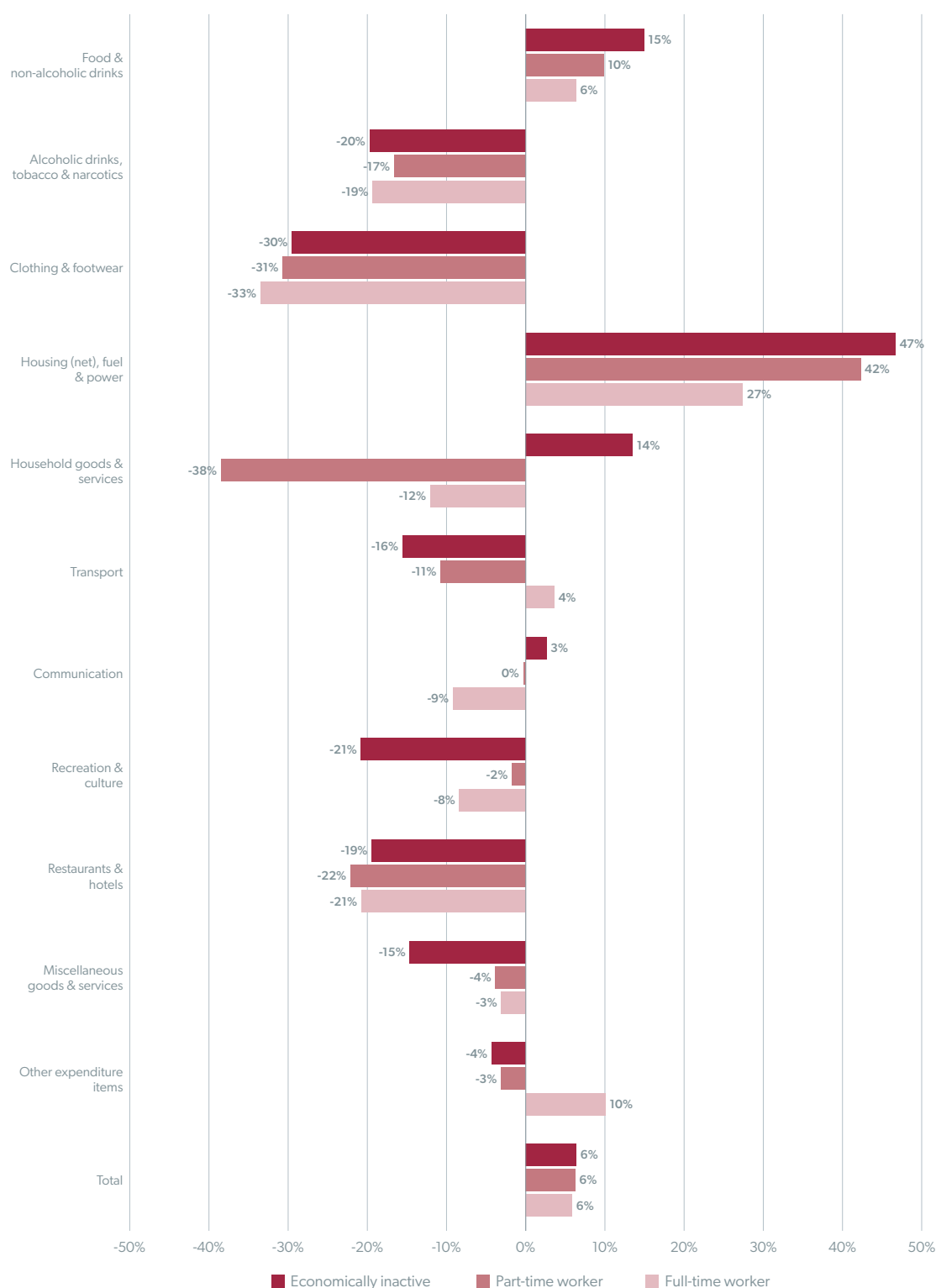
"The [local housing allowance] is interesting. Private landlords set their prices just above the allowance so, if you increase the allowance, private rents will increase too. We need to do something serious about the relationship between benefits and private rents."

Big Listen East Midlands participant

617 Price elasticities for housing supply, for example, are below 0.5 across the UK and as low as 0 in the centres of most major cities, meaning the majority of rising housing demand feeds into rising prices rather than rising supply. Institute for Fiscal Studies (Aug 2024), 'England has a poor record of building homes where they are needed'. Accessed via: England has a poor record of building homes where they are needed | Institute for Fiscal Studies (Accessed: 10 June 2026)

618 Fack (2006), for instance, found that, for every €1 increase in housing benefit, 78 cents was absorbed by increased house prices. Kangasharju (2010) estimated similar absorption, of 60 to 70 cents for every €1 increase in Finland. And Hyslop and Rea (2018) found that 36 per cent of equivalent benefit increases in New Zealand was absorbed by higher weekly rents. Multiple studies in the US have replicated these results across different states. Fewer studies have been carried out in the UK, though it is likely the absorption is, if anything, higher given the UK's greater supply constraints: though Braakman and McDonald (2020) found that property prices fell in the regions and property types most likely to be rented to Housing Benefit claimants following the Coalition's cuts to Housing Benefit in 2010 and 2011. Fack, Gabrielle (2006), 'Are housing benefit an effective way to redistribute income? Evidence from a natural experiment in France', Labour Economics, pp. 747–771. Accessed via: Are housing benefit an effective way to redistribute income? Evidence (Afrom a natural experiment in France - ScienceDirect (Accessed: 11 June 2026); Kangasharju, Aki (2010), 'Housing Allowance and the Rent of Low-income Households', The Scandinavian Journal of Economics, pp. 595–617. Accessed via: Housing Allowance and the Rent of Low income Households - Kangasharju - 2010 - The Scandinavian Journal of Economics - Wiley Online Library (Accessed: 11 June 2026); Hyslop, Dean; Rea, David (2018), 'Do housing allowances increase rents? Evidence from a discrete policy change', Motu Working Paper 18–10. Accessed via: Do housing allowances increase rents? Evidence from a discrete policy change. (Accessed: 11 June 2026); Braakman, Nils; McDonald, Stephen (2020), 'Housing subsidies and property prices: Evidence from England', Regional Science and Urban Economics. Accessed via: Housing subsidies and property prices: Evidence from England - ScienceDirect (Accessed: 11 June 2026)

Figure 5.4: Changes in the shares of families' expenditure on various goods and services between 2018/19 and 2023/24



Source: CSJ analysis of the Living Costs and Food Survey

As with in-work benefits, that is not an argument to scrap housing-related payments or to ignore energy price shocks within the welfare system. Poorer households still gain, on net, from such provision. But it

is an argument for realism about the welfare system's ability to tackle poverty on its own. Between 1995 and 2010, for instance, the mean Housing Benefit award for private tenants increased by 76 per cent – exceeding prices, which inflated by 36 per cent – yet the proportion of working-age adults driven into relative low-income by housing costs increased from six per cent to 6.7 per cent and the proportion of children driven into relative low-income by housing costs increased by two percentage points.⁶¹⁹

AREA FOR REFORM

Prioritise reducing the costs of necessities over subsidising demand for them within welfare.

More than three decades' worth of policy has served to anaesthetise relative income levels, but it has not excised poverty. Material deprivation among working-age adults and children has remained below around one fifth of their respective populations, yet rarely fallen below one sixth, let alone near zero. Welfare policy alone cannot reverse poverty. The things that will – higher earnings and more affordable goods – are downstream of the very growth absent in Benefit Britain.

5.2 Worklessness (Idleness)

The welfare system has been vastly more successful at reducing unemployment and moderately more successful in tackling inactivity than it has been tackling poverty. Unemployment, having risen during the financial crisis, fell to a 45-year low in 2019.⁶²⁰ Economic inactivity fell from around 24 per cent to 21 per cent over the last 25 years, while the rate of NEET young people dropped from a high of 17 per cent to a trough around 11 per cent in the late 2010s.

But this disguises a twofold issue: one part immediate and one part longstanding. The immediate part is evident in Figure 5.5: NEET rates have shot up since 2021, now equating to over one in eight young people, while economic inactivity has rebounded from its 2019 nadir.

The longstanding part is harder to see but has been highlighted cogently in the interim report of the Milburn Review: our NEET rate has fallen below one tenth only once in the 2000s even as European countries have reduced their rates as low as 2.9 per cent.⁶²¹ Our rate of economic inactivity is similarly above comparable northern European nations, including Germany, the Netherlands, Austria, Sweden, Finland, Denmark, and Norway.⁶²²

Economic inactivity, moreover, is chronic in Benefit Britain. Many local authorities with rates of economic inactivity far above the national average in 2006 have almost identical rates today. Authorities such as Walsall, South Tyneside, Blaenau Gwent, Blackpool, and Burnley remain within one percentage point of their 2006 rate. Economic inactivity is nationally lower than it was in 2006 but this improvement is driven

619 The latter statistics come from identifying the number of working-age adults/children who were in relative low-income after housing costs but not before housing costs in each period. The price change is calculated using HMT's GDP deflator series, and the mean Housing Benefit award comes from Table 108 of the UK Housing Review. Chartered Institute of Housing (2026), 'UK Housing Review 2026'. Accessed via: UK Housing Review 2026 (Accessed: 11 June 2026)

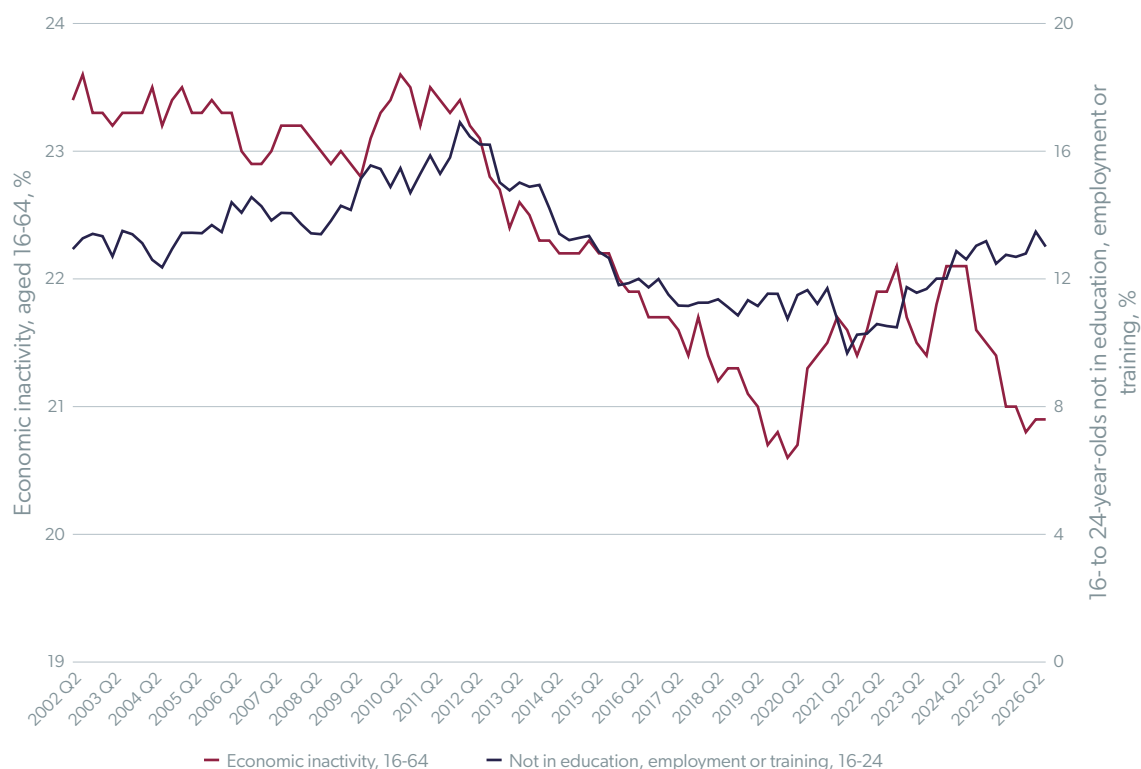
620 Office for National Statistics (Sep 2026), 'Unemployment rate (aged 16 and over, seasonally adjusted): %'. Accessed via: Unemployment rate (aged 16 and over, seasonally adjusted): % - Office for National Statistics (Accessed: 15 September 2026)

621 Department for Work and Pensions (Jun 2026), 'Young people and work: interim report'. Accessed via: Young people and work: interim report - GOV.UK (Accessed: 8 June 2026)

622 Eurostat (Apr 2026), 'Persons outside the labour force - % of total population in private households - quarterly data'. Accessed via: Statistics | Eurostat (Accessed: 11 June 2026)

by Southern success, while inactivity has worsened in areas across the North East, the M62 corridor, and Wales.

Figure 5.5: Rates of economic inactivity and young people not in education, employment or training



Source: Labour Force Survey

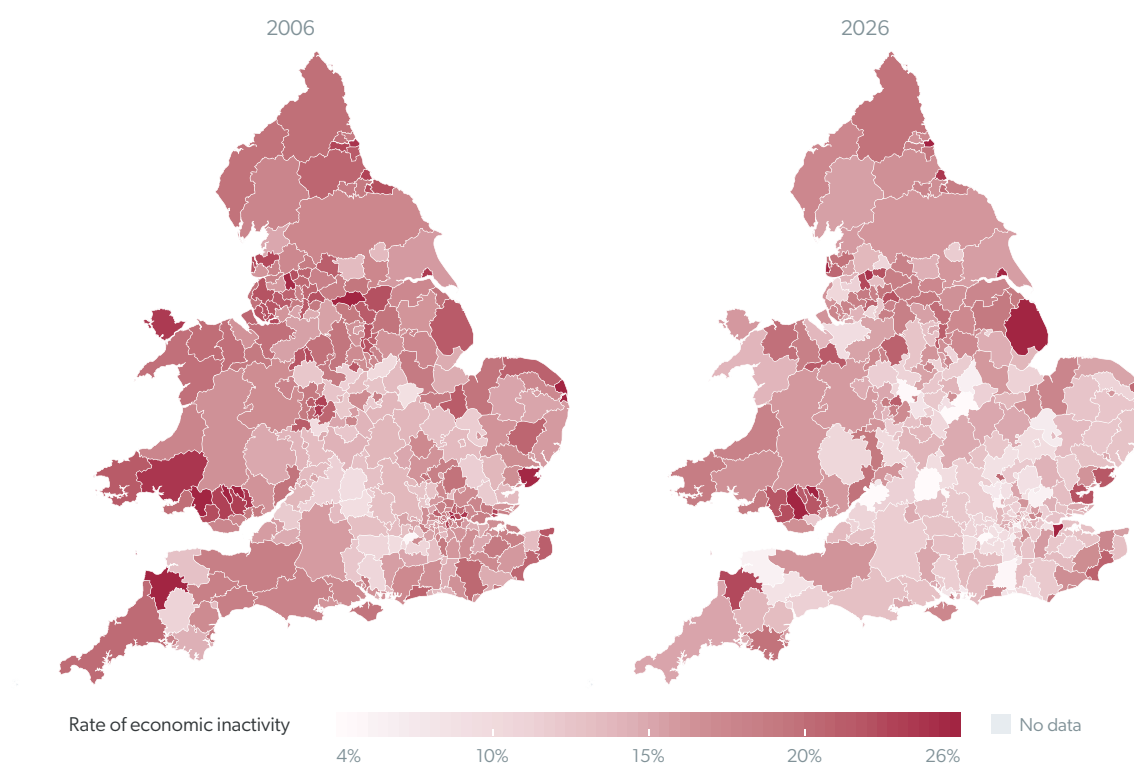
The same is true for NEETs. While the South West of England had a NEET rate of approximately 10 per cent in 2025, over 18 per cent of young people in the North East were NEET.⁶²³ The North East's rate was almost identical in 2006 and was only one percentage point lower when national NEET rates were lowest in 2019. Participants in both our frontline and employer Big Listens in the North East were well aware of their region's chronic struggle with worklessness:

"We have had a consistent community of worklessness, because they haven't had the examples of getting up in the morning, of those rites of passage that a whole generation has missed... The North East has never recovered from the loss of [industry]."

Big Listen North East Employers participant

623 CSJ analysis of the Annual Population Survey 2025.

Figure 5.6: Proportion of working-age population economically inactive excluding students, England and Wales



Source: CSJ analysis of the Annual Population Survey

"We find embedded cultures in some areas where there is generational unemployment. The government programmes just tick boxes. They don't tackle the issues relevant to our young people."

Big Listen North East Frontlines participant

Not all those who are economically inactive or NEET access welfare. Our report *Wasted Youth* identified that 76 per cent of the 300,000 'other' NEETs – NEETs who did not give a reason for being economically inactive – were not claiming any benefits in 2025.⁶²⁴ The Milburn Review has since estimated a total of 314,000 NEETs are hidden from welfare and employment support in this way.⁶²⁵ Similarly, around 40 per cent of 16- to 64-year-olds who were economically inactive (excluding students) in 2025 were not claiming any benefits.

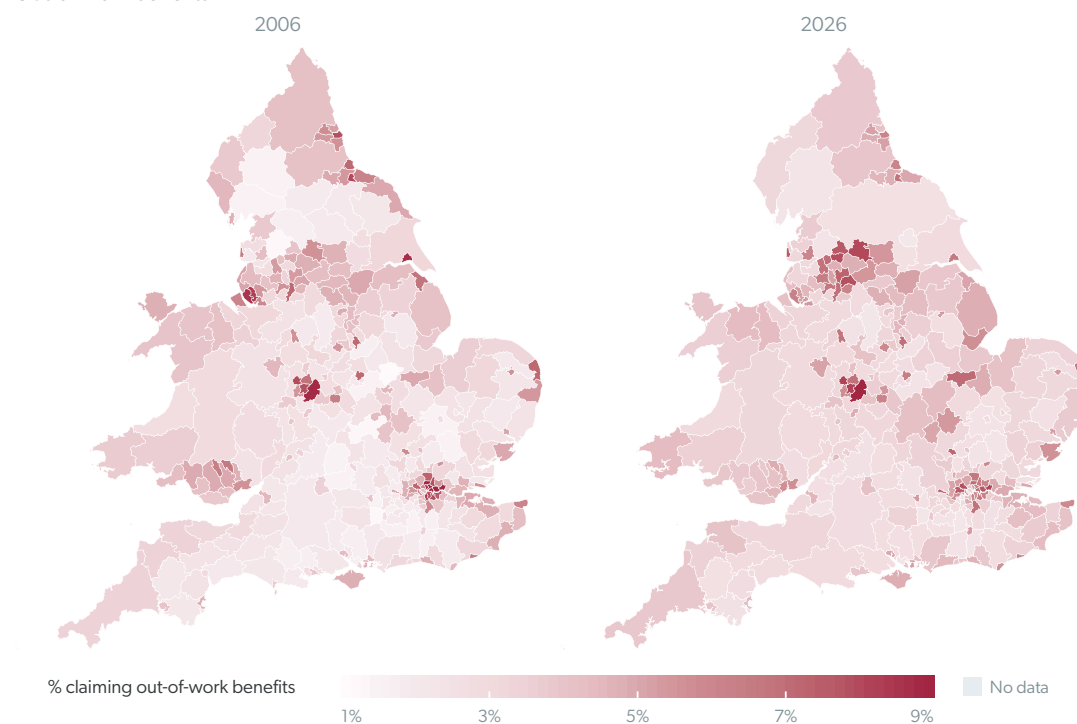
However, a majority of economically inactive 16- to 64-year-olds and NEETs are on welfare. The areas with the highest caseloads in Figure 5.7 overlap, unsurprisingly, with the areas with the highest rates of economic inactivity.

624 Centre for Social Justice (Aug 2025), 'Wasted Youth: Helping Britain's young adults into work', p. 32. Accessed via: [Wasted Youth](#) (Accessed: 15 June 2026)

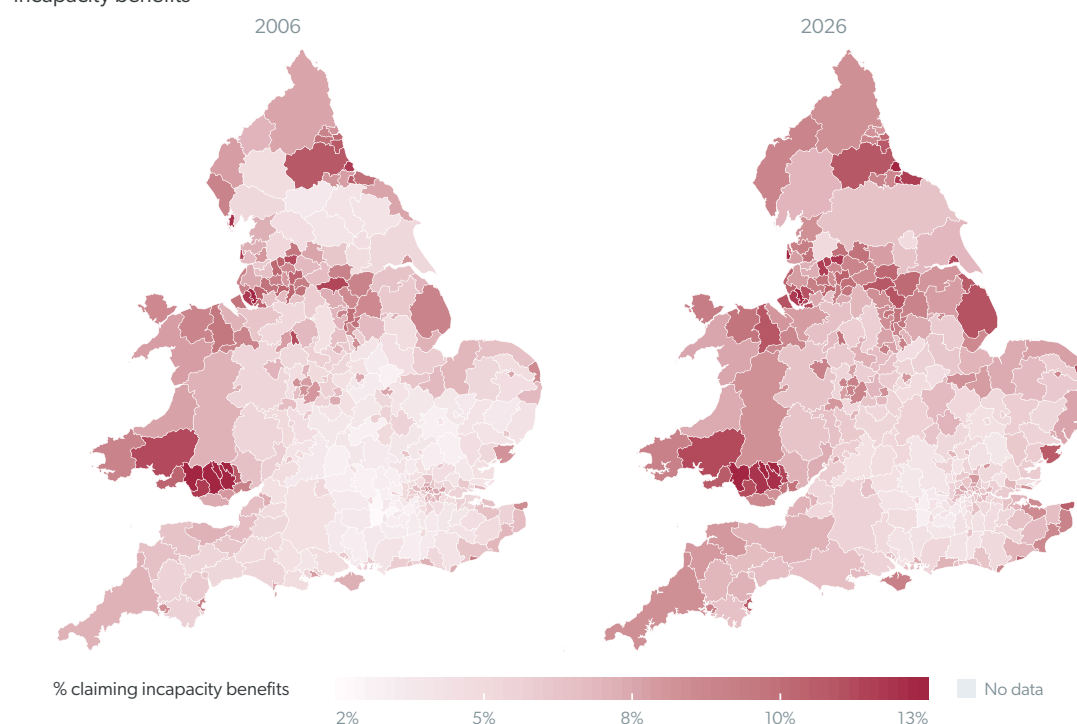
625 DWP (Jun 2026), 'Young people and work: interim report'.

Figure 5.7: Proportion of working-age population on unemployment or incapacity benefits by local authority, 2006 and 2026

Out-of-work benefits



Incapacity benefits



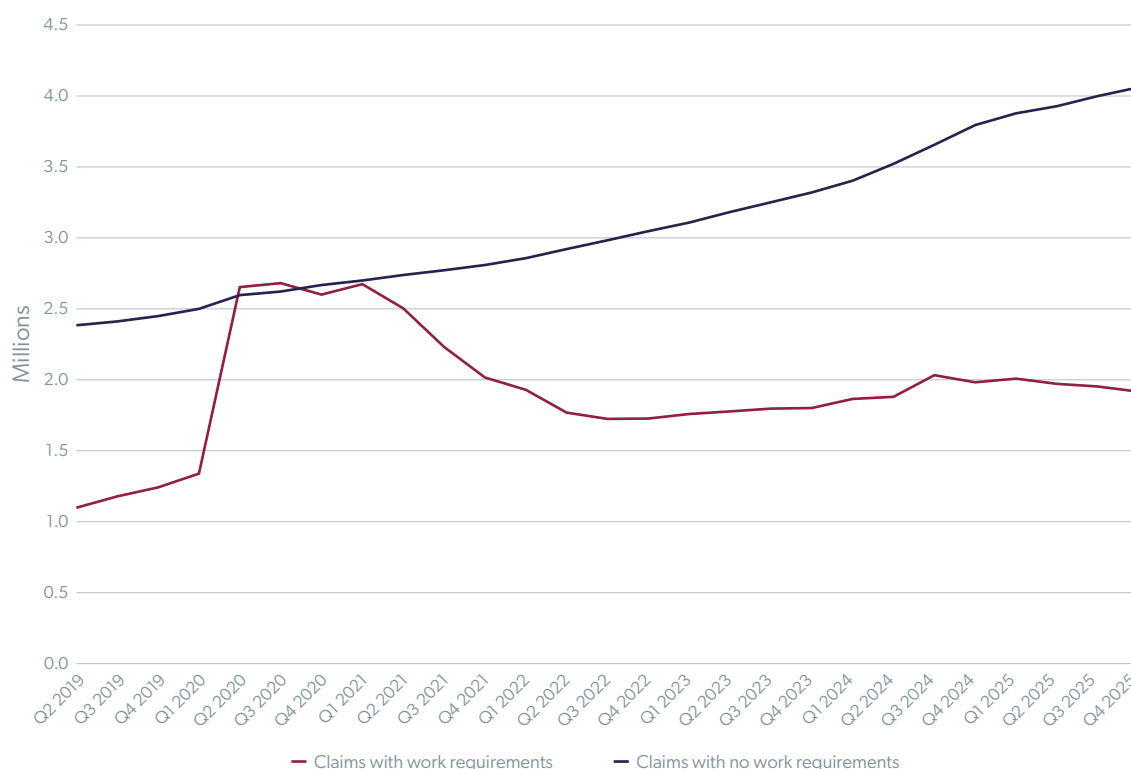
Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics'

Note: Local population calculated using the Annual Population Survey working-age total for the relevant period. Unemployment benefits include Jobseeker's Allowance, Income Support based on something other than incapacity, and any out-of-work Universal Credit claim with work requirements. Incapacity benefits include Incapacity Benefit, Severe Disablement Allowance, Employment and Support Allowance, Universal Credit with LCWRA and Income Support for incapacity.

Figure 5.7 also hints at the most important change in the relationship between benefits and inactivity in the last decade: the move from out-of-work to incapacity benefits. Figure 5.8 confirms this nationally. The number of working-age benefit claimants without any work requirements has increased by almost 1.7 million since the second quarter of 2019, driven by a significant rise in the incapacity benefit caseload.

The rise in economic inactivity and shift within the welfare system means that unemployment in its conventional form undercounts 'idleness' in Britain today. Rather, rising inactivity and the shift in welfare claims count means there is a growing trend of 'hidden unemployment', with the communities of Benefit Britain in Figure 5.7 worst affected.⁶²⁶

Figure 5.8: Number of out-of-work, working-age benefit claimants with or without work requirements, millions



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics'

Note: Claims with work requirements include Jobseeker's Allowance, Income Support based on something other than incapacity where Carer's Allowance is not also in payment, and any out-of-work Universal Credit claim with work requirements. Claims without work requirements include Incapacity Benefit, Severe Disablement Allowance, Employment and Support Allowance, any Universal Credit claim with no work requirements and Income Support for incapacity.

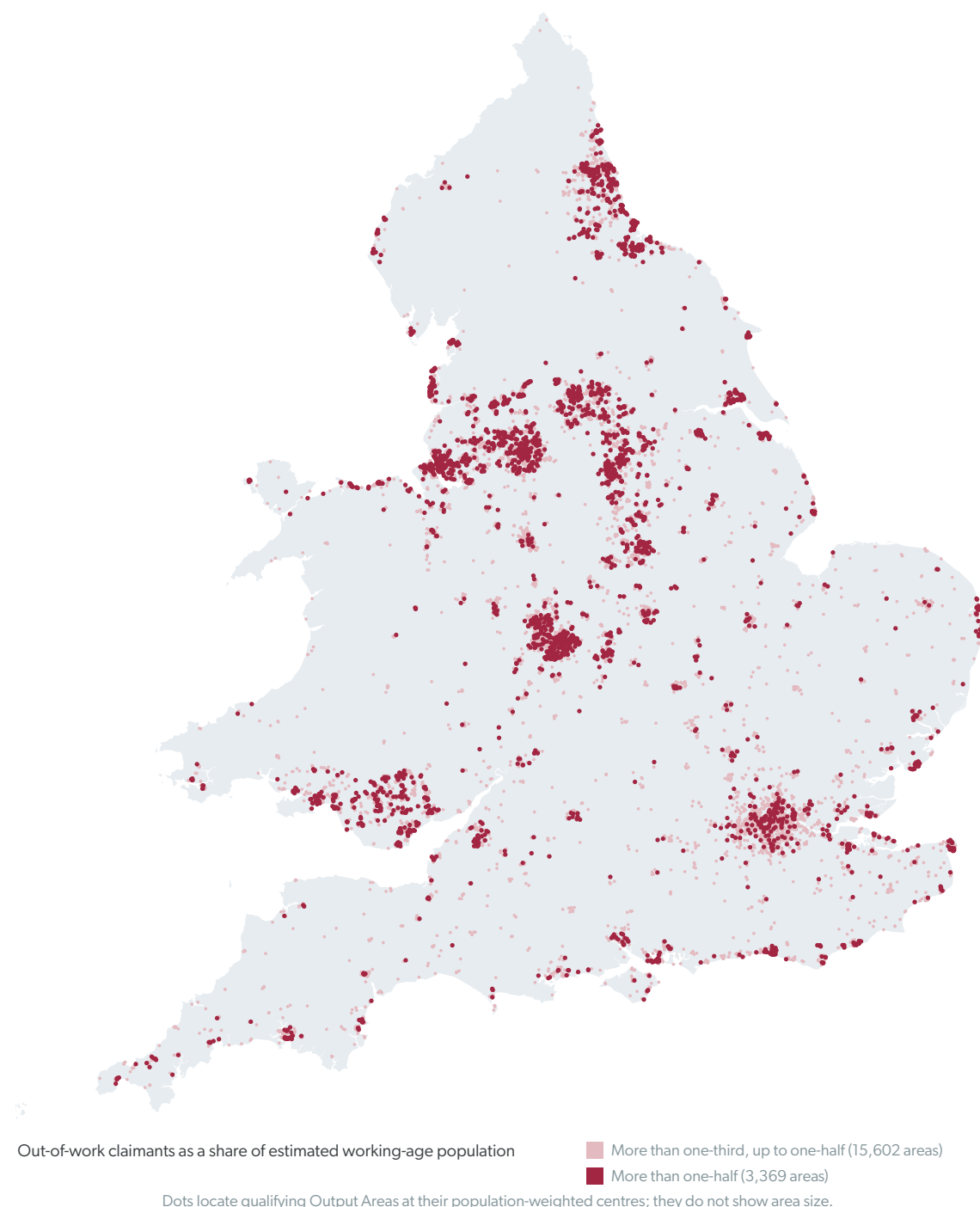
Local authority averages, however, conceal even deeper concentrations of hidden unemployment. New CSJ analysis combines out-of-work benefit records with Census population data to examine conditions at Output Area level: neighbourhoods containing around 300 residents on average.

Across England and Wales, we identify 3,400 welfare hotspots where out-of-work benefit claimants are estimated to account for more than half of the working-age population. These neighbourhoods are collectively home to 860,000 people, more than a city the size of Leeds. Across almost 19,000 neighbourhoods, more than one in three working-age adults are estimated to receive out-of-work benefits (see Fig. 5.9).

626 Beatty, Christina; Fothergill, Stephen (Feb 2023), 'The persistence of hidden unemployment among incapacity claimants in large parts of Britain', Local Economy, pp. 42–60. Accessed via: [The persistence of hidden unemployment among incapacity claimants in large parts of Britain](#) (Accessed: 16 June 2026)

These hotspots are concentrated in places that have experienced decades of industrial decline, economic stagnation and large flows of low-skill immigration. Birmingham contains 166 neighbourhoods where claimant numbers exceed half the estimated working-age population, followed by Liverpool with 112, Sheffield with 82 and Bradford with 81.

Figure 5.9: Welfare hotspots: neighbourhoods where out-of-work claimant numbers exceed one-third or one-half of the estimated working-age population



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics', Census 2021, ONS small-area population estimates 2024.

Table 5.1: Areas where out-of-work claimants exceed half the estimated working-age population

Local authority	Hotspot neighbourhoods
Birmingham	166
Liverpool	112
Sheffield	82
Bradford	81
County Durham	80
Blackpool	77
Manchester	66
Rotherham	54
Wirral	54
Newcastle-upon-Tyne	53
Nottingham	53

Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics', Census 2021, ONS small-area population estimates 2024.

Benefit Britain exists not only between regions or local authorities, but from one neighbourhood to the next. Figure 5.10 maps every Output Area in Liverpool and Birmingham according to the number of out-of-work benefit claimants relative to its working-age population.⁶²⁷ Each Output Area contains around 300 residents on average, revealing concentrations of benefit dependency obscured by city-wide averages.

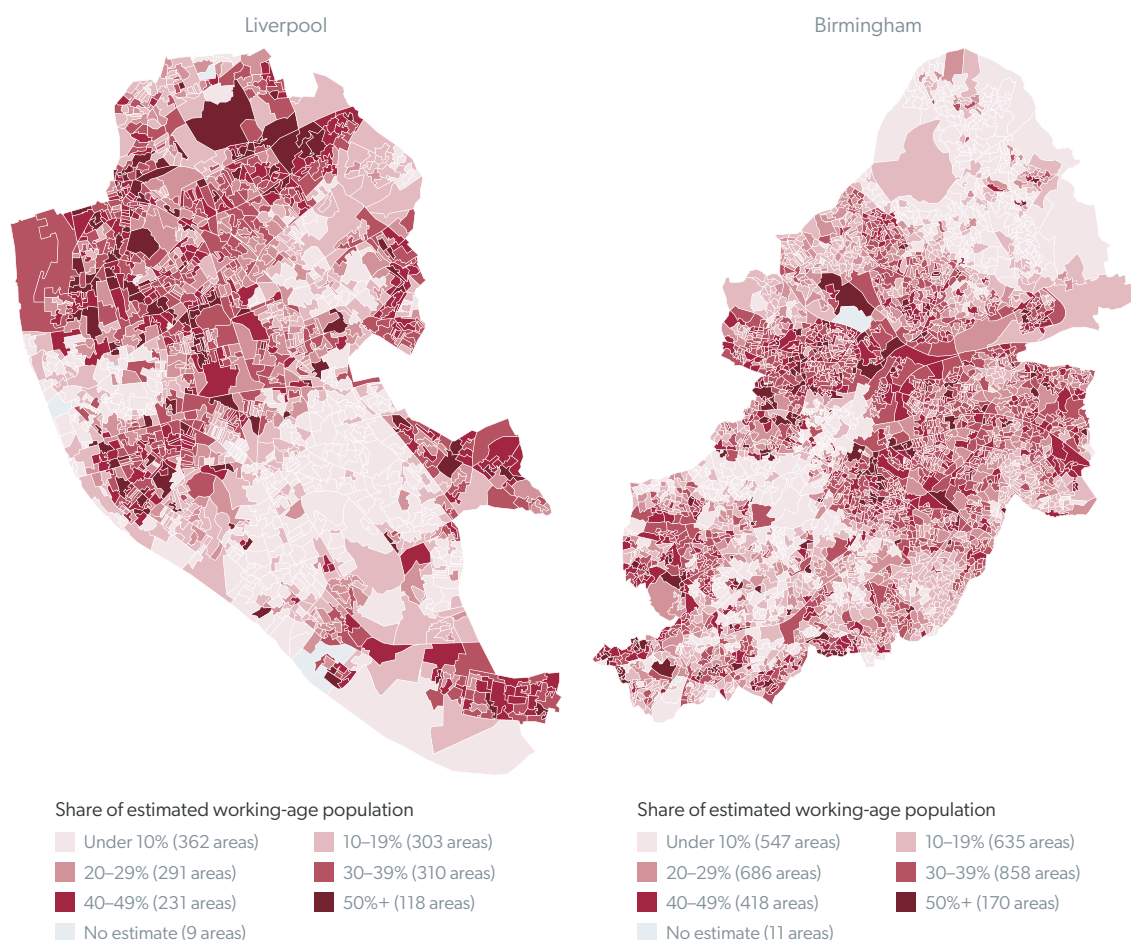
“Lack of opportunity in local communities means there are some people who are disadvantaged from the start. We have whole communities ripped up with no local identity. There is no community around work in the area anymore.”

Big Listen East Midlands Participant

In Liverpool, high claimant rates form a broad and largely contiguous belt across the north and inner city, contrasting sharply with much lower rates across large parts of the south. Birmingham displays a similarly stark internal divide. Neighbourhoods with high levels of benefit dependency cluster across its inner urban areas, while rates fall considerably towards Sutton Coldfield and parts of the city’s outer edge. People living within the same city and labour market can therefore experience radically different economic environments.

627 CSJ analysis of DWP Benefit Combinations Statistics, March 2026 claimant counts; Census 2021; and ONS small-area population estimates, mid-2024.

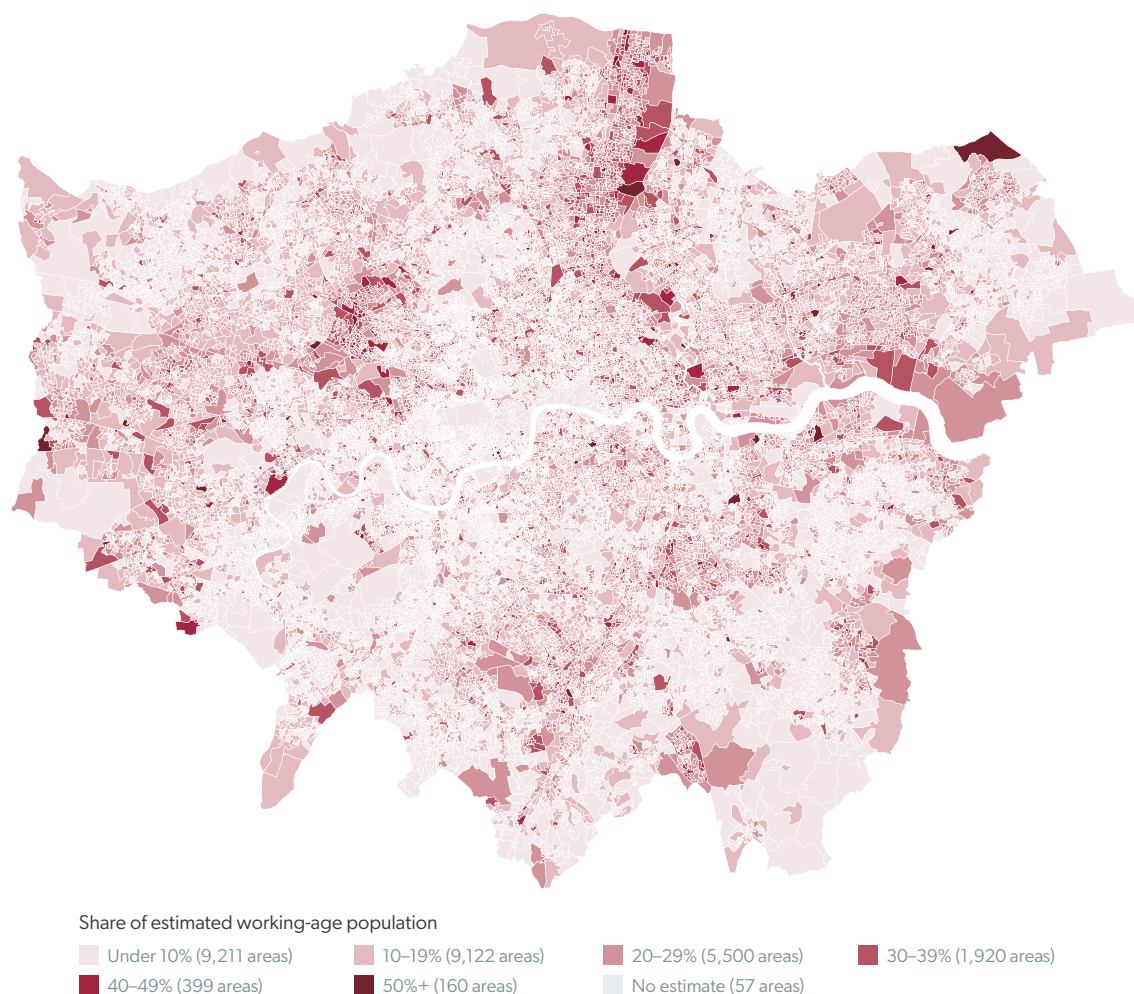
Figure 5.10: Benefit Britain at street level (percentage of estimated working-age population on out-of-work benefits in Liverpool and Birmingham)



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics', Census 2021, ONS small-area population estimates 2024.

London offers a revealing contrast. Its map is overwhelmingly lighter than those of Liverpool and Birmingham, but it is not free of severe worklessness. Around two per cent of London's Output Areas have out-of-work claimant counts equivalent to at least 40 per cent of the estimated working-age population, compared with 22 per cent in Liverpool and 18 per cent in Birmingham. In London, these darker neighbourhoods appear chiefly as pockets amid areas with much lower rates; in Liverpool and Birmingham, high claimant rates cover far larger and more connected parts of the city.

Figure 5.11: Benefit Britain at street level (percentage of estimated working-age population on out-of-work benefits), London



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics', Census 2021, ONS small-area population estimates 2024.

At its most extreme, the divide occurs from one street to the next. In two adjoining Output Areas in Bradford, the out-of-work claimant rate rises from the equivalent of 26 per cent of the estimated working-age population to 83 per cent. Their population-weighted centres are only around 300 metres apart. These concentrations are evidence that worklessness is not randomly distributed across the population. It has become embedded within particular communities, where generations can grow up surrounded by fewer working adults and with weaker everyday connections to employment.

"I had a spreadsheet of every single [young person] and where they lived, and I realised they all lived within particular areas of the city within 5 and 10 streets of each other."

Big Listen North East Employers Participant

Table 5.2: Benefit Britain from one street to the next

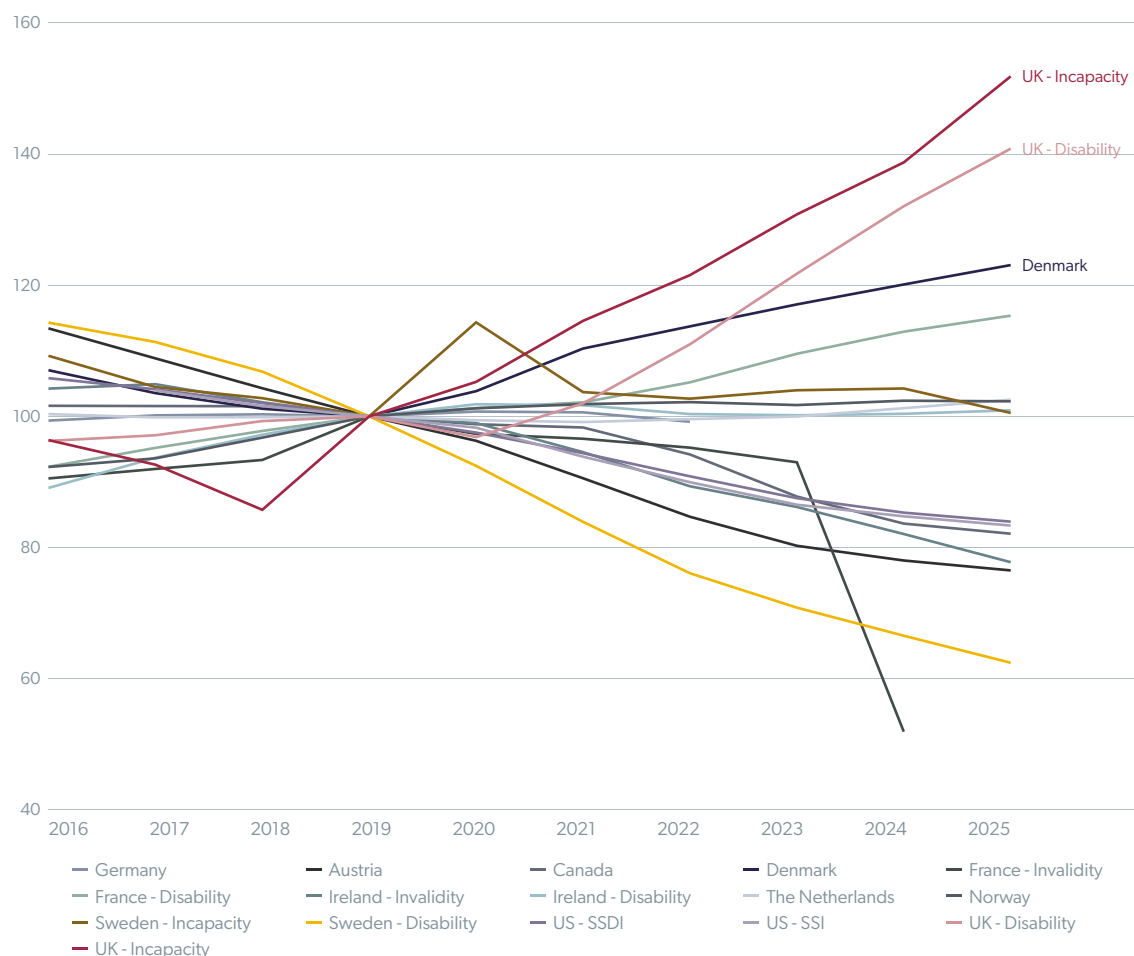
City	Claimant rate in adjoining neighbourhoods (%)	Distance between area centres	Percentage-point gap
Bradford	26 and 83	301m	57
Leicester	29 and 69	283m	40
Liverpool	23 and 59	158m	37
Sheffield	30 and 63	147m	33
Nottingham	28 and 57	174m	28

Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics', Census 2021 and ONS small-area population estimates. Selected adjoining Output Areas; distance measured between area centres.

It would be easy to dismiss the rise in hidden unemployment a symptom of worsening population health – which we discuss in the next section (see *Long-term ill-health*) – but there is substantial evidence that the shift towards health-related benefits is about far more.

The obvious inflection point in the last decade was the global Covid-19 Pandemic, yet no other comparable country has seen an increase in health-related benefit caseloads akin to Britain. The closest was Denmark, but their 23 per cent rise in working-age adults claiming a disability pension (*førtidspension*) was less than half of the UK's rise in incapacity benefits. Austria, Canada, Germany, Ireland, the Netherlands, Sweden and the US have even seen health-related caseloads fall. Figure 5.12 below shows this.

Figure 5.12: Change in health-related benefit caseloads as a proportion of the working-age population in the UK and comparable countries. Index: 2019 = 100



Source: CSJ analysis of Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026' and national data for comparable countries

Note: Countries selected based on data availability using the methodology set out in IFS (2024).⁶²⁸ Countries included are Austria, Canada, Denmark, France, Germany, Ireland, the Netherlands, Norway, Sweden and the US. France, Ireland, Sweden and the US have separate disability and incapacity benefits, which are included in their own lines. Working-age population is the population aged 15–64 in each country in each year estimated from OECD (Jun 2026), 'historical population data'.

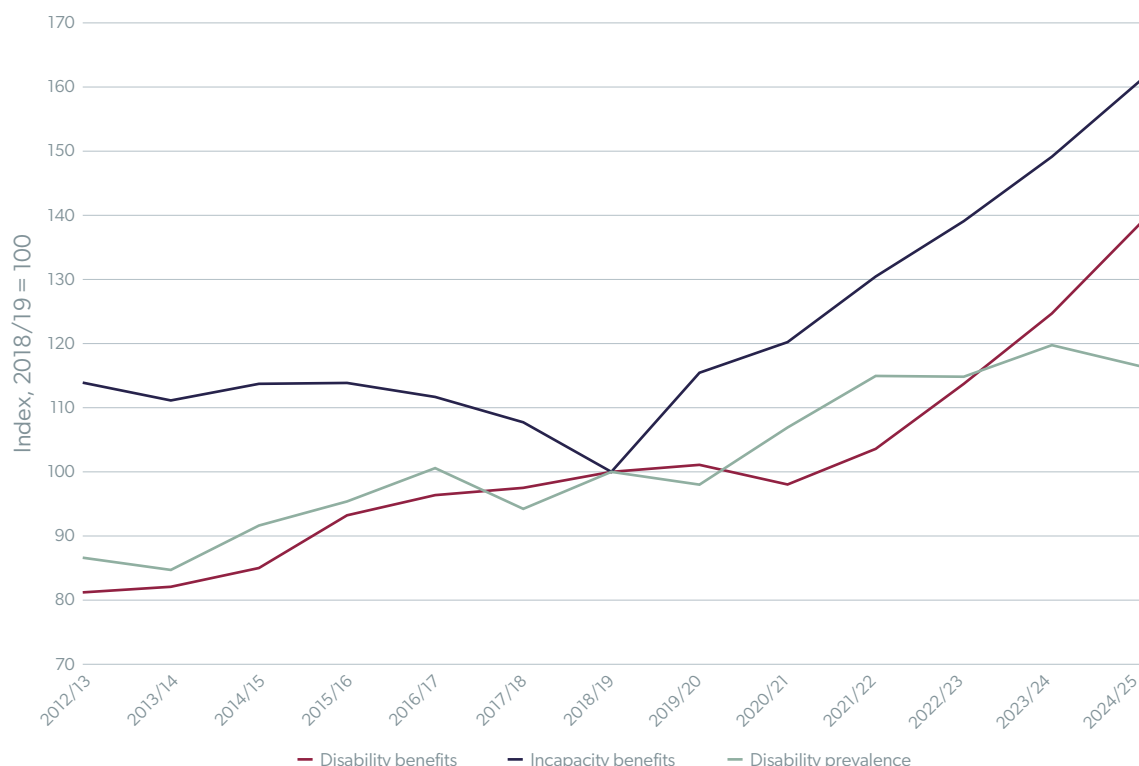
The rise in health-related benefit caseloads has, moreover, outstripped the rise in disability prevalence in the English and Welsh working-age population since 2018/19 (see Figure 5.13). Population health may have worsened, but not enough to explain rising hidden unemployment.

Rather, the rise in health-related caseloads partly reflects the significant additional earnings that health-related benefits bring. By layering up health-related benefits, a claimant of health-related benefits can achieve a more comfortable standard of living than they would achieve on simple out-of-work benefits or, in some cases, in work. That financial incentive draws people on the margins of health-related benefits into claiming them and stops those already claiming who can work from moving into work.⁶²⁹

⁶²⁸ Institute for Fiscal Studies (Sep 2024), 'Health-related benefit claims post-pandemic: UK trends and global context'. Accessed via: [Health-related benefit claims post-pandemic: UK trends and global context](#) | Institute for Fiscal Studies (Accessed: 16 June 2026)

⁶²⁹ The influence of financial incentives on health-related benefit demand is widely recognised. The OBR pointed to the relative generosity of health-related benefits compared to out-of-work benefits as a driver of demand increases in Office for Budget Responsibility (Oct 2024), 'Welfare trends report', p. 23. Accessed via: CP 1161 – Office for Budget Responsibility – Welfare trends report – October 2024 (Accessed: 16 September 2026) The IFS, similarly, found that past welfare reforms reducing the generosity of out-of-work benefits raised health-related benefit demand in Institute for Fiscal Studies (Dec 2025), 'Do disability benefit claims rise when other benefits are cut?'. Accessed via: [Do disability benefit claims rise when other benefits are cut?](#) | Institute for Fiscal Studies (Accessed: 16 September 2026)

Figure 5.13: Change in health-related benefit caseloads and disability prevalence among the working-age population in England and Wales. Index: 2018/19 = 100



Source: CSJ analysis of the Family Resource Survey and Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'

Note: Disability prevalence is measured by the rate of respondents to the Family Resource Survey in each year who meet the Government Statistical Service's harmonised definition of disability, based on the core definition of disability in the Equality Act 2010.

Figure 5.14 shows this in the case of a single individual aged over 25 receiving both the health element of Universal Credit and the mean value of PIP, worth £7,463. They receive £12,620 more than a Universal Credit claimant not claiming any health-related benefits and make £4,594 more than someone who does not claim benefits and works 36 hours per week at the national minimum wage. This also understates the likely reality as most PIP claimants receive both components at the enhanced level, worth £10,119, which would raise the claimant's total out-of-work income to £27,376.

The claimant in Figure 5.14 could retain their PIP and (some of) their Universal Credit in work, but the reward for the additional effort is less than the national minimum wage on net. The claimant is £7,518 better off per year if they work part-time and £11,875 better off if they work full-time, translating to net hourly earnings of £9.04 and £6.34 respectively. As one Big Listen participant put it:

"The maths of the taper rate don't work. All of a sudden, you're working for £3 or £4 an hour and no one will do that unless they are forced."

Big Listen East Midlands participant

The chances of the claimant earning the equivalent of 36 or 16 hours at the national minimum wage in work are vanishingly low. As we explore in a later section (see *The abandoned nation*), the 25th percentile of gross weekly earnings is less than gross earnings from working 36 hours per week at the national

minimum wage in 230 of the UK’s unitary and district authorities. In 208 unitary and district authority areas, even part-time workers at the 25th percentile earn less than 16 hours at the national minimum wage.⁶³⁰

Figure 5.14: Income from combined benefits compared to wages after tax for a single individual aged over 25 in a Band B property, 2026/27



Source: CSJ analysis of 2026/27 benefit rules and rates
 Note: The individual receives the mean value of PIP, as calculated from Stat-Xplore for April 2026, and receives the English median of the Local Housing Allowance for a Band B property (i.e., a one-bed property with exclusive use of facilities)

There is also no guarantee that a claimant will retain their PIP or the health element of Universal Credit. The Government has passed a statutory instrument to enshrine existing (but inconsistently applied) DWP policy that paid and voluntary work do not themselves trigger reviews of relevant benefit awards.⁶³¹ However, partaking in such work can still evidence that a claimant’s health has improved, ending their eligibility for health-related benefits. While this is necessary to prevent benefit fraud, it creates uncertainty for claimants as they consider whether an assessor would interpret any given job as proving they are no longer ill. Claimants’ fear of losing their benefits came up repeatedly in our Big Listens:

“Some young people are aware that they technically can work with their benefits, but practically it’s so confusing to work out that they don’t.”

Big Listen North East Frontlines participant

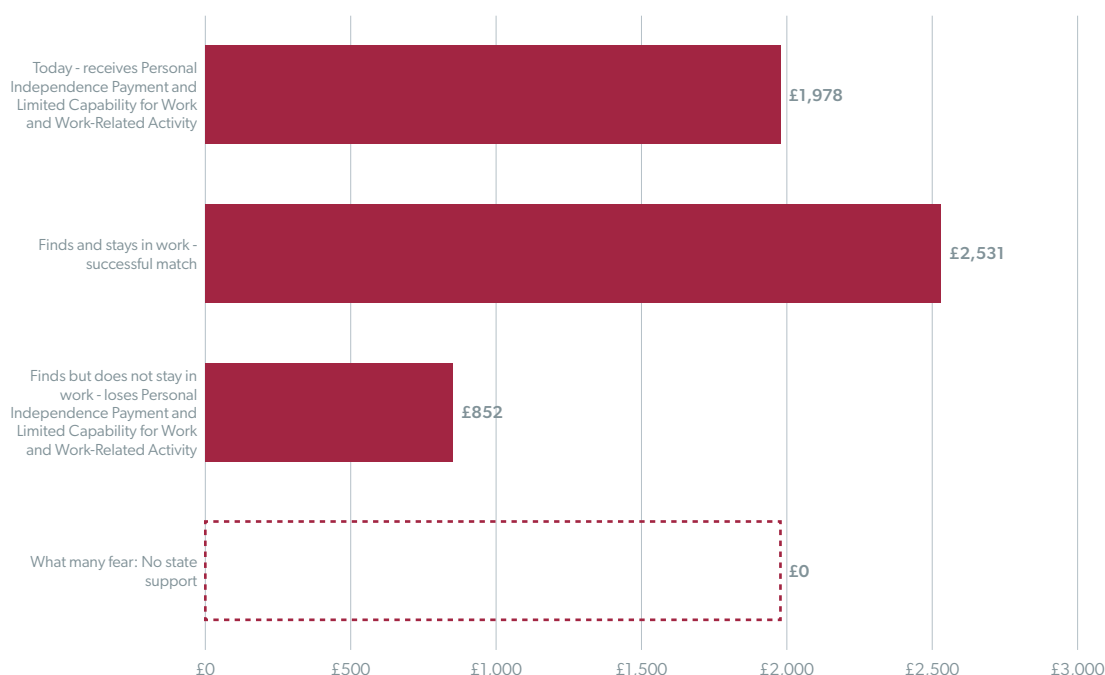
630 CSJ analysis of the Annual Survey of Hours and Earnings.
 631 The Universal Credit, Personal Independence Payment and Employment and Support Allowance (Amendment) Regulations 2026, SI 2026/395. Accessed via: [The Universal Credit, Personal Independence Payment and Employment and Support Allowance \(Amendment\) Regulations 2026](#) (Accessed 16 June 2026)

“The system is punitive: it tells people not to try. If you volunteer at a café, your PIP assessor may deem you’re [no longer eligible]. A small amount of positive behaviour can punish you.”

Big Listen East Midlands participant

These echo the findings of the Milburn Review, which stated that almost half of health-related benefit claimants who were not in work and did not rule out work were worried that they would not get their benefits back if they tried paid employment and it failed.⁶³² The Review succinctly showed the calculation facing a NEET on health-related benefits, re-produced in Figure 5.15. The equivalent fear for the adult in Figure 5.14 is not just losing benefits in work – costing £4,594 per year – but either returning to welfare without any health-related benefits – costing £12,620 – or ending up with no state support at all.

Figure 5.15: Scenario-based analysis of earnings under different job search outcomes, reproduced from Figure 28 of the Milburn Review



Source: The Department for Work and Pensions (June 2026), ‘Young people and work: interim report’

Note: In-work earnings based on 35 hours at national minimum wage. Their benefit claims include maximum PIP, UC LCWRA, housing element under average LHA rental costs, and Council Tax Support based on Leicester City council’s scheme.

As well as deterring those on benefits from trying work, there is evidence that PIP encourages claimants who are in work to leave it. Two impact studies cited by the recent Timms Review found that PIP receipt reduces employment overall.⁶³³ This is clear at a purely observational level: while 40 per cent of PIP claimants are in work when they are first awarded the benefit, only 20 per cent of PIP recipients remain

632 DWP (Jun 2026), ‘Young people and work: interim report’.

633 Department for Work and Pensions (15 Jul 2026), ‘The Timms Review of Personal Independence Payment: interim report’. Accessed via: [The Timms Review of Personal Independence Payment: interim report - GOV.UK](#) (Accessed: 24 July 2026)

in work overall. Around half, in other words, leave work once they begin receiving PIP.⁶³⁴ In some cases, this results from an individual's condition worsening, but the size of the drop suggests many claimants effectively use PIP as an income replacement benefit and trade work for the *relative* comfort of health-related benefits.

Moreover, the direct income PIP and Universal Credit Health offer is a lower bound estimate for many claimants. 51 per cent of working-age PIP claimants received the enhanced rate of the mobility component in April 2025, and 30 per cent of those claimants exchanged that component for a Motability car in 2024/25. Motability, as we described in Chapter 2, provides claimants with a brand-new car every three years, as well as paying insurance, road tax, breakdown cover, and a mileage allowance. RAC lists cars like the Nissan Qashqai and Kia Sportage as its popular Motability cars of 2026, both of which have a recommended price of around £30,000.⁶³⁵ The monetised value of losing one such car is, therefore, at least £17,000 more than the loss of three years' worth of the enhanced rate mobility component.

Motability is the tip of the iceberg of passported benefits that claimants risk losing. A parent who loses their Universal Credit could also lose access to FSM, with transitional protection being removed as of September 2026; free school transport, if they live within an eligible distance; the school HAF Programme; and school uniform grants, if their local authority provides them.⁶³⁶ The loss of FSM alone amounts to at least another £480 per year, while the DfE estimates that the HAF Programme saves parents over £300 per year.⁶³⁷

In addition, claimants can access the NHS's Help with Health Costs if their annual earnings are below £6,700 or, if they have LCWRA or receive the Child Element, £15,500, granting free prescriptions, free dentistry, and a range of other savings through a host of schemes. Some claimants earning above the thresholds may still get full or partial support after an income assessment to access a HC2 or HC3 certificate, with, again, confused cut-offs. Universal Credit also acts as a partial passport to the WHD, worth £150 per year; social tariffs for water, saving two million customers £190 on average in 2024/25; and broadband, saving customers approximately £200 annually.⁶³⁸

The smorgasbord of schemes and their varying earnings thresholds deter claimants from full-time employment at best, exacerbating the implicit part-time subsidy explored earlier (see *Poverty*), and confuse claimants into inaction at worst. A simple comparison of benefit rates and wages, therefore, misses the actual scale of both the financial incentive to claim benefits, to avoid work requirements, and to stay workless. One Big Listen participant bluntly said:

"The cost of prescriptions, dentistry, school meals, and council tax: once you add them all in, it is just not worthwhile moving into work. It is just too expensive."

Big Listen East Midlands participant

Idleness – to return to Beveridge's phrasing – is not monocausal. The Milburn Review has highlighted the system-wide drivers, from health to skills policy, that have perpetuated a chronic, three-decade-long NEETs problem, and we explore below how weak local labour markets offer few attractive alternatives.

634 Department for Work and Pensions (Jul 2026c), 'Annex B – DWP evidence pack'. Accessed via: Annex B – DWP evidence pack - GOV.UK (Accessed: 17 August 2026)

635 RAC (Apr 2026), 'Best Motability Cars 2026'. Accessed via: Best Motability Cars 2026 | RAC Drive (Accessed: 3 August 2026)

636 Onward (Feb 2026)

637 Department for Education (Aug 2025), 'Parents to save thousands in government cost of living support'. Accessed via: Parents to save thousands in government cost of living support - GOV.UK (Accessed: 17 June 2026)

638 Onward (Feb 2026)

But these problems being multicausal neither negates the barriers to work within the welfare system nor obviates the need to remove them.

5.3 Long-term ill-health (Disease)

The premium that claimants receive when claiming health-related benefits exists for a reason: to contribute towards the additional costs that people with long-term health conditions face because of their condition. Rising health-related caseloads understandably follow worsening population health, but – as we showed in Figure 5.13 – recent increases have far outstripped increases in the prevalence of long-term illness. This section unpicks the question: are health-related benefits helping? There are three points worth noting.

Health-related benefits typology

- **Disability benefits:** Benefits paid to people with a disability or long-term health condition to contribute to additional costs resulting from their condition.
- **Incapacity benefits:** Benefits paid to people who are unable to work due to a disability or long-term health condition to meet their living costs or top up other out-of-work benefits to reflect the higher living costs resulting from their condition.

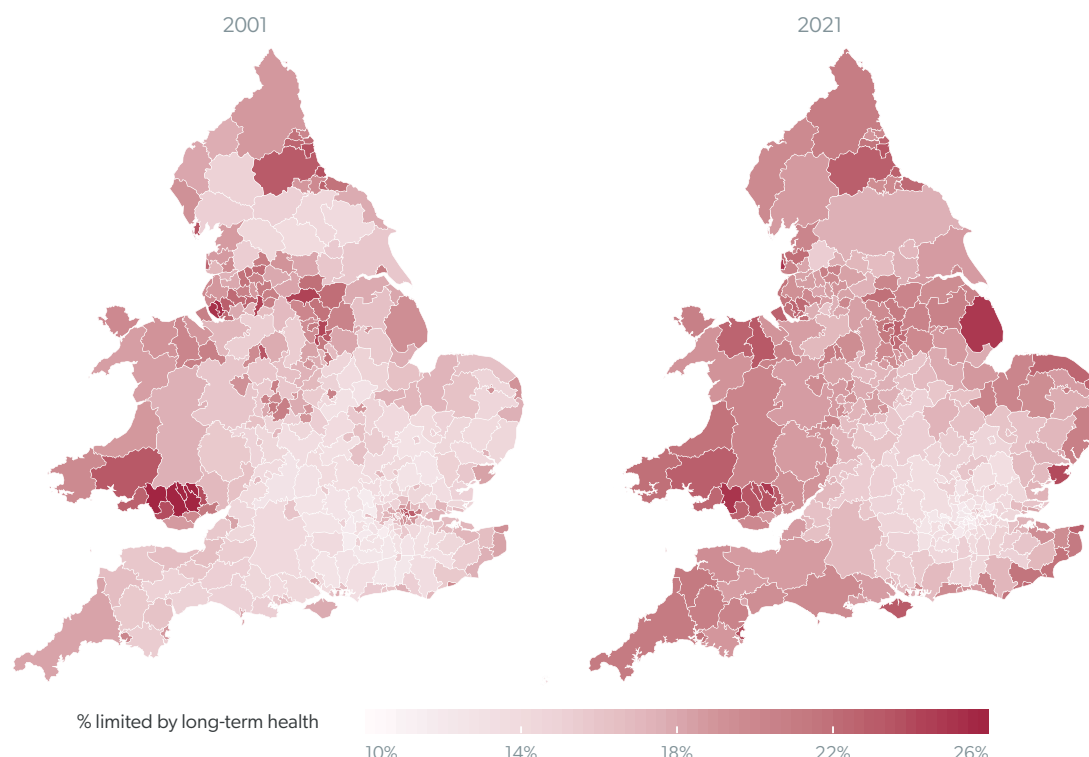
First, almost all the national rise in self-reported, life-limiting illness – which rose 34 per cent between 2012/13 and 2024/25 – has been concentrated in specific regions. Figure 5.16 demonstrates this using data from the 2001 and 2021 Censuses.⁶³⁹ Long-term ill-health has grown in prevalence across south Wales, the North East, and the M62 corridor even as the South East of England has become healthier. Figure 5.16 is age-standardised, meaning that the regional differences cannot be explained by local age-profiles: ill-health is higher outside the South East regardless of demographics.

The areas where ill-health has grown are the same areas that have the highest rates of economic inactivity in Figure 5.6 and health-related claims in Figure 5.7 across periods. It is unsurprising that they neatly map onto each other: long-term illness drives both higher incapacity benefit caseloads and higher rates of economic inactivity. But health-related benefits, specifically disability benefits, are intended to help claimants meet care needs and, where relevant to their condition, to support their recovery as well as supporting them financially.⁶⁴⁰ Yet the same areas that saw higher rates of long-term ill-health and received greater proportions of health-related benefit spend over two decades ago continue to have higher and growing rates now.

⁶³⁹ Note that the definition of long-term life-limiting illness tightened between the two censuses following the Equality Act 2010. The measures remain broadly comparable, though the emphasis should be on the visible trends rather than changes in each area's precise proportion.

⁶⁴⁰ See Chapters 1 and 2 above.

Figure 5.16: Proportion of population limited by a long-term health condition in 2001 and 2021 Censuses, age-standardised



Source: CSJ analysis of Census 2001 and Census 2021

Note: The exact definitions of limiting long-term illness changed between 2001 and 2021 following the Equality Act 2010. The proportions are age-standardised to show the prevalence of long-term illness in certain areas controlling for age differences.

The second point to note is that Britain is one of the few countries to provide disability benefits on a financial basis unlinked to specific costs. Five of the six countries that provide comparable disability benefits tie payments to specific costs, often proven with receipts.⁶⁴¹ In several European countries, there is no comparable disability benefit with financial support provided exclusively through means-tested incapacity benefits – the equivalent of merging PIP into the health element of Universal Credit.

Denmark and The Netherlands are two notable examples. Denmark's disability benefit offer is closest to PIP. It provides a non-means-tested cash benefit available regardless of whether someone is working called *merudgiftsydelse* (additional expense allowance). However, to access it, a claimant must evidence that they face expenses related to their condition of more than DKK 630 per month (around £73) as well as passing a functional assessment. The rate of *merudgiftsydelse* payable is set by the municipality's assessment of the claimant's probable expenses. The municipality reassesses the grant annually and may adjust the award if it believes probable expenses have risen or fallen.⁶⁴²

The Netherlands, on the other hand, has no disability benefit equivalent to PIP. Individuals assessed as needing supervision or care by their municipality can receive support through the *Wet Langdurige Zorg* (Long-term Care Act or WLZ), including residential, community-based, or home care, and may organise their own care through a Personal Care Budget (PGB), though the benefit is paid directly to the

641 DWP (Jun 2024)

642 European Social Policy Network (2022), 'Social protection for people with disabilities in Europe: An analysis of policies in 35 countries'. Accessed via: [Social protection for people with disabilities – An analysis of policies in 35 countries - Employment, Social Affairs and Inclusion](#) (Accessed: 19 June 2026); [Mutual Information System on Social Protection](#) (Jul 2025), 'Comparative tables'. Accessed via: [Comparative tables - MISSOC](#) (Accessed: 19 June 2026)

caregiver.⁶⁴³ Disabled people in work only receive a cash benefit if their income is low enough that they remain within the means-test of an incapacity benefit, equivalent to the tapering of the health element of Universal Credit rather than the receipt of PIP.⁶⁴⁴

The final point is that the rise in long-term ill-health has been primarily driven by mental health. The Family Resource Survey – the annual survey used by the DWP to predict trends in welfare demand – estimates that the proportion of people with a long-term health condition reporting they have a difficulty with their mental health increased from 23 per cent in 2012/13 to 46 per cent in 2024/25. Over the same period, the proportion of people with long-term ill-health reporting physical difficulties – such as difficulties with vision, hearing, or mobility – fell. Where half of people with a long-term health condition in 2012/13 had difficulties with their mobility, fewer than two fifths have such a difficulty now.

The trend is similar among the general working-age population. The total number of working-age people reporting a mental health problem increased by 180 per cent, or 3.2 million, between 2012/13 and 2024/25. No physical difficulty saw remotely comparable growth. Problems with mobility, dexterity, and hearing grew by less than a tenth.⁶⁴⁵

This is troubling because, as our 2025 report *Change the Prescription* catalogued, the line between distress and mental ill-health in psychiatry is ambiguous and subjective. NHS Mental Health Trusts do not have a universally agreed definition of mental health, with only three defining it at all, and the psychiatrist who chaired the taskforce that developed the fourth edition of the Diagnostic and Statistical Manual of Mental Disorders has criticised the fifth edition for naming normal, difficult experiences as disorders.⁶⁴⁶ That position was backed by 84 per cent of GPs in CSJ polling: that proportion believed society's approach to mental ill-health has led to the normal ups and downs of life being seen as medical problems.⁶⁴⁷ The same view was espoused at our Big Listens:

"When the DSM manual was introduced in 2022 there were 22 chapters that covered mood anxiety disorders. This has gone completely out of control: we need a new label for everything that comes along. I think it is disgraceful that you get a young person into your service, and you say 'this is what you've got' rather than working on the real challenges – the system rewards all the wrong things."

Big Listen East Midlands participant

643 Mutual Information System on Social Protection (Jul 2025)

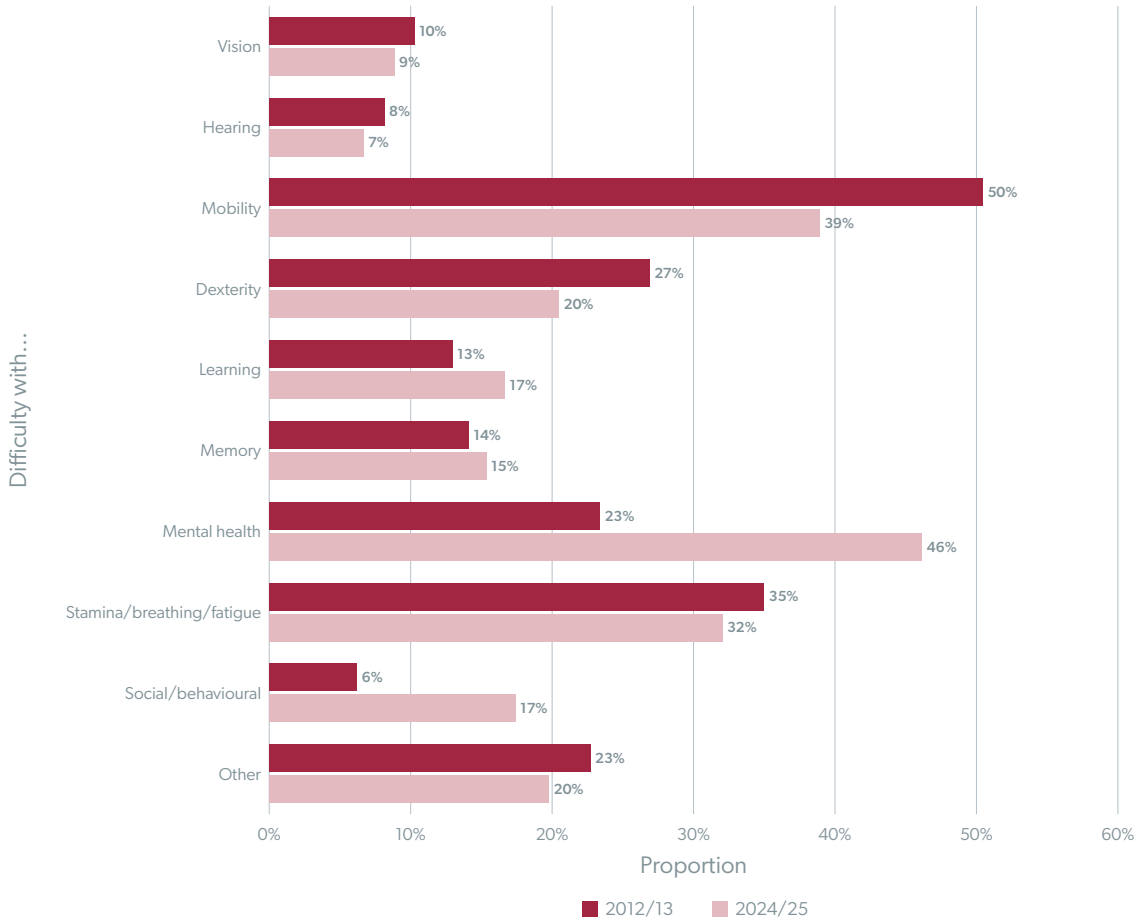
644 European Social Policy Network (2022); Mutual Information System on Social Protection (Jul 2025)

645 CSJ analysis of the Family Resource Survey

646 CSJ (Jan 2025), p.10.

647 Original analysis conducted by Savanta for Centre for Social Justice of 1,001 General Practitioners in the UK between 4 December 2024 and 17 December 2024.

Figure 5.17: Health difficulties reported by working-age adults with a life-limiting illness, 2012/13 and 2024/25



Source: CSJ analysis of the Family Resource Survey

The ambiguity and subjectivity of less severe mental illness is exacerbated by its social determinants. A large body of literature documents the impact that maladaptive avoidance has in maintaining and worsening anxiety disorders, for example. People with social anxiety and panic disorders who persistently avoid social stimuli are far likelier to develop additional anxiety disorders.⁶⁴⁸ Exposure-based treatments that reduce avoidance have also been shown to decrease anxiety across multiple disorders.⁶⁴⁹ Similarly, various studies have concluded that repetitive negative thinking (or rumination) – where an individual dwells on negative thoughts and feelings – may cause, as well as follow, various diagnoses of mental ill-health, including depression.⁶⁵⁰

648 Urcelay, Gonzalo P (2024), 'A psychological mechanism for the development of anxiety', Behavioural neuroscience, vol. 138, pp. 281–290. Accessed via: doi.org/10.1037/bne0000607 (Accessed: 19 June 2026)

649 Hofmann, Stefan and Hay, Aleena (2018), 'Rethinking Avoidance: Toward a Balanced Approach to Avoidance in Treating Anxiety Disorders', Journal of Anxiety Disorders, 55, pp. 14–21. Accessed via: doi: 10.1016/j.janxdis.2018.03.004 (Accessed: 19 June 2026); Craske, M., Treanor, M., Conway, C., Zbozinek, T. and Vervliet, B (2014), 'Maximizing Exposure Therapy: An Inhibitory Learning Approach', Behaviour Research and Therapy, 58, pp. 10–23. Accessed via: doi: 10.1016/j.brat.2014.04.006 (Accessed: 19 June 2026); Foa, Edna and McLean, Carmen (2016), 'The Efficacy of Exposure Therapy for Anxiety-Related Disorders and Its Underlying Mechanisms: The Case of OCD and PTSD', Annual Review of Clinical Psychology, 12, pp. 1–28. Accessed via: doi: 10.1146/annurev-clinpsy-021815-093533 (Accessed: 19 June 2026)

650 Takano, Keisuke; Tanno, Yoshihiko (Mar 2009), 'Self-rumination, self-reflection, and depression: Self-rumination counteracts the adaptive effect of self-reflection', Behaviour Research and Therapy, vol. 47, pp. 260–264. Accessed via: Self-rumination, self-reflection, and depression: Self-rumination counteracts the adaptive effect of self-reflection - ScienceDirect (Accessed: 19 June 2026); Chentsova, Victoria; Bravo, Adrian; Mezquita, Laura; Pilatti, Angelina; Hogarth, Lee (Jan 2023), 'Internalizing symptoms, rumination, and problematic social networking site use: A cross-national examination among young adults in seven countries', Addictive Behaviours, vol. 136. Accessed via: Internalizing symptoms, rumination, and problematic social networking site use: A cross national examination among young adults in seven countries - ScienceDirect (Accessed: 19 June 2026)

It is worth pausing to explore these determinants in greater depth. Chapter 4 explored how humans' neurology is such that activity, the process of achieving goals, and social interaction are vital to our wellbeing. The empirical evidence for the mental health benefits of work flows from this fundamental wiring. But the reverse is also true: inactivity, achieving our goals without effort, and isolation decay mental wellbeing.⁶⁵¹ Added to which, our brains utilise melancholy – through cortisol release – to prompt disengagement from unachievable goals and anxiety to warn against threats, both of which can become ill calibrated if we do not overcome small fears or are not challenged by new goals – hence why exposure-based treatments can be so effective.⁶⁵²

"If our brains become overwhelmed by the discrepancy between the goal and our current ability to achieve it, we may slide from melancholy into clinical depression, potentially requiring significant time or expert intervention to resolve."

Dr Paul Goldsmith, 'The Evolving Brain'⁶⁵³

This does not mean that anxiety or depressive disorders are not genuine, rather it is to explain how genuine disorders can be driven by seemingly 'soft' social factors. Social factors that the welfare system often elicits. The rise in health-related benefits shown in Figure 5.13 is almost exclusively driven by mental, emotional, and cognitive impairments: cases where the main disability is a psychiatric disorder have driven half of the 88 per cent rise in PIP cases since January 2019.

The first problem is that the provision of a cash benefit encourages vulnerable people to medicalise their situation in terms of specific mental health conditions. That someone who has become unemployed or struggled to find work over a long period would feel melancholic is unsurprising. That offering a benefit premium might lead them to conceptualise their distress in terms of a mental condition should be equally unsurprising.

PIP calculated at the standard rate of both components adds over £5,500 per year to a claimant's income, in addition to the health element of Universal Credit and any passported benefits in-kind. Most PIP claimants with mental ill-health as their main disability receive £10,119 claiming both the mobility and daily living components at the enhanced rate. One general practitioner working in a deprived area of Newcastle-upon-Tyne said to us:

"If your livelihood depends on having mental health symptoms, then you're going to focus on those symptoms and focusing on those symptoms is going to worsen your wellbeing."

NHS General Practitioner

The second problem is that the design of health-related benefits deters claimants with mental ill-health from doing activities that are protective and supportive of mental health. Primarily, that means work: a meta-analysis of 237 cross-sectional and 87 longitudinal studies found that worklessness increased the probability that someone will have mental ill-health by 64 per cent, while another meta-analysis estimated

651 Goldsmith, Paul (2026), pp. 32, 49, 147, 259–263.

652 Ibid., pp. 49–51, 261.

653 Ibid., p. 62.

that being in work reduced the likelihood of having depression by 48 per cent.⁶⁵⁴ But it also means volunteering and other social activities.

The incentive to move into work once an individual is claiming PIP and the health element of Universal Credit is less than the national minimum wage. A 36-hour job at the national minimum wage is worth only £6.34 per hour after tax and benefit withdrawal to a single claimant of PIP – at standard rates – and the health element of Universal Credit. More importantly, claimants fear that taking work could lead to a DWP assessor concluding they are no longer eligible for health-related benefits. This last point stops claimants volunteering too. These issues came up repeatedly in our Big Listens:

“Mental health problems are important, but they are different... Why would you bother making the effort to go to work if fundamentally it makes you more economically vulnerable than staying on the sofa.”

East Midlands Big Listen participant

“One of the big barriers for us helping young people getting into employment is the comfort that PIP provides.”

North East Big Listen Frontlines participant

“The system is punitive: it tells people not to try. If you volunteer at a café, your PIP assessor may deem you’re [no longer eligible]. A small amount of positive behaviour can punish you.”

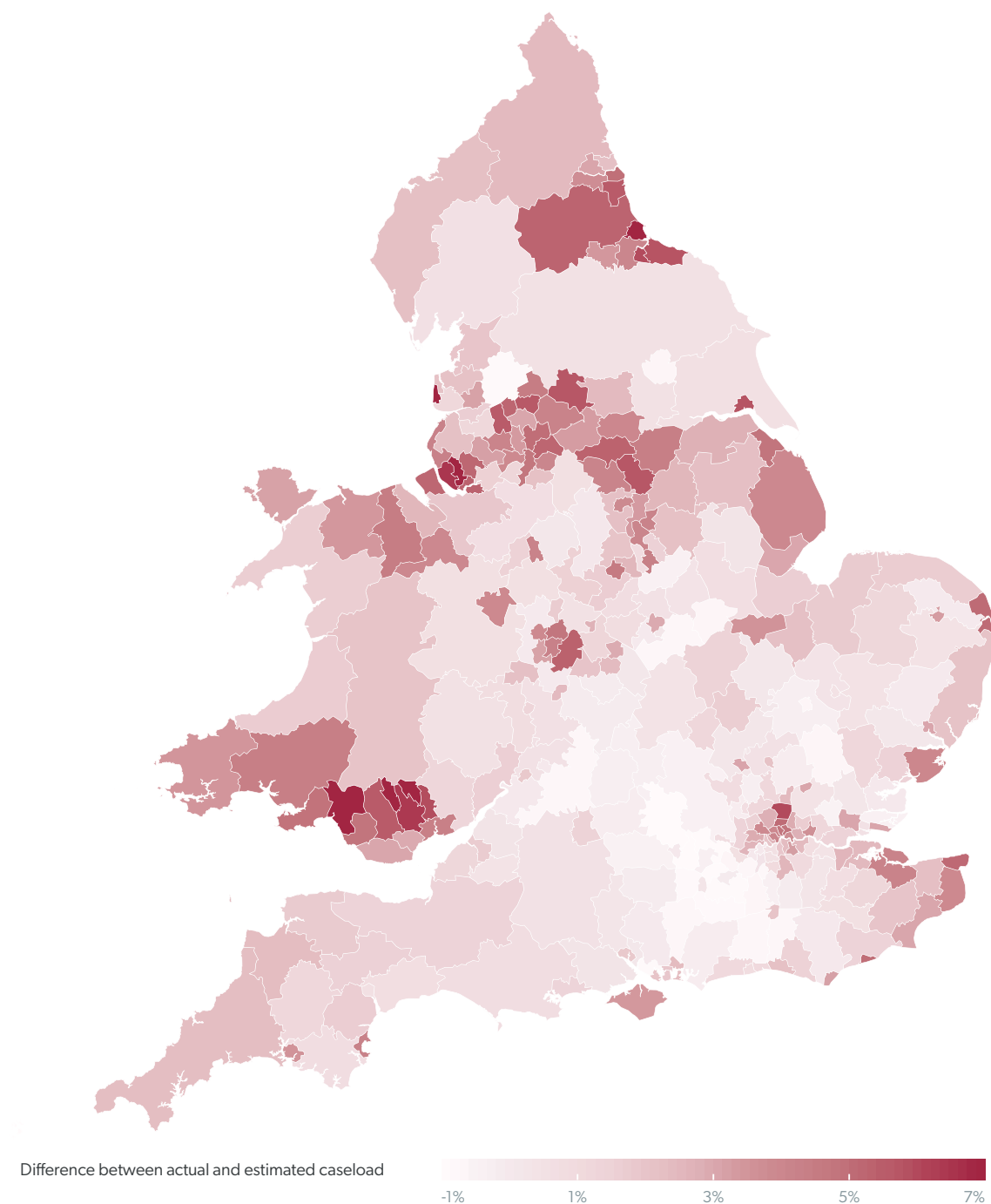
Big Listen East Midlands participant

AREA FOR REFORM

Encourage activities, whether work, exercising, or volunteering that raise individual health and wellbeing, within the health-related benefit system.

⁶⁵⁴ Paul, Karsten; Moser, Klaus (Jun 2009), ‘Unemployment impairs mental health: Meta-analyses’, *Journal of Vocational Behaviour*, pp. 264–282. Accessed via: Unemployment impairs mental health: Metaanalyses – ScienceDirect (Accessed: 19 June 2026); Van der Noordt, Maaikje; Ijzelenberg, Helma; Droomers, Mariel; Proper, Karin (Feb 2014), ‘Health effects of employment: a systematic review of prospective studies’, *Occupational and Environmental Medicine*, vol. 71, pp. 730–736. Accessed via: Health effects of employment: a systematic review of prospective studies | Occupational & Environmental Medicine (Accessed: 19 June 2026)

Figure 5.18: Estimated excess incapacity benefit claims in local authorities compared to 'full employment' estimate after adjusting for age-standardised mortality, March 2026



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics'

Note: The figure compares the actual rate of incapacity benefit claims in each local authority to the average rate of claims across local authorities in Berkshire, Buckinghamshire, Hampshire (excepting Portsmouth and Southampton), Hertfordshire, Oxfordshire, Surrey and West Sussex adjusted for the age standardised mortality of the local authority. Incapacity benefits include claims for Incapacity Benefit, Severe Disablement Allowance, Employment and Support Allowance, Universal Credit with limited capability for work or limited capability for work-related activity, and Income Support for incapacity.

The economic incentive to remain inactive on health-related benefits becomes evident when comparing caseloads for incapacity benefits between economically successful and economically weak local authorities. Beatty and Fothergill (2023) have shown that, even adjusting for differences in age and health across local authorities, areas with the weakest local economies see caseloads in excess of those with

the strongest.⁶⁵⁵ They do so by estimating the caseload that local authorities would have if they were near ‘full employment’ to their actual caseloads, using the rates in several southern counties that are near ‘full employment’ as proxies and adjusting for differences in age and health from those areas using ONS estimates of age-standardised mortality.⁶⁵⁶ Figure 5.18 reproduces their analysis with the latest data on incapacity-related benefit caseloads.

Though most of the UK has caseloads above their ‘full employment’ estimate, it is local authorities across South Wales, the North East, and the North West that fare worst. Areas such as Hartlepool, Blaenau Gwent, Blackpool, and Knowsley have actual rates eight percentage point above their ‘full employment’ estimate. These are areas with weak labour markets where, up to the 25th percentile of earnings, hourly wages are within £1 of the national minimum wage.⁶⁵⁷ It is people living in areas where work offers the least additional income compared to welfare who are more likely to claim incapacity benefits.

The health-related benefit system is, in other words, unintentionally well-designed to exacerbate the dominant, and growing, cause of life-limiting illness in the UK. It is probable, though unprovable, that the causality between Figure 5.7 and Figure 5.16 runs both ways: with persistently high health-related caseloads in certain local authorities driving, as much as stemming from, worsening long-term ill-health. The weakness of these areas economies and labour markets only makes health-related benefits more enticing. The benefit system is hindering, not helping, the nation’s health.

AREA FOR REFORM

Consider how non-cash support for non-severe long term ill-health challenges may better support claimants, in line with European examples.

5.4 Communal degradation (squalor)

Beveridge described squalor not just as poor individual living conditions but communal degradation ‘[arising] mainly through the haphazard distribution of industry and population.’⁶⁵⁸ The inescapable implication of the last three sections is that there are communities across the UK that are demonstrably falling behind compared to the rest of Britain, where poverty, ill-health, and inactivity are far more prevalent.

The consequences of falling behind are communal as well as individual. In our recent report, *Hijacked High Streets*, we developed a ‘Social Breakdown Index’ (SBI) tracking retail vacancies, the prevalence of illicit tobacco and vape sales, and incidents of public order, shoplifting, theft, anti-social behaviour, criminal damage, arson, and theft offences across local authorities.⁶⁵⁹ Figure 5.19 plots the index, showing that it is, again, communities like Blaenau Gwent, Hartlepool, and Blackpool that come out worst.⁶⁶⁰

655 Beatty and Fothergill (Feb 2023)

656 The ‘full employment’ counties are Berkshire, Buckinghamshire, Hampshire (excepting Portsmouth and Southampton), Hertfordshire, Oxfordshire, Surrey and West Sussex.

657 CSJ analysis of the Annual Survey of Hours and Earnings.

658 Beveridge (1942), p. 170.

659 Centre for Social Justice (Aug 2026), ‘*Hijacked High Streets*’. Accessed via: [Hijacked High Streets](#) (Accessed: 1 September 2026)

660 Excepting the City of Westminster, where tourism creates opportunities for theft that drives it up the list.

The effect of low-level crime and anti-social behaviour on communal living standards is hard to overstate. In 2021, we commissioned a poll that asked 5,000 adults for their views on what made a strong community: from 23 options, the most common selections were ‘living in a low crime area’, ‘feeling comfortable to go or be anywhere in the community’, and ‘the absence of antisocial behaviour’.⁶⁶¹ Similarly, in *Hijacked High Streets*, we found that the SBI strongly correlates with people’s perception of their area. A higher SBI results in people in that area being less likely to feel satisfied with or proud of their local area or to believe that people in their area can be trusted.⁶⁶²

The relationship between social breakdown and the welfare system is more than the overlap in areas. Our 2021 research found no relationship between a constituency’s income level and its community strength, but a significant, negative relationship with its unemployment rate.⁶⁶³ Work, more than income, offers individuals structure and socialisation and, simply, reduces their opportunities to engage in anti-social behaviour or low-level crime. High levels of inactivity, partly driven by the welfare system, are thus harmful to community strength.

Work is not the only protective factor of community cohesion weakened by welfare. Our 2021 research also found a significant, positive relationship between marriage rates and community strength.⁶⁶⁴ As with work, marriage strengthens structure, stability, and encourages rootedness. The communal benefits of marriage are downstream of the individual benefits listed in Chapter 4: lower loneliness, lower isolation, and higher life satisfaction.

Britons widely recognise the individual and communal benefits of marriage. Most people still expect and want to marry, by over 80 per cent across men and women in some polls.⁶⁶⁵ Likewise, Understanding Society biennially asks 16–22-year-olds whether they expect to marry on a scale of one to 100, with the median result rarely falling below 80. Yet, Figure 5.20 shows that relationship formation, let alone marriage, is not evenly spread across the population.

The stark finding of Figure 5.20 is the gulf in coupling between those on means-tested benefits and those not on them. The gap in coupling rates between non-claimants and claimants at the same income level is between 20 and almost 60 per cent. Figure 5.20 is, importantly, adjusted to control for age differences and includes cohabiting as well as married couples, rendering the split even more concerning.

Dynamic Benefits estimated that, in 2009, the legacy benefit system left 1.8 million couples £1,336 per year worse off living together than they were living apart.⁶⁶⁶ That couple penalty strongly disincentivised people from partnering or, at least, living with their partner. In our Big Listen, we heard suggestions from frontline charities that a similar penalty persists today:

“There is no incentive to live together. We see couples living in separate properties renting out cash in hand, with no local person [from the DWP] to check or monitor it.”

Big Listen East Midlands participant

661 Centre for Social Justice (Jun 2021), ‘*Pillars of the Community: Why communities matter and what matters to them*’, p. 23. Accessed via: [Pillars-of-Community.pdf](#) (Accessed: 23 June 2026)

662 CSJ (Aug 2026)

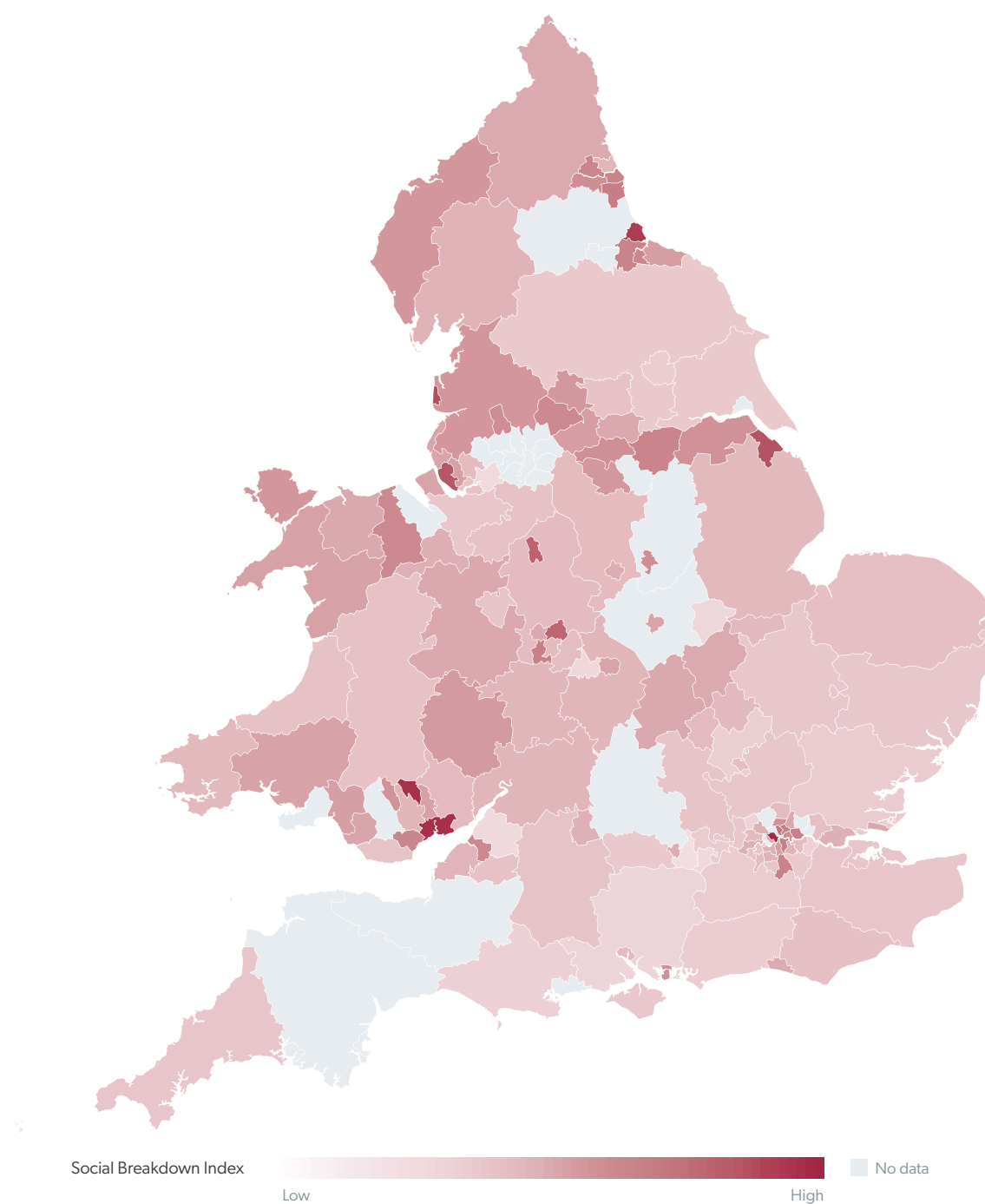
663 CSJ (Jun 2021), p. 32.

664 Ibid., p. 38.

665 Marriage Foundation (2021), ‘*TikTok generation say “I want to get married”*’. Accessed via: [TikTok generation say “I want to get married” - Marriage Foundation](#) (Accessed 23 June 2026); YouGov (Jun 2022), ‘*Do Britons still want to get married?*’. Accessed via: [Do Britons still want to get married?](#) (Accessed: 23 June 2026)

666 CSJ (Sep 2009), p. 112.

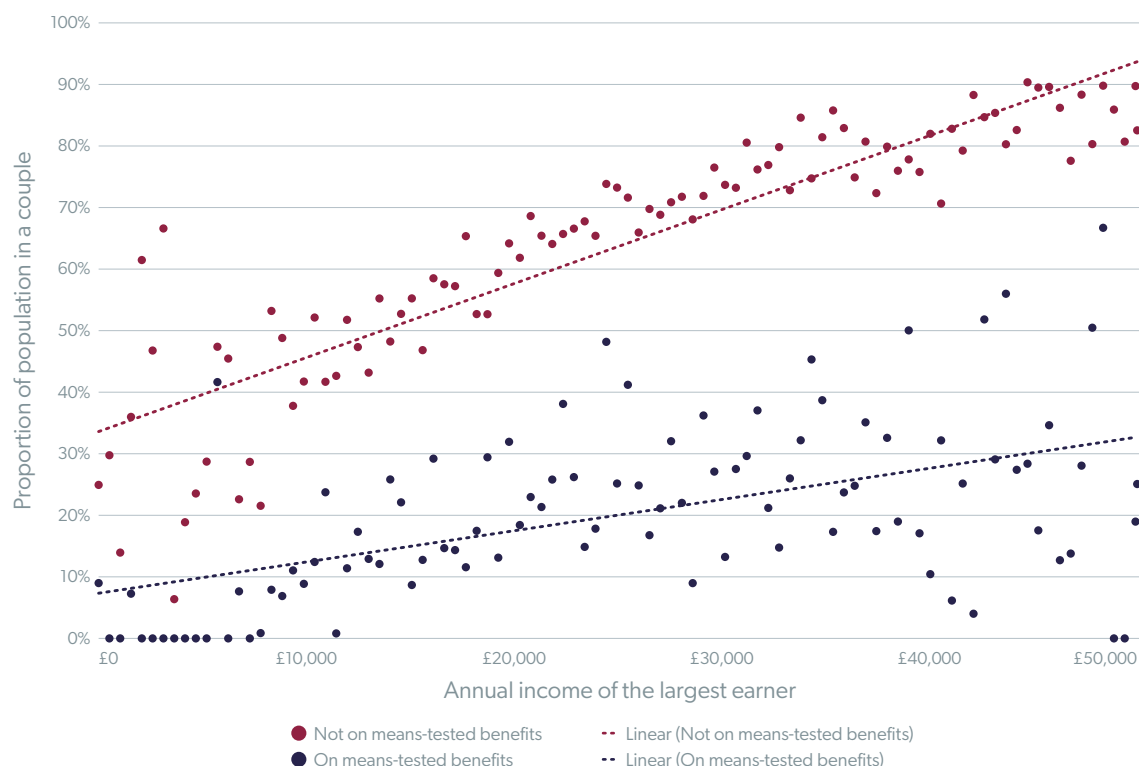
Figure 5.19: Social Breakdown Index, 2025



Source: Centre for Social Justice (August 2026), *'Hijacked High Streets'*

Note: Some areas (in grey) are missing data due to a lack of reporting on certain metrics.

Figure 5.20: Proportion of population married or cohabiting at different income levels in 2024/25, age-standardised



Source: CSJ analysis of the Family Resource Survey

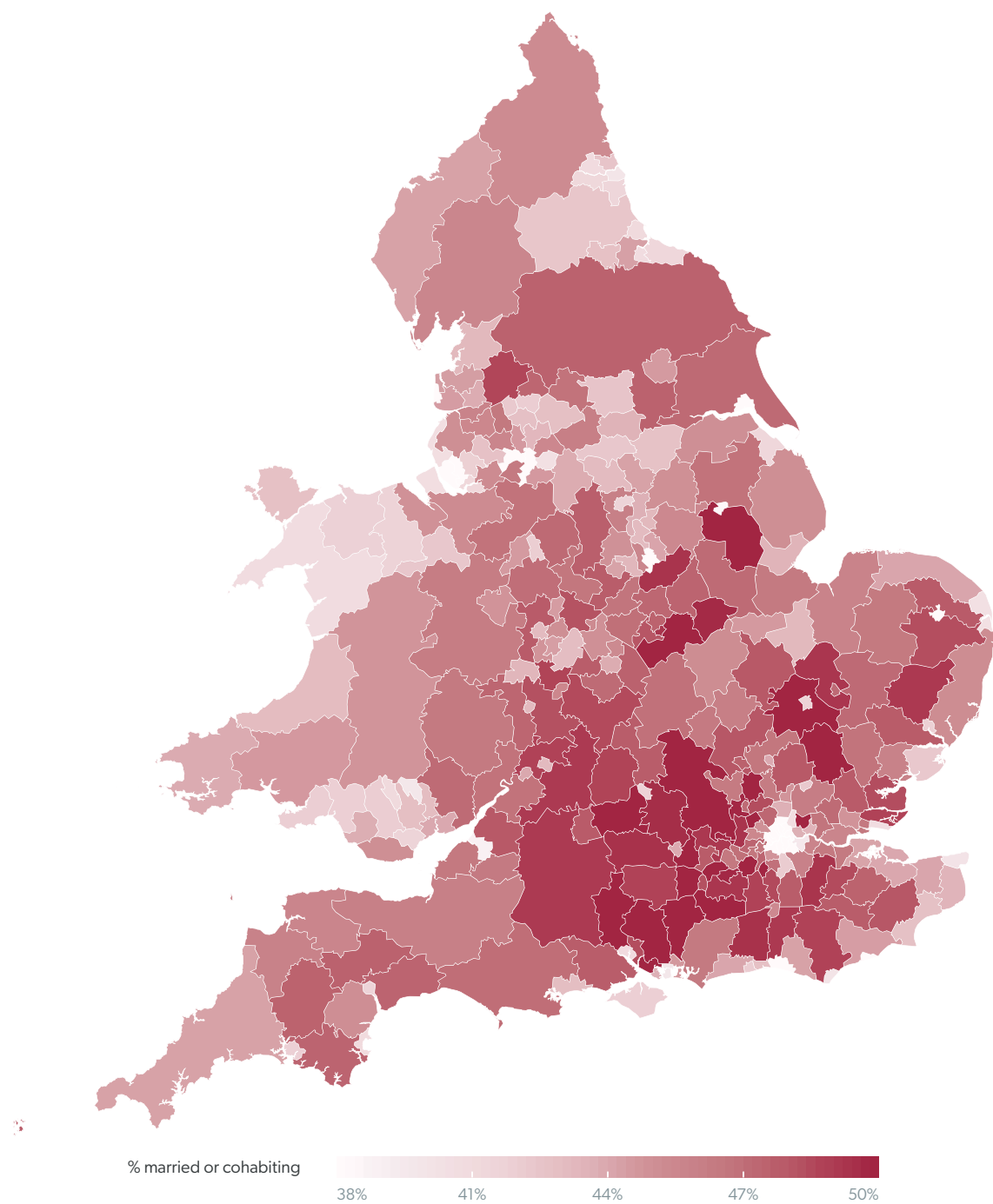
Note: The data is age standardised. Means-tested benefits include both out-of-work and incapacity benefits.

We return to explore couple penalties within the benefit system in Chapter 6. For now, the salient point is that both cohabiting and marriage, and hence all the benefits of relational stability, are lower among welfare claimants. And, as Figure 5.21 suggests, that feeds into the wider community: with fewer people either cohabiting or married in the areas where benefit claims are highest, even after age-standardisation.

The disincentives within the welfare system to work and marry, or at least cohabit, both leave people with less structure, less stability, less relational accountability, and, simply, less to do, resulting in higher levels of anti-social behaviour and low-level crime. In turn, this reduces people's pride and satisfaction in their local area. The Pearson's correlation between the proportion of people on out-of-work and incapacity benefit in a local authority and the proportion of people agreeing that they are proud to live in that area in the Community Life Survey is -0.70. It is -0.76 for the proportion agreeing they are satisfied with their area and -0.73 for agreement that they would recommend their local area.⁶⁶⁷ Over 80 years since Beveridge set out to slay the giant, squalor persists in precisely those areas most dependent on the welfare system.

⁶⁶⁷ CSJ analysis of Department for Culture, Media, and Sport (2025), 'Community Life Survey 2024/25 annual publication' and November 2025 benefit caseloads from Stat-Xplore. The Community Life Survey is accessible via [Community Life Survey 2024/25 annual publication](#) - GOV.UK.

Figure 5.21: Proportion of the population cohabiting or married, Census 2021, age-standardised



Source: CSJ analysis of Census 2021

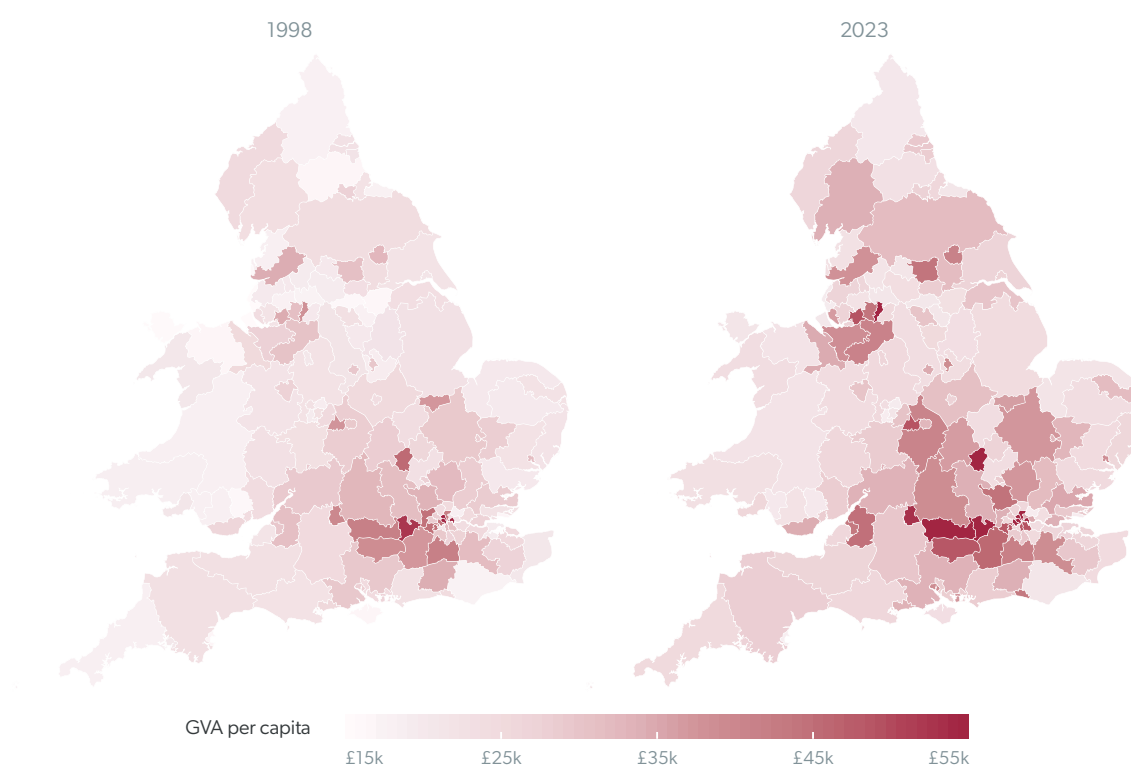
Note: The data is age-adjusted to control for differences in local age profiles.

5.5 The abandoned nation

It should by now be clear that Beveridge's giant evils still haunt Benefit Britain. The welfare system is, at best, unable to excise them and, at worst, aiding them. While each evil has its particular causes, the overarching reason for this is, simply, that the welfare system is trying to compensate entire communities for decades of economic failure.

As Figure 5.22 shows, the same areas that were economically weak in 1998 are economically weak now. Many are barely richer in real terms: Hartlepool and Stockton on Tees's gross value added (GVA) per person, a measure of economic output, grew by 0.63 per cent annually between 1998 and 2023 while the London Borough of Camden grew by 2.4 per cent per year. Bradford produced only £880 more per person in 2023 than it did in 1998, while Darlington produced £127 less.

Figure 5.22: Gross value added per head of population by ITL3 region in 1998 and 2023, in 2023 prices



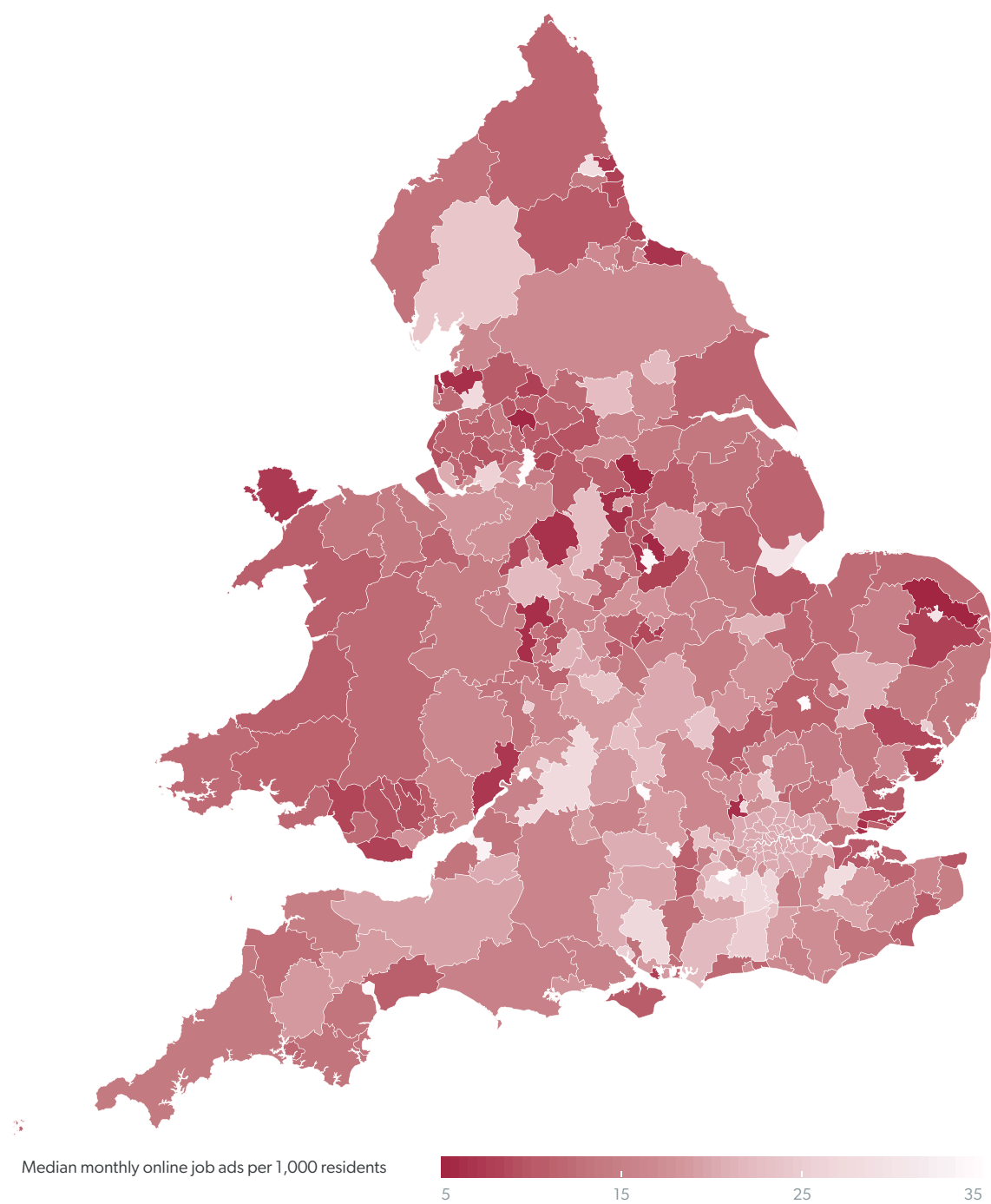
Source: ONS (Jun 2025), 'Regional gross value added (balanced) per head and income components'

Note: The figure omits some inner London boroughs, including the City of London and Westminster, as their recorded GVA is so high that it skews the chart. GVA per capita for 1998 inflated to 2023 prices using HM Treasury's March 2026 GDP deflators.

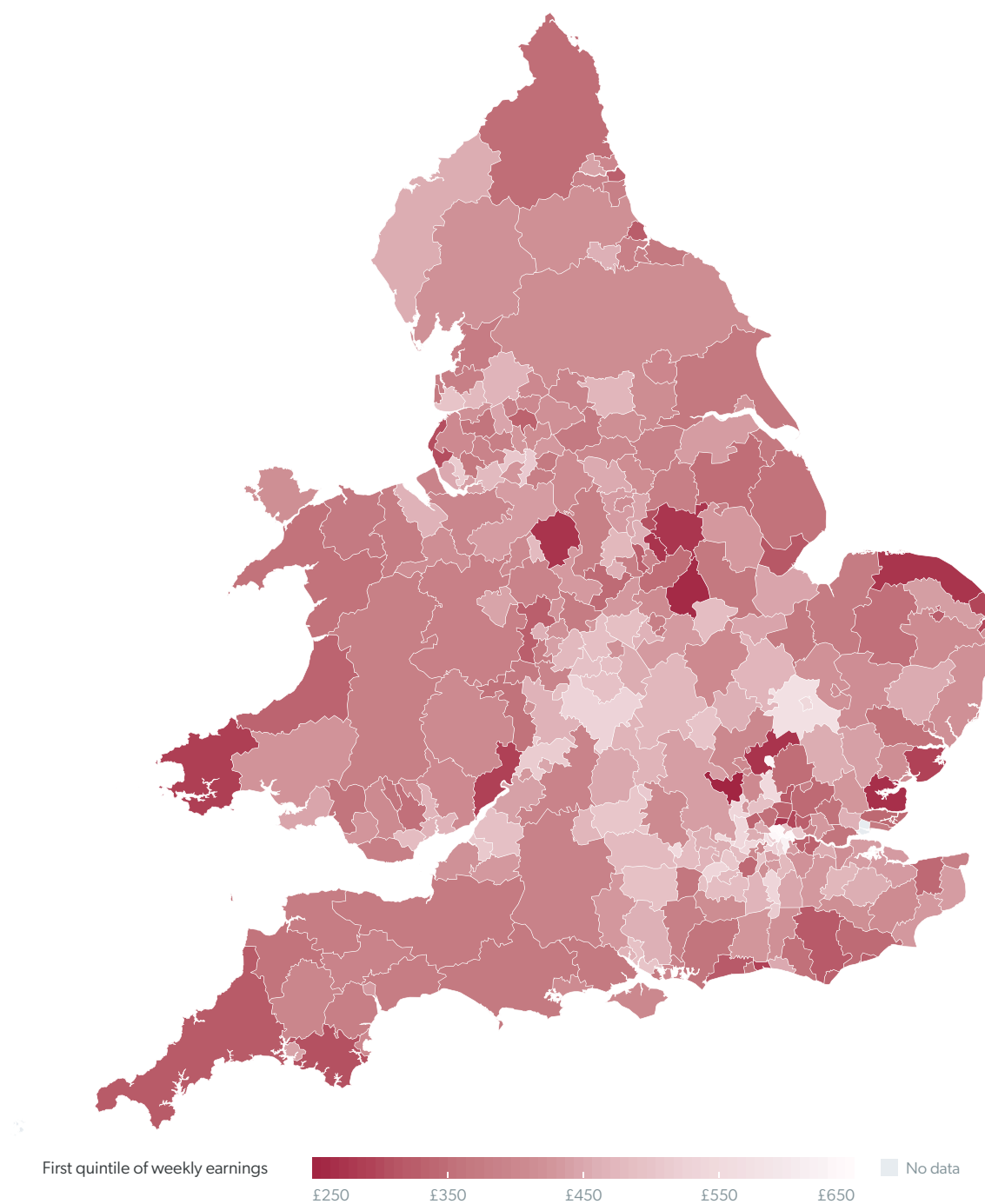
Figure 5.23 illustrates the effects of economic stagnation. Job vacancies, as proxied by online adverts, are lower in the areas that have seen the least growth, as are gross weekly earnings.

Figure 5.23: The state of local labour markets in 2025

Online job adverts



Weekly earnings



Source: ONS (Aug 2026), 'Labour demand volumes by Standard Occupation Classification (SOC 2020)' & CSJ analysis of Annual Survey of Hours and Earnings

Note: The weekly earnings are calculated by workplace rather than residence. e.g., the earnings of someone who lives in Bradford but works in Leeds will be counted in Leeds's figures.

Worryingly, wages are so compressed that, in 230 of the UK's unitary and district authorities, the 25th percentile of weekly earnings is lower than the gross earnings of someone working 36 hours at the national minimum wage. In 208 of the same, the 25th percentile of part-time workers earn less than someone working 16 hours at the minimum wage.⁶⁶⁸ Faced with low to no growth and rising wage costs,

668 CSJ analysis of Annual Survey of Hours and Earnings.

firms have cut back on the only margin left: hours, leaving even those a quarter of the way up the wage spectrum on inadequate weekly earnings.

Low earnings are the flipside of the broken health-related benefit incentives explored earlier (see *Worklessness*). The out-of-work individual on health-related benefits in Figure 5.14 receives £475.38 per week, more than someone at the 25th percentile of weekly earnings makes in 121 of the UK's local authorities. Adjusting for actual local housing allowance rates still results in the individual in Figure 5.14 receiving more than a worker in 290 of Britain's 346 unitary and district authorities. In Blackpool, a single worker would earn £109 more per week on the combination of benefits in Figure 5.14 than at the 25th percentile of weekly earnings. In Hartlepool, they would earn £154 more.

Yet, benefit transfers cannot substitute for work. Figure 5.24 shows the median disposable income of households across England and Wales after housing costs, with taxes deducted and benefit transfers added. Benefits may beat low earnings across much of Britain, but they can never match the proceeds of well-paid work.⁶⁶⁹ More importantly, as set out in Chapter 4 and argued throughout this chapter, earnings and transfers are not perfect substitutes. Whether in its social benefits, its health benefits, or its ontological value, work is more than an income and cannot be compensated for by cash.

"The working-class pride is gone and people are patronised. People talk about getting their wages when they talk about benefits. They feel infantilised."

Big Listen North East Frontlines participant

The stagnation of these communities is not, however, a given. Successive governments have pursued policies that, whether intentionally or accidentally, have starved Benefit Britain of investment, strangled its private sector with ill-considered regulation and substituted international migration for domestic labour.

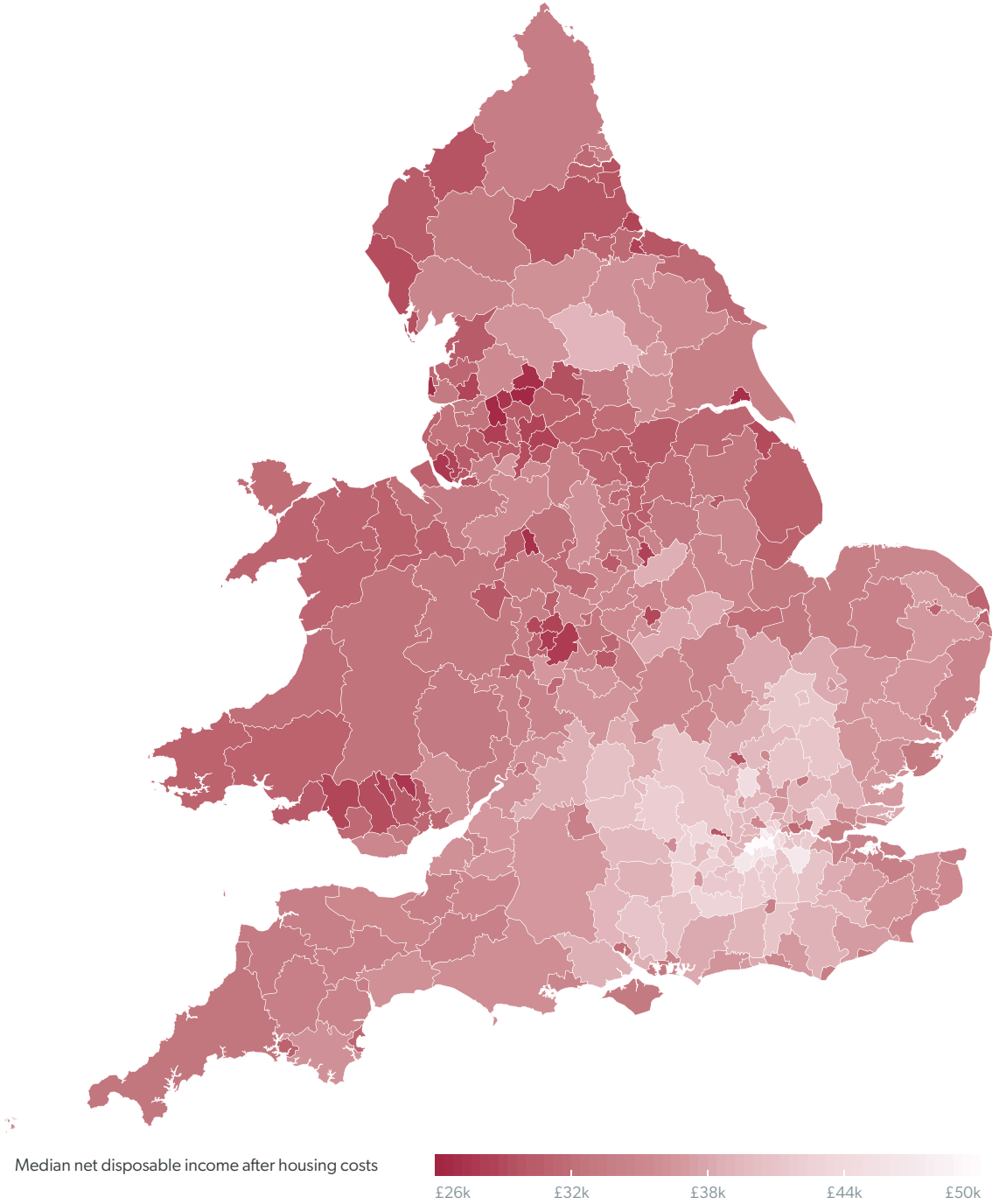
Government broadly spends on four main categories: income transfers, investment, public services, and depreciation and debt interest. Since the mid-1970s, spending on the latter two has changed only marginally, from an average of 20.9 and 6.3 per cent of GDP, respectively, between 1955/56 and 1975/76 to 22.8 and 5.5 per cent between 1976/77 and 2024/25. Spending on income transfers and investment, however, have gone from 6.4 and 5.3 per cent of GDP to 10.2 and 1.7 per cent.⁶⁷⁰

Some of this change comes from spending on the state pension, which sits beyond the scope of this report, but the shift is still dramatic when we strip out the state pension and pensioner benefits like Pension Credit and Attendance Allowance, as in Figure 5.25. Public investment also fell because investment by public corporations was reclassified to the private sector when those corporations were privatised, though investment by central and local government also declined from an average of 4.6 per cent of GDP before 1975 to 2.5 per cent of GDP after.

⁶⁶⁹ Note that Figure 5.24 is based on residence while weekly earnings in Figure 5.23 are based on workplace. Thus, the higher earnings concentrated within metropolitan areas in 5.20 are spread into higher incomes across their commuter belt in 5.22. The most obvious example is the concentrated weekly earnings in London raising disposable incomes across the South East.

⁶⁷⁰ The Social Democratic Party (Apr 2026), *'The Investment State: Green Paper'*, p. 4. Accessed via: [The Investment State - Social Democratic Party](#) (Accessed: 3 August 2026)

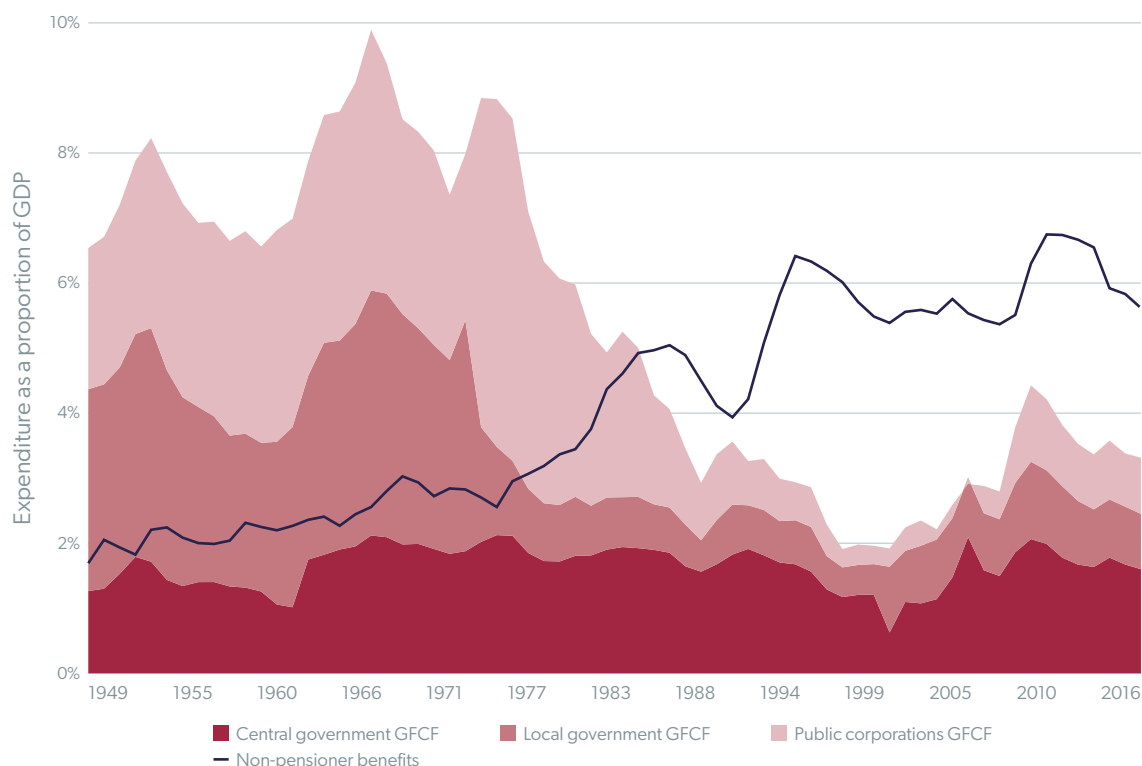
Figure 5.24: Net disposable income after housing costs, 2023



Source: ONS (Dec 2025), 'Income estimates for small areas, England and Wales'

Note: The data for each local authority is averaged from its middle layer super output areas (MSOA), weighted by the number of households in each MSOA.

Figure 5.25: Gross fixed capital formation and non-pensioner welfare spending since 1949



Source: Bank of England (2017), 'A Millennium of Macroeconomic Data' & Department for Work and Pensions (Apr 2026), 'Benefit expenditure and caseload tables 2026'

Note: Non-pensioner benefits remove spending on the state pension, Pension Credit, Attendance Allowance, Winter Fuel Payments, and miscellaneous pensioner benefits. It includes non-DWP benefits, such as working tax credits, and benefits available to both non-pensioner and pensioner claimants, such as Council Tax Benefit, due to a lack of data before 1978/79 to separate claimants by age.

This shift matters because public investment, where it crowds-in the private sector, is a key lever for raising growth. A significant body of econometric literature, for example, has found that investments in transport infrastructure or basic scientific research can make viable previously unviable private sector projects by, in the former case, connecting firms to new markets, resources, and workers and, in the latter, opening new avenues for development.⁶⁷¹

The same literature also set limits to public investment's utility. When public investment substitutes for private investment – as in public-backed venture capital and equity funding – or is funded by higher taxation and borrowing, it crowds out the private sector and hurts growth more than it helps.⁶⁷²

The UK's lacklustre record on basic infrastructure suggests, however, that cuts in public investment have reduced the former, pro-growth investments more than the latter. Great Britain has 16 km of motorway

671 Crafts, Nicholes (2009), 'Transport infrastructure investment: implications for growth and productivity', Oxford Review of Economic Policy, Vol. 25, pp. 327–343. Accessed via: [Transport infrastructure investment: implications for growth and productivity | Oxford Review of Economic Policy | Oxford Academic](#) (Accessed: 28 July 2026). Sussex, Jon; Feng, Yan; Mestre-Ferrandiz, Jorge; Pistollato, Michele; Hafner, Marco; Burridge, Peter; Grant, Jonathan (2016), 'Quantifying the economic impact of government and charity funding of medical research on private research and development funding in the United Kingdom', BMC Medicine. Accessed via: [Quantifying the economic impact of government and charity funding of medical research on private research and development funding in the United Kingdom](#) (Accessed: 28 July 2026). Haskel, Jonathan; Wallis, Gavin (Feb 2010), 'Public support for innovation, intangible investment and productivity growth in the UK market sector'. Discussion Paper No. 4772. Accessed via: [docs.iza.org/dp4772.pdf](#) (Accessed: 28 July 2026)

672 Pierrakis, Yannis; Saridakis, George (Jun 2017), 'Do publicly backed venture capital investments promote innovation? Differences between privately and publicly backed funds in the UK venture capital market', Journal of Business Venturing Insights, pp. 55–64. Accessed via: [sciencedirect.com/science/article/abs/pii/S2352673416300312](#) (Accessed: 28 July 2026)

per 1,000 km² compared to 37 km in Germany, 83 km in The Netherlands, and 32km in Spain.⁶⁷³ Only 31 per cent of Britain's rail is electrified compared to 55 per cent in Germany, 61 per cent in France, and 74 per cent in The Netherlands.⁶⁷⁴ Inner city mass transit is similarly poor: England has 6 km of metro, tram, and light rail track for every one million residents compared to 21 km in France.⁶⁷⁵

The damage is worst in the regions of the UK where Benefit Britain lives. Public investment by local government has all but disappeared, and the central government has focused on Britain's already successful regions. While the public sector spent an average of £798 per person on 'economic affairs' capital (a category that includes spending on transport infrastructure, science and technology, and economic development) per year in London between 2000 and 2025, it spent less than £368 per person in Yorkshire and the Humber, the East Midlands, and the North East.⁶⁷⁶

Infrastructure, unsurprisingly, follows the concentration of investment. Only six English cities besides London have a tram, metro, or light rail system.⁶⁷⁷ The capital, similarly, has 719 km of major roads per 1,000 km², while cities like Bradford, Sunderland, and Birmingham lag on 265 km, 517 km, and 534 km respectively.⁶⁷⁸

Of course, public investment is only one policy lever that affects the nation's economy. At the same time as successive governments have retreated from investing in Benefit Britain, they have disproportionately burdened its private sector. The national minimum wage, for example, has risen over 253 per cent and the 18–20 rate by 262 per cent far above even national productivity growth at 26 per cent.⁶⁷⁹ Strong economies may absorb such a rise in costs, but Benefit Britain cannot. The national minimum wage is now 55 per cent of median hourly wages in Bristol, but it is 94 per cent of them in Blackpool.

The minimum wage is only the tip of a growing iceberg. The government's own assessment of the Employment Rights Act found that the policies would affect England's 'northern regions' most, with 52.6 per cent of employees in Yorkshire and the Humber impacted, 51.8 per cent of employees in the North West, and 51.7 per cent in the North East.⁶⁸⁰ The UK, likewise, has higher non-domestic energy prices than any EU member state and a system for network charges that means the distribution network operators that cover Britain's weakest local economies charge businesses most on average.⁶⁸¹

The link back to economic growth in Figure 5.22 is illustrated in Figure 5.26. An uneven spread in public investment and disproportionate business costs has led to an uneven spread in private investment and, consequently, an uneven spread in economic growth.

673 Eurostat (Mar 2026), 'Road, rail and navigable inland waterways networks by NUTS 2 region'. Accessed via: [\[tran_r_net\] Road, rail and navigable inland waterways networks by NUTS 2 region](#) (Accessed: 25 August 2026)

674 European Commission, 'Electrification of rail infrastructure'. Accessed via: [alternative-fuels-observatory.ec.europa.eu/transport-mode/rail](#) (Accessed: 25 August 2026)

675 Department for Transport (Jul 2025), 'Light rail and tram statistics (LRT)'. Accessed via: [Light rail and tram statistics \(LRT\)](#) - GOV.UK (Accessed: 25 August 2026). Statistique publique de l'énergie, des transports, du logement et de l'environnement (Apr 2026), 'Transport infrastructure'. Accessed via: [Infrastructures de transport | Chiffres clés des transports 2026](#) (Accessed: 25 August 2026)

676 ONS (May 2026), 'Country and regional public sector finance expenditure tables' Note: all figures are in real terms, having been deflated using HMT's GDP deflators.

677 Department for Transport (Jul 2025)

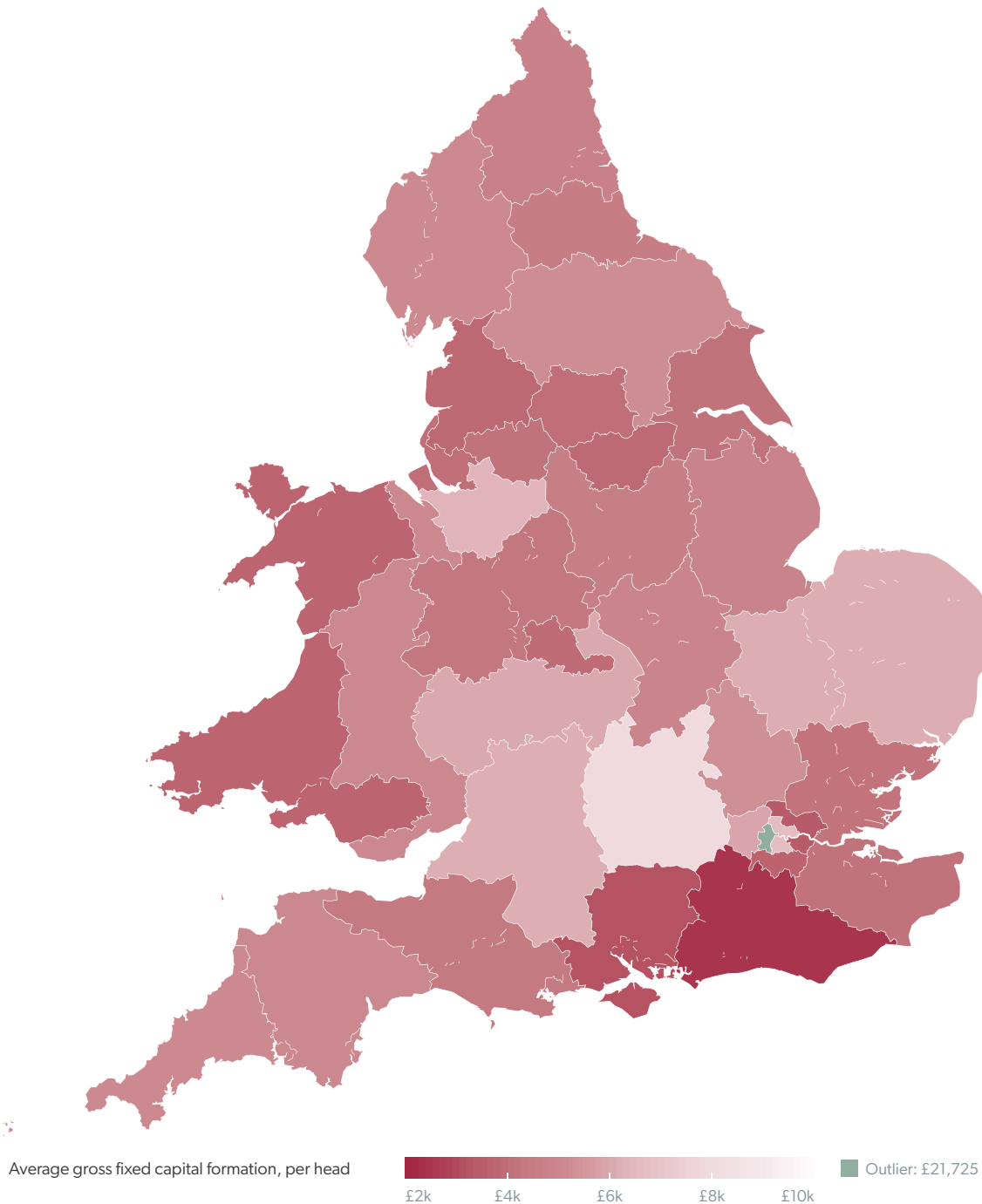
678 Department for Transport (Feb 2026), 'Road length statistics (RDL)'. Accessed via: [Road length statistics \(RDL\)](#) - GOV.UK (Accessed: 25 August 2026)

679 ONS (18 Aug 2026), 'Labour productivity time series: Quarterly output per hour, output per job and output per worker for the whole UK economy and a range of industries'. Accessed via: [Labour productivity time series](#) - Office for National Statistics (Accessed: 2 September 2026)

680 HM Government (Jan 2026), 'Employment Rights Act 2025: Economic Analysis', p. 35. Accessed via: [Employment Rights Act 2025: economic analysis](#) (Accessed: 25 August 2026)

681 Department for Energy Security and Net Zero (May 2026), 'International non-domestic energy prices'. Accessed via: [International non-domestic energy prices](#) - GOV.UK (Accessed: 25 August 2026). Acha, Salvador; Vieira, Guilherme; Bird, Max; Shah, Nilay (Jul 2026), 'Modelling UK electricity regional costs for commercial buildings', Energy and Buildings, 271, p. 8. Accessed via: [main.pdf](#) (Accessed: 25 August 2026)

Figure 5.26: Average annual gross fixed capital formation per person across England and Wales, 2011 to 2020



Source: ONS (May 2022), 'Regional gross fixed capital formation, ITL1 and ITL2, 2000 to 2020'

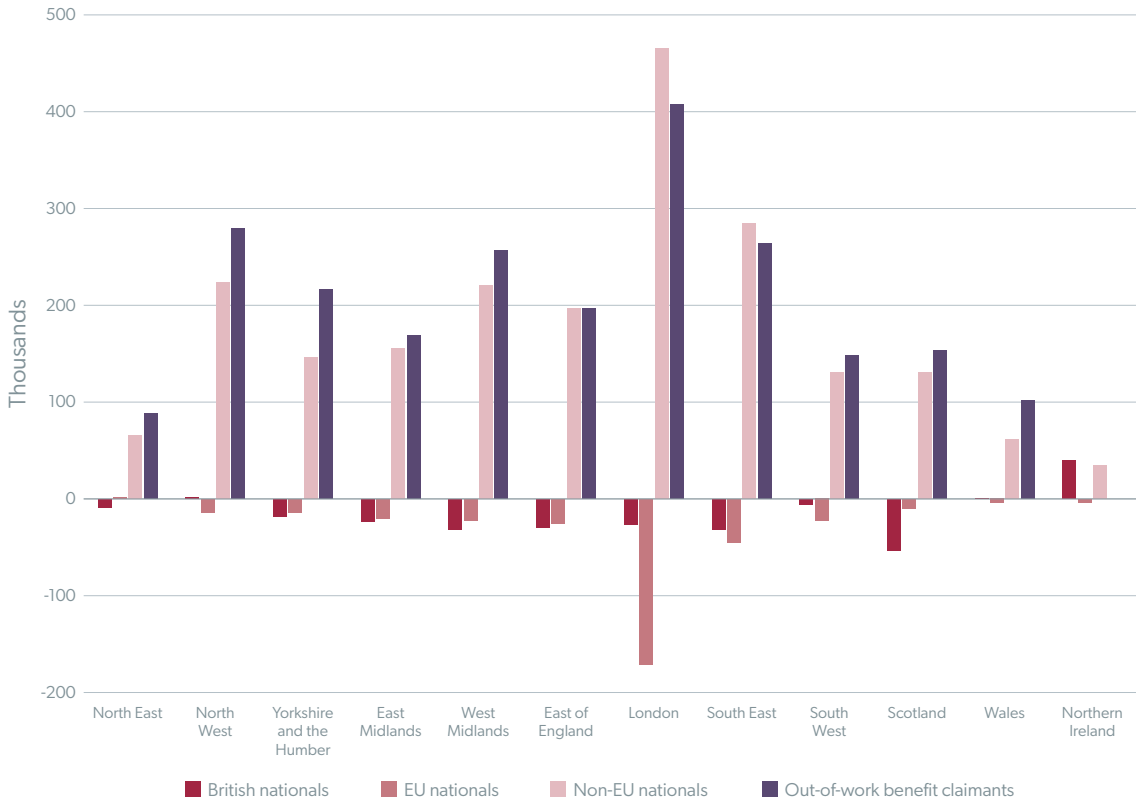
Note: All figures were deflated by HMT's GDP deflators and divided by the population in the ITL2 region.

Having underinvested and deterred the private sector from investing, successive governments have finally compensated by increasing immigration to boost headline economic growth despite both the

Treasury and the OBR acknowledging that this policy bears little to no benefit for GDP per person.⁶⁸² Rather, the aim has been bolster headline figures and strengthen immediate government receipts with minimal regard for living standards or the long-term fiscal effects.⁶⁸³

The result is that nationwide GDP per person grew by only 10 per cent in real terms in the 19 years between 2006 and 2025, even as total GDP grew by 26 per cent, while, of the 3.7 million jobs added to payrolls since January 2014 (the earliest period with data available), 734,000 went to British nationals, 408,000 went to EU nationals, and 2.5 million went to non-EU nationals.⁶⁸⁴

Figure 5.27: Change in payrolled employment by nationality, and out-of-work benefit claimants, by region (since 2020)



Source: CSJ analysis of His Majesty’s Revenue and Customs (May 2026), ‘UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025’ (January 2020 to December 2025) and Department for Work and Pensions (Sep 2026), ‘Benefit Combinations Statistics’ (February 2020 to November 2025)

Note: Comparable out-of-work benefit data is unavailable for Northern Ireland.

682 Office for Budget Responsibility (2026), ‘Economic and fiscal outlook – March 2026’. The OBR estimates that lower net migration reduces aggregate potential output but states that the resulting change in migration has ‘no impact on GDP per person’, which it identifies as an indicator of average living standards. HM Treasury evidence to the House of Lords Economic Affairs Committee stated that migration affected trend growth principally through changes in the working-age population while acknowledging that “there is no quantitative evidence available on the impact of immigration on GDP per head”. House of Lords Economic Affairs Committee (2008), ‘The Economic Impact of Immigration: Evidence’. Accessed via: publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/8011502.htm (Accessed: 14 September 2026)

683 The OBR’s fiscal forecasts, on which policymaking has been based, only capture impacts over a five year periods, with the OBR stating that longer-term impacts are more likely to be negative as migrants gain access to welfare and age. Institute for Fiscal Studies (Sep 2026), ‘Migration and the public finance forecast’. Accessed via: [Migration and the public finance forecast | Institute for Fiscal Studies](https://www.ifs.org.uk/publications/12345) (Accessed: 14 September 2026)

684 His Majesty’s Revenue and Customs (May 2026), ‘UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025’. Accessed via: [UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025 - GOV.UK](https://gov.uk/paid-employment-by-nationality) (Accessed: 14 September 2026)

Immigration and welfare

Though the number of non-EU nationals on British payrolls has increased by 2,113,300 since January 2020, that is only 61 per cent of net migration to the UK from non-EU countries since 2020 (and that assumes that all 2,113,300 of the additional non-EU workers on payrolls migrated to the UK within the last five years).⁶⁸⁵ Some of the gap may be explained by international students – 1.2 million of whom, on net, migrated to the UK since 2020 – but there have also been growing numbers of non-EU nationals on welfare.

For example, the number of Universal Credit claimants who are not British citizens has increased by 38 per cent since April 2022 to 1.3 million. 745,000 of these claimants are on the EU Settlement Scheme, but their numbers fell in the last year. The number of migrants from outside the European Economic Area claiming Universal Credit, on the other hand, has almost doubled to 537,000 since April 2022. Only 43 per cent of these claimants have Indefinite Leave to Remain.⁶⁸⁶

To estimate the costs of non-British citizens to the welfare system, we developed a model combining administrative data from the DWP, the Department for Education, HMRC, the Family Resource Survey and the Migrant Journey dataset. This approximated claimants either by counting individuals or counting households and referring individuals. For benefits without administrative nationality breakdowns, we applied benefit receipt rates drawn from the Family Resource Survey to the relevant population and calculate total costs using average awards or published rates. The model identified halves the estimate expenditure total where a household is mixed. Using this model, we estimate that £14.2 billion of working-age welfare⁶⁸⁷ spending went to non-British households in 2025, which is forecast to rise to £16.2 billion by the end of the decade.

In the same year, our analysis finds that around 1.9 million non-British nationals were in receipt of state support, including approximately 200,000 receiving disability benefit, including PIP and DLA, 200,000 receiving sickness benefits, including Universal Credit Health and ESA (separately, around 409,000 million are receiving a state pension with 76,000 receiving Pension Credit).

These figures raise important questions about the design and purpose of the both the British welfare and migration systems. Since the Immigration and Asylum Act 1999, the government has applied no recourse to public funds (NRPF) to almost all visas on the principle that ‘migrants coming to the UK should be able to maintain and support themselves and their families.’⁶⁸⁸ Similarly, the current immigration system was designed with the express intention of attracting high-skilled workers.⁶⁸⁹ Yet, the current system is drawing growing numbers of migrants who are either workless or earning so little as to need in-work benefits, while NRPF often fails to prevent claims in practice.

685 ONS (May 2026), ‘Long-term international migration, provisional: year ending December 2025’. Accessed via: [Long-term international migration, provisional - Office for National Statistics](#) (Accessed: 8 September 2026)

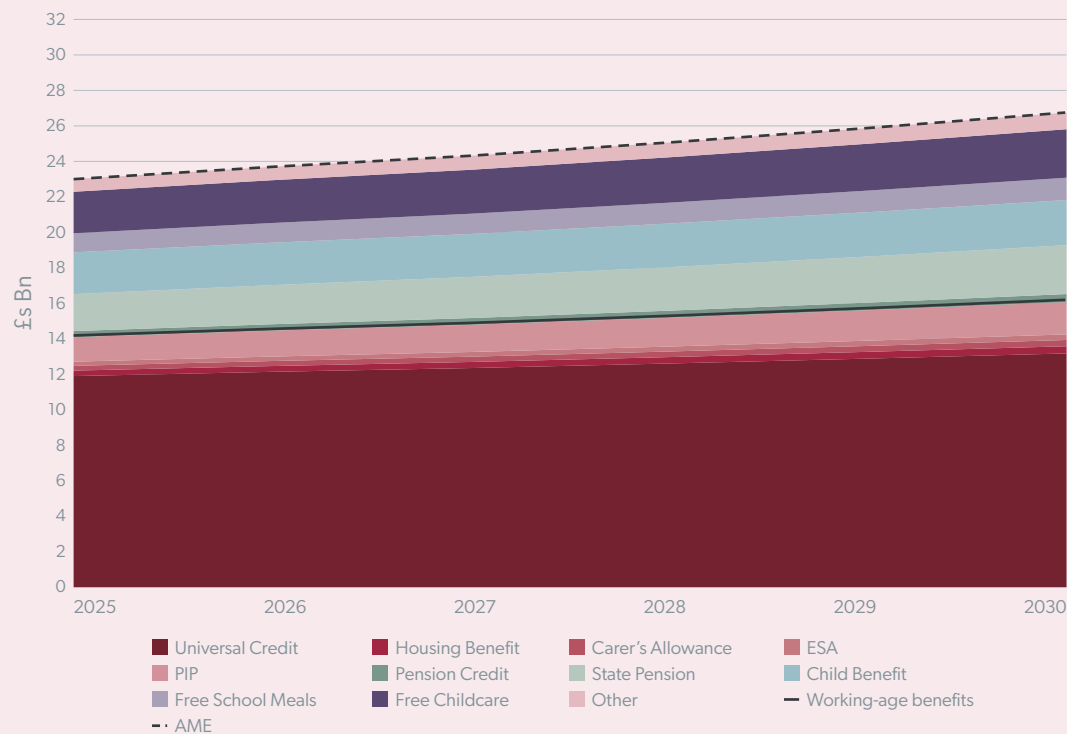
686 Department for Work and Pensions (Aug 2026), ‘Universal Credit – Immigration Status and Nationality Statistics’. Accessed via: [Universal Credit quarterly statistics, 29 April 2013 to 14 May 2026 - GOV.UK](#) (Accessed: 8 September 2026)

687 Working-age welfare is classified by the principal purpose of each benefit rather than the age of every recipient.

688 Malhotra, Seema (Jan 2025), ‘Migrants: Children’, UK Parliament Written Answer, UIN 24434. Accessed via: [Written questions and answers - Written questions, answers and statements - UK Parliament](#) (Accessed: 8 September 2026)

689 Home Office (Feb 2020), ‘The UK’s Points-Based Immigration System: Policy Statement’. Accessed via: [UK’s Points-Based Immigration System](#) (Accessed: 8 September 2026)

Figure 5.28: Foreign nationals estimated caseloads and expenditure, forecast to 2031



Source: CSJ analysis of the Family Resource Survey, Migrant Journey dataset, HMRC, DFE, and DWP administrative data

As argued in Chapter 4, our fundamental belief is that welfare is not an unlimited 'right'. It is one means to fulfilling a societal, moral obligation to prevent and relieve poverty, which is itself one part of a wider web of social and moral duties. Preventing poverty should not mean the welfare system picking up the bill for the migration system's failure to prevent low-wage or low-skilled migration. Nor should claimants gain access to welfare before they have clearly contributed to and integrated into society.

The most reckless example of this 'human quantitative easing' came after the Covid-19 Pandemic when the then-government turbocharged migration with the explicit aim of depressing wages to contain inflation.⁶⁹⁰ Since then, the number of British nationals on payrolls has fallen in nine of the UK's 12 regions since 2020, while the number of non-EU nationals on payrolls rose in every single region.

The growth in non-EU nationals on payroll, moreover, concentrated in lower paid industries. Health and social work make up 29 per cent of the increase followed by administrative and support services (16 per cent), accommodation and food services (12 per cent) and wholesale and retail (10 per cent) – the very sectors most likely to employ recent welfare claimants.⁶⁹¹ What little labour demand Benefit Britain has struggled to generate has, in other words, largely been sated by international migration.

690 In an interview with The Telegraph, October 2025, Boris Johnson said the Treasury believed surging inflation was being driven partly by the labour market "seizing up" and shortages of workers, and that "there had to be a fix for that".

691 His Majesty's Revenue and Customs (May 2026), 'UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025'. Accessed via: UK payrolled employments by nationality, region, industry, age and sex, from July 2014 to December 2025 - GOV.UK (Accessed: 7 September 2026)

Healing Benefit Britain's ills clearly goes beyond welfare reform, but it is not less than it. Restoring growth means investing in Britain's left behind regions and investing its domestic labour force. That requires a welfare system that moves Benefit Britain's workers back towards the labour force and, if it is not to crowd out the private sector, fiscal space drawn from neither new taxation nor borrowing.

AREA FOR REFORM

Enable regional growth through welfare, both directly – through incentives within the system and its structures – and indirectly – by freeing resources for investment.

AREA FOR REFORM

Connect welfare, immigration and employment policy to realise the productive potential of millions currently on out-of-work benefits rather than relying on migrant labour and to control the cost of benefit spending on non-British nationals.

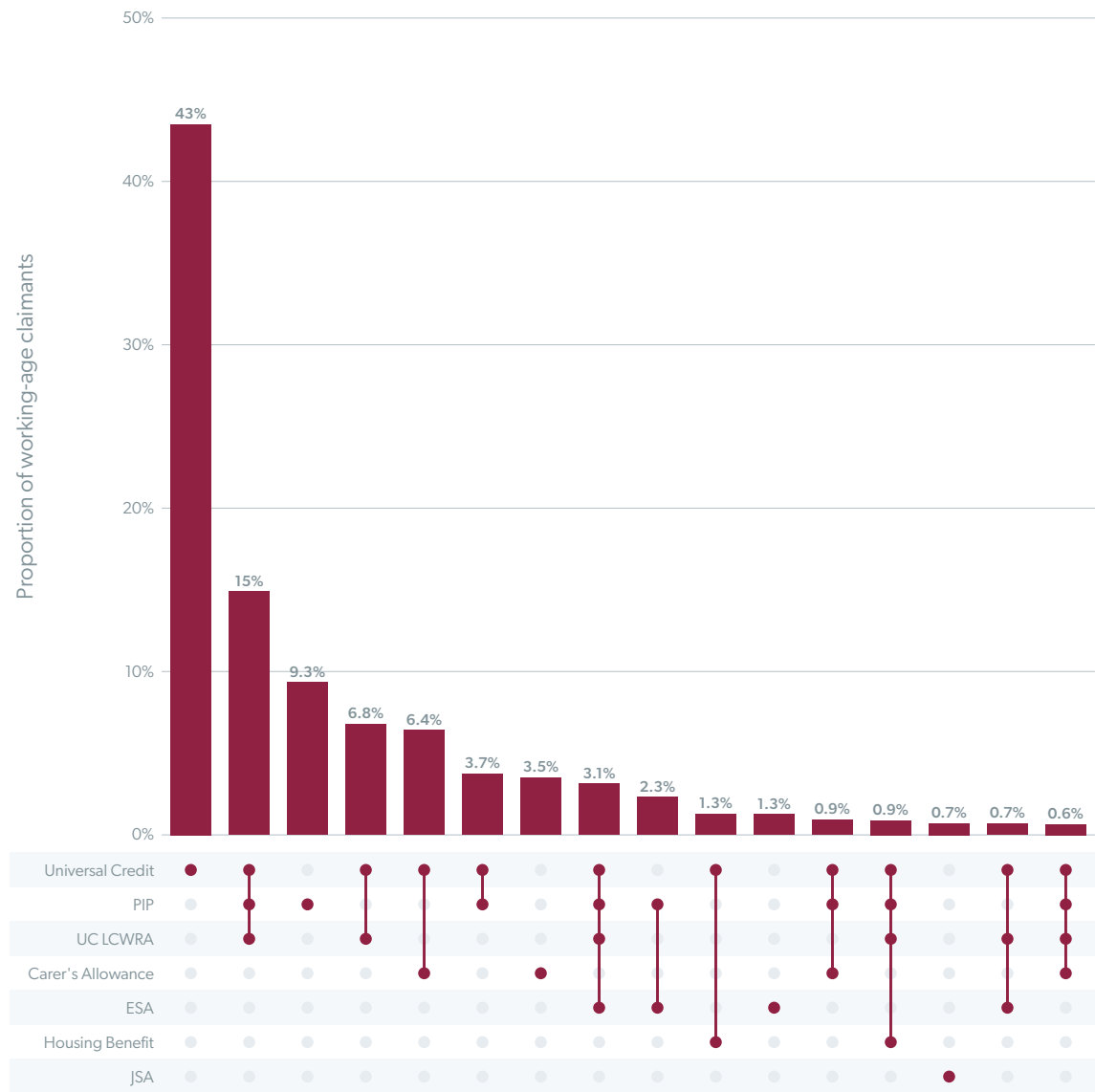
Chapter 6:

Benefits under pressure

Nine million working-age people rely on Britain's benefit system, to a greater or lesser degree. In the last chapter, we argued that that system is falling short. Fighting against decades of economic stagnation in Benefit Britain and so failing to tackle the root causes of poverty, trapping able people in inactivity, exacerbating ill-health, and accepting the steady social decay of swathes of the UK. This chapter turns to the individual benefits to understand how each one is contributing to this shortfall.

Before doing so, it is worth noting from Figure 6.1 that the vast majority of working-age claimants are in receipt of either Universal Credit or PIP. Over 94 per cent of claims include either Universal Credit or PIP, and 24 per cent include both. The number of claimants not impacted by the flaws in these benefits is, therefore, small. Given their scale, we investigate them first, before tackling the particular flaws of the smaller benefits that still litter the system.

Figure 6.1: Working-age benefit combinations in England and Wales, March 2026



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Benefit Combinations Statistics'

Note: Intersections limited to those with more than 0.5 per cent of the total caseload. As the data is from March 2026.

6.1 Universal Credit: a modernising benefit

83 per cent of working-age benefit claimants receive Universal Credit. It is, by far, the most important benefit in the British system. It is an income-replacement benefit for unemployment and incapacity, an in-work benefit for the low paid, and a needs-based benefit for housing and childcare costs. This section, therefore, evaluates Universal Credit thematically, taking the objectives established in Chapter 4 as our guide.

6.1.1 Making work pay

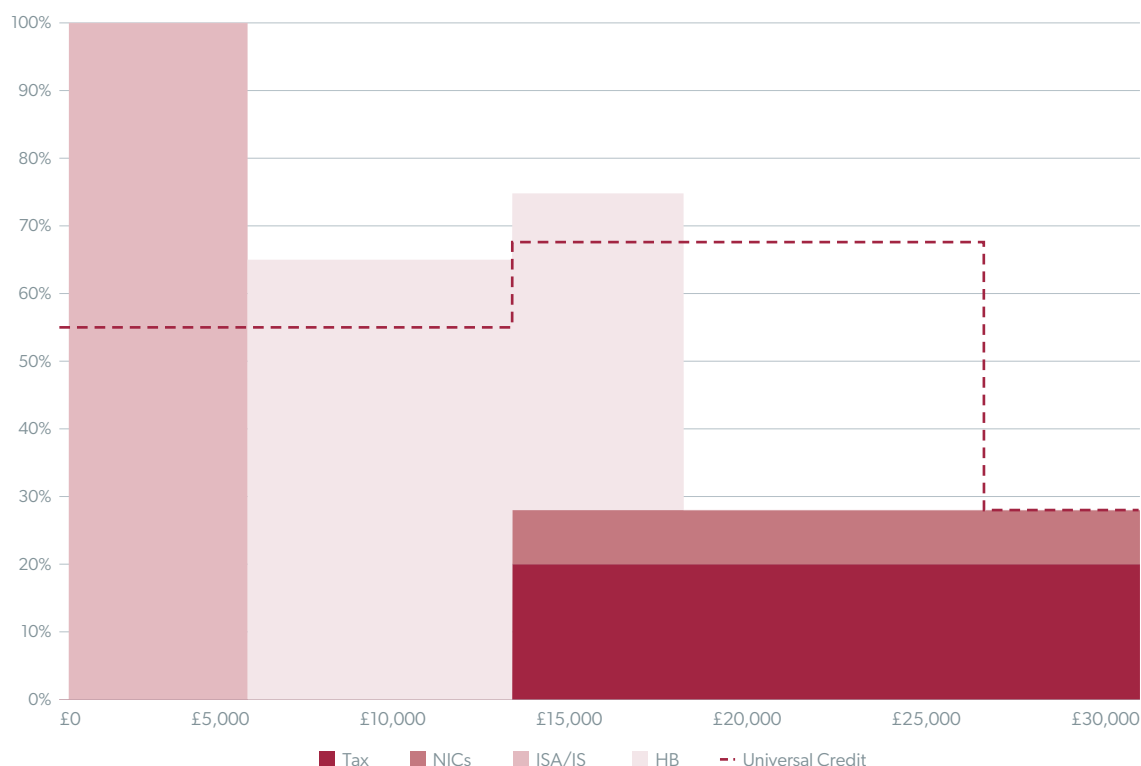
The primary aim of Universal Credit was to make it easier for claimants to move into work by reducing the effective tax rates they would face. There were two effective tax rates that the reform targeted: the average effective tax rate of moving into work, also known as the participation tax rate (PTR) – which calculates the proportion of earnings someone loses by moving from claiming benefits into working – and the EMTR – which calculates the proportion of earnings that a claimant loses for marginally increasing their earnings.

Universal Credit has succeeded in reducing both for most claimants. The Institute for Fiscal Studies found that the share of workers entitled to Universal Credit who faced an EMTR of 70 per cent or more is nine per cent, compared to 26 per cent under legacy benefits. While 28 per cent of lone parents faced an EMTR of at least 80 per cent in the legacy system, almost none do now. Most Universal Credit claimants who faced higher EMTRs did so because of additional benefits, mainly CTS – an issue we return to in the section on CTS below. No Universal Credit claimants now face a PTR of over 70 per cent, compared to 25 per cent under the legacy system, and the proportion of lone parents with a PTR below 60 per cent has risen from 60 to 95 per cent.⁶⁹²

We show the contrast between the EMTR that a single over-25 claimant would have faced under the legacy benefits system in 2026/27 and the rates they face under Universal Credit in Figure 6.2. The same individual faces better PTRs under Universal Credit too: their PTR for moving into a part-time, 16-hour job at the national minimum wage would be 55 per cent, 25 percentage points lower than under the legacy system, while the PTR to move to a 36-hour job would be 61 per cent, compared to 64 per cent under the legacy system.

692 Institute for Fiscal Studies (Jun 2024)

Figure 6.2: Effective marginal tax rates for a single person over 25 on Universal Credit and legacy benefits, 2026/27 rates



Source: CSJ analysis of 2026/27 benefit rules

Note: Calculations based upon a single person over 25 years of age with no extra disability payments and receiving the median 2026/27 Local Housing Allowance for a Category B property (£134.63 per week). Note that the single person would not be eligible for any Working Tax Credits due to the combination of the 30-hour rule and their earnings on the minimum wage.

Several evaluations have confirmed the effectiveness of this change, though to differing extents. The DWP conducted three evaluations during the rollout of Universal Credit in February 2015, December 2015, and September 2017. The first found that Universal Credit claimants were five percentage points more likely to work in the four months after their claim than JSA claimants, the second updated the earlier estimate to eight percentage points more after nine months, and the last assessed that another cohort were four percentage points more likely in six months.⁶⁹³

All three of these evaluations focused on the claimants closest to the job market, namely single claimants with no dependents or disabilities. A follow-up report in February 2024 corrected this imbalance by studying the effects on lone parents, finding that they were five percentage points more likely to move into work within six months of making their claim than legacy claimants.⁶⁹⁴ A 2018 report by Policy in Practice on a wider range of Universal Credit claimants similarly confirmed the positive direction, if not the magnitude, of Universal Credit's employment effect.⁶⁹⁵

693 Department for Work and Pensions (Feb 2015), 'Estimating the early labour market impacts of Universal Credit'. Accessed via: assets.publishing.service.gov.uk/media/5a80c920e5274a2e87dbbcf9/Universal_Credit_estimating_the_early_labour_market_impacts_-_ad_hoc_19.pdf (Accessed: 26 June 2026); Department for Work and Pensions (Dec 2015), 'Universal Credit: estimating the early labour market impacts: updated analysis'. Accessed via: [Universal Credit: estimating the early labour market impacts: updated analysis - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/481111/Universal_Credit_estimating_the_early_labour_market_impacts_updated_analysis.pdf) (Accessed: 26 June 2026); Department for Work and Pensions (September 2017), 'Universal Credit employment impact analysis: update'. Accessed via: [Universal Credit employment impact analysis: update - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641111/Universal_Credit_employment_impact_analysis_update.pdf) (Accessed: 26 June 2026)

694 Department for Work and Pensions (Mar 2024), 'Estimating the employment impact of Universal Credit among single parents'. Accessed via: [Estimating the employment impact of Universal Credit among single parents - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/121111/Estimating_the_employment_impact_of_Universal_Credit_among_single_parents.pdf) (Accessed: 26 June 2026)

695 Policy in Practice (Nov 2018), 'The Impact of Universal Credit on Employment Outcomes'. Accessed via: [Report-for-LGA-The-impact-of-Universal-Credit-on-employment-outcomes-Nov18-2.pdf](https://www.policyinpractice.org.uk/wp-content/uploads/2018/11/Report-for-LGA-The-impact-of-Universal-Credit-on-employment-outcomes-Nov18-2.pdf) (Accessed: 26 June 2026)

The estimated employment effect of Universal Credit, while an improvement on the legacy benefit system, is still lower than *Dynamic Benefits* envisioned. This is partly down to distortions from the intersection of Universal Credit with other benefits, which we turn to in the relevant section for those benefits. But it is also suppressed by certain features of Universal Credit as realised.

Monthly assessments

The first of these features is the frequency that Universal Credit assesses a claimant's award. The DWP uses data from HMRC's RTI system to calculate a claimant's monthly earnings directly from their employer's payroll and adjusts their Universal Credit payment accordingly. This system has the virtue of reducing the possibility of fraud and error and automatically smoothing claimants' incomes as they move into work. It also helped to fix the problem of very large benefit overpayments rife under the tax credit system, where assessments were made over a much longer period.⁶⁹⁶ However, it remains that the monthly assessment period can increase the perceived risks of moving into work for certain claimants.

This comes, firstly, through the mismatch faced by claimants whose pay period is not monthly. We discussed the case of *Secretary of State for Work and Pensions v Johnson, Woods, Barrett & Stewart [2020]* in Chapter 2, where four single mothers had pay dates at the end of their assessment period resulting in the DWP occasionally assessing them as having two salaries in the same period and reducing their Universal Credit award to zero. Claimants moving into work that is paid weekly or every four weeks risk similar fluctuations.

While most workers are paid monthly, there remains a significant minority who are not: 22 per cent in the most recent *ad hoc* ONS release.⁶⁹⁷ That minority is, moreover, concentrated among those most likely to claim Universal Credit. 33 per cent of workers in the bottom quintile of earnings are not paid monthly.⁶⁹⁸ The risk of income volatility can outweigh the benefit of additional earnings for claimants moving into such work, with the impact worst for claimants taking up low paid and part-time work, often lone parents, carers, or those with a long-term health condition.

Secondly, the monthly assessment period means new Universal Credit claimants must wait five weeks for their first payment. This includes four weeks for the DWP to collate data from HMRC and another week to process the first payment. A claimant can request an advanced payment of their estimated monthly amount, which they must repay through deductions on future Universal Credit payments. In our Big Listens, we heard of claimants who avoided work out of fear that they could lose their eligibility for Universal Credit then have to wait five weeks to get it back if they lost their job. The number of claimants likely to move into work with high enough earnings to lose their claim is small, but the fear of the wait serves to freeze far more into inactivity.

"With UC, you get work and then lose it, then have to wait five weeks to get any benefit, so people just don't want to work."

Big Listen East Midlands participant

696 Public Accounts Committee (Mar 2009), 'HM Revenue and Customs: Tax Credits and Income Tax'. Accessed via: House of Commons - HM Revenue and Customs: Tax Credits and Income Tax - Public Accounts Committee (Accessed: 18 September 2026)

697 Office for National Statistics (Feb 2022), 'Annual Survey of Hours and Earnings (ASHE) : Proportion of all employee jobs with weekly, fortnightly, four-weekly and monthly pay periods, UK, April 2021', Accessed via: Annual Survey of Hours and Earnings (ASHE) : Proportion of all employee jobs with weekly, fortnightly, four-weekly and monthly pay periods, UK, April 2021 - Office for National Statistics (Accessed: 15 July 2026)

698 The Resolution Foundation (Jan 2026), 'Listen and Learn: Improving the way that Universal Credit works'. Accessed via: Listen-and-learn-updated.pdf (Accessed: 15 July 2026)

“A lot of people fought really hard to get their benefit in the first place. They don’t want to risk losing it and having to start all over again.”

Big Listen East Midlands participant

Solving these problems is operationally and technically difficult. The DWP receives data from HMRC four times a day and could hypothetically assess claims on a more regular basis, but the entire technical and operational framework of the Universal Credit system relies on monthly calculations. The DWP and technicians who have worked at the Government Digital Service have repeatedly warned that it would be very costly to re-work the systems, while switching wholesale to a different fixed assessment period would simply shift which claimants bear the risk.⁶⁹⁹

Moving to flexible assessment periods, allowing claimants to choose how often their earnings are assessed to reflect their pay periods, could mitigate the latter point but it would exacerbate the former. Without a clear estimate of the cost of such a change, which the DWP has never provided, it is almost impossible to weigh the possible benefits of such a technical change against its costs.

AREA FOR REFORM

If technically and fiscally feasible, offer flexible assessment periods within Universal Credit

Household assessment

As well as being assessed monthly, Universal Credit payments are calculated on the basis of household earnings. The first earner in a Universal Credit claiming couple will often use up any work allowance that the household has, leaving the second earner to face losing 55 per cent of their earnings from their first pound of pay.

Consider, for example, the couple in Figure 6.3. Their Universal Credit is capped at £22,020 annually when they are both out of work. The first partner to move into part-time work faces a PTR of 35 per cent, making £10,445 in gross earnings and losing £3,555 of Universal Credit. If the other partner moves into a 16-hour job, however, their joint income increases by only £4,700 against gross additional earnings of £10,445: a PTR of 56 per cent.

There is an important trade-off here. While the higher PTR goes against our objective to incentivise work, it is a side effect of giving couples greater flexibility to decide how to distribute parenting and caring responsibilities, supporting stable families. The households that face this distortion are those either with children or where one partner has a health condition. The couple would otherwise have a work allowance of £0 and both partners face the same PTR. Universal Credit lessens the financial cost of one partner choosing to parent or care full-time, reducing – in Figure 6.3 – the gap in net income between both working part-time and one working full-time to £1,285 per year from £2,336.

699 Work and Pensions Committee (2024), ‘Universal Credit: the wait and first payment’, pp. 70–76. Accessed via: [Universal Credit: the wait for a first payment](#) (Accessed: 14 July 2026)

Figure 6.3: Income from Universal Credit and wages for a couple living in a Band C property with two children and both partners over 25, 2026/27



Source: CSJ analysis of 2026/27 benefit rules and rates

Note: The couple live outside of London with the English median of the Local Housing Allowance for a Band C property (i.e., a two-bed property), the child element for two children, and the standard allowance at the £666.97 monthly rate. Their total Universal Credit when not working is £24,000, meaning they receive the benefit cap amount of £22,020. They work at the national minimum wage and utilise the marriage allowance transfer, where applicable.

Of course, household-based assessments do not only impact the partners in a couple. A 16- to 17-year-old living at home is counted as a dependent so long as they remain in full-time education. If they leave full-time education, however, for example, to start an apprenticeship, they become a non-dependent and their household loses entitlement to Child Benefit and the child element of Universal Credit and faces a non-dependent deduction of £96.55 on the housing element. The losses are even more severe where families have additional elements, such as the disabled child element, and, if the apprentice was the only child in the household, their parents can also lose their work allowance.⁷⁰⁰

Figure 6.4 shows the impact of the oldest child of the parents in Figure 6.3 starting an apprenticeship on their household income. If the child starts an apprenticeship working any less than 20 hours, the household loses more in benefits than they gain in the apprentice's earnings. The family is better off if the child starts a full-time apprenticeship, but this assumes the child is happy to be the main breadwinner and contribute their earnings (or a substantial proportion thereof) to the household. In our Big Listen, we were told about several instances of parents discouraging their children from taking apprenticeships for fear of the impact on the household's income:

700 Social Security Advisory Committee (Apr 2026), 'The influence of the social security system on educational and vocational decision-making at age 16'. Accessed via: [The influence of the social security system on educational and vocational decision-making at age 16](https://gov.uk/government/uploads/system/uploads/attachment_data/file/111111/111111.pdf) - GOV.UK (Accessed: 17 July 2026)

Figure 6.4: Impact of the eldest child of a couple claiming Universal Credit starting an apprenticeship, 2026/27



Source: CSJ analysis of 2026/27 benefit rules and rates

Note: The couple live outside of London with the English median of the Local Housing Allowance for a Band C property (i.e., a two-bed property), the child element for two children, and the standard allowance at the £666.97 monthly rate. Their total Universal Credit when not working is £24,000, meaning they receive the benefit cap amount of £22,020. The apprentice is paid the apprentice minimum wage.

"The incentive for a 16-year-old is not to work. An apprenticeship might be best for them, but if they try it mum and dad's benefits get stopped."

Big Listen North East Frontlines participant

As our report *Rewiring Education: Part 2* pointed out, countries like Germany and The Netherlands have consistently lower NEET rates than the UK in part because they keep more young people in education after 18: 59 per cent of 18–24s are in education in the former and 67 per cent in the latter, compared to 43 per cent in the UK. Young people in both countries can enter vocational pathways much earlier, with the quality of a technical system that better fits their skills and financial needs keeping them engaged in education for longer and smoothing their transition into work.⁷⁰¹

The Milburn Review found that participation in apprenticeships has declined especially sharply among young people from the most deprived areas, with retention 19 percentage points lower

701 Centre for Social Justice (Jul 2026), 'Rewiring Education: Part 2: A new path from school to work'. Accessed via: [Rewiring Education: Part 2](#) (Accessed: 30 July 2026)

among apprentices who had previously been NEET.⁷⁰² Deeper educational reform is needed to fix the British technical system, but the DWP withdrawing benefits from the parents of young people taking apprenticeships is certainly not helping.

AREA FOR REFORM

Ensure the financial incentives in Universal Credit encourage 16- to 17-year-olds to take up work, vocational education, and/or apprenticeships.

The full-time disincentive

The final work disincentive still baked into Universal Credit does not stop work altogether but rather discourages certain kinds of work. We noted that Universal Credit incentivises part-time work more than full-time work in Chapter 5, with the example of a lone parent who faced a PTR of 38 per cent to move into 20 hours of work but a PTR of more than 58 per cent to move into a 40-hour job.⁷⁰³

The same issue is visible in Figure 6.2. The claimant is more affected by the withdrawal of Universal Credit because they have no work allowance, having neither a health condition nor children. The claimant faces a PTR of 55 per cent to move into 16 hours of work, significantly lower than the 80 per cent PTR under legacy benefits. If they move into a 36-hour job, however, they lose £11,358 in Universal Credit and £3,142 in tax against gross earnings of £23,793: a PTR of 60.9 per cent, barely an improvement on the legacy system's 63.5 per cent. Indeed, the effective tax rate on the claimant moving from part-time work to full-time work is actually worse: 66 per cent under Universal Credit and 50 per cent under the legacy system.

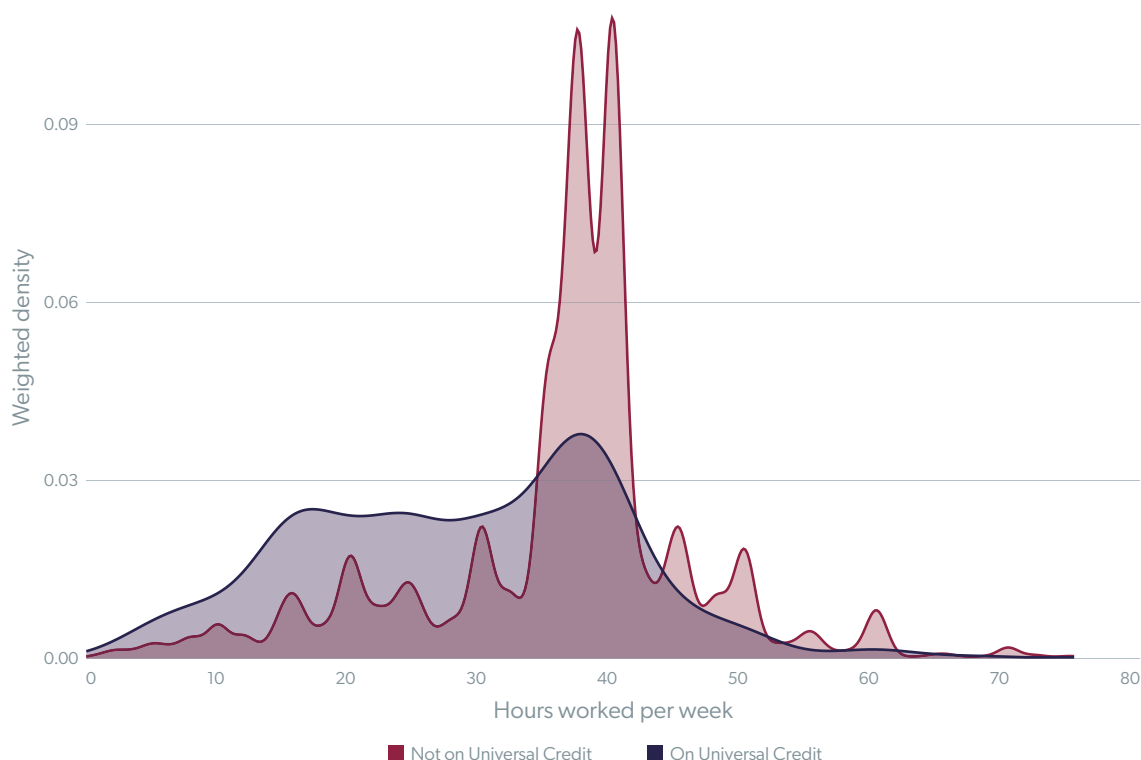
Figure 6.5 suggests that the difference in incentives between full- and part-time work has a real-world impact. There is a far greater concentration of full-time workers among those not claiming Universal Credit than those claiming it. Some of this will be self-selection – evidently those working fewer hours are more likely to need in-work benefits to top up their incomes – but the logic of the incentives and the scale of the difference imply there is an impact.

The mechanism behind this distortion is the standardised Universal Credit taper rate, which means claimants keep their benefits for longer as their income increases. The system's aim was to better support those in work, but the side effect is that claimants remain subject to benefit withdrawal for longer. The claimant in Figure 6.2, for instance, loses all their legacy benefits by the time their income reaches £17,335, meaning the only effective taxes on earnings thereafter are income tax, National Insurance and pension contributions, while they retain their Universal Credit until they earn more than £25,670. Their EMTR remains at 68 per cent until that point.

702 Department for Work and Pensions (Jun 2026), 'Young people and work: interim report'.

703 Hoynes, Hilary; Joyce, Robert; Waters, Tom (2023), p. 21.

Figure 6.5: Hours worked per week by Universal Credit claim status, UK adults 2024/25



Source: CSJ analysis of the Family Resource Survey

In Chapter 5, we discussed the impact this has on increasing both the supply and demand of part-time and insecure work. Low weekly pay, more than low hourly pay, is now the primary driver of in-work poverty. Fixing the full-time disincentive would broaden Universal Credit’s positive impact on work incentives and help reduce in-work poverty.

AREA FOR REFORM

Incentivise full-time work at least as much as part-time work, regardless of whether the claimant is moving from worklessness or from fewer hours.

6.1.2 Supporting stable families

In 2009, *Dynamic Benefits* differentiated between a simple financial couple penalty and a material couple penalty. A couple may receive less in benefit income than two single people, but that can reflect the pooling of resources and shared costs that couples benefit from. A financial penalty only becomes a material penalty when the difference is so disproportionate as to disadvantage the couple materially.⁷⁰⁴ The welfare system may reasonably enshrine a financial penalty, but enshrining a material penalty will financially disincentivise coupling or, at least, discourage couples from living together.

704 CSJ (Sep 2009), pp. 108–110.

The standard measure to compare incomes across households of different compositions is the Organisation for Economic Cooperation and Development's (OECD) equivalisation scales. The variant adopted by the UK government calculates that a childless couple needs 74.6 per cent of the income of two single adults to achieve the same standard of living. A couple with two teenage children (over 14-years-old) meanwhile would need 83 per cent of the income of two lone parents, each with one teenage child.⁷⁰⁵ Table 6.1 shows the full equivalisation scales used by the DWP.

Table 6.1: Equivalisation scales used by the Department for Work and Pensions

	Score value
First adult	0.67
Other adult	0.33
Children 14 years and over	0.33
Children under 14-years-old	0.2

Source: Department for Work and Pensions (Mar 2026), 'Households Below Average Income: Background Information and Methodology report FYE 2025'

Universal Credit seems a significant improvement from the legacy benefit system on these measurements. *Dynamic Benefits* estimated that a childless couple in 2009 received less than 66 per cent of two single people's awards through Housing Benefit, JSA, and CTB.⁷⁰⁶ A couple now receives at least 78 per cent of two single people's awards of the standard allowance of Universal Credit. The benefit cap, likewise, means a capped couple will always receive 74.6 per cent of two capped single adults' awards.

The main area where a material couple penalty does persist is in the Universal Credit work allowance. Two working Universal Credit claimants will have their own work allowances if they have children or LCW, allowing each to keep either £427, if they have the housing element, or £710 of their earnings per month before the 55 per cent taper applies. If they form a couple, however, they get only one work allowance, with the second partner facing the full withdrawal rate from the first pound of their earnings. The exact impact on the couple depends on each partner's earnings. In the example from Figure 6.3, were both partners to work 16 hours their joint net income would be 81 per cent of their net income when separate, marginally below the equivalisation threshold for parents of two teenagers.

There also remains evidence that Universal Credit retains more subtle couple penalties. Figure 5.20 showed that, in 2024/25, the gap in the rate of marriage and cohabitation between the population claiming means-tested benefits and those not on means-tested benefits trends above 20 percentage points regardless of income. The DWP also estimates that it overpaid over £1 billion of Universal Credit in 'living together' fraud – where claimants do not declare a partner living with them. A situation that frontline charities reported seeing on the ground at our East Midlands Big Listen:

"There is no incentive to live together. We see couples living in separate properties renting out cash in hand, with no local person [from the DWP] to check or monitor it."

Big Listen East Midlands participant

705 Department for Work and Pensions (Mar 2026), 'Households Below Average Income: Background Information and Methodology report FYE 2025'. Accessed: [Households Below Average Income: Background Information and Methodology report FYE 2025 - GOV.UK](#) (Accessed: 20 July 2026)

706 CSJ (Sep 2009), p. 110.

A study by the DWP on 'living together' fraud in 2022 suggests a route to squaring this circle: the couple penalty that persists in Universal Credit is less financial than procedural.⁷⁰⁷ The DWP assesses whether unmarried adults are 'Living Together as a Married Couple' (LTMAC) across several dimensions including 'the management of household finances', 'the stability of the relationship', 'having children', and 'public acknowledgment'.⁷⁰⁸ The time, effort, and intrusiveness of registering partners deters claimants from doing so – driving both 'living together' fraud and underestimates of the rate of cohabitation among benefit claimants – as well as adding an additional, bureaucratic barrier to stable relationship formation.

Universal Credit payment mechanisms add to the bureaucracy of the LTMAC assessment. Universal Credit is paid to one partner in the household while both partners remain jointly liable for benefit repayments, including those incurred by their partner. Claimants, especially lone mothers, feared the loss of financial autonomy from moving in with a partner, never mind the bureaucracy of choosing which partner gets paid.⁷⁰⁹ Low awareness and understanding of benefit rules exacerbated their fears, with claimants repeatedly believing they would be worse off living with a partner regardless of the reality.⁷¹⁰

"[When we first moved in together] I wasn't entitled to Universal Credit at all, but I was when I was living with my parents, so that made no sense to me.... he shouldn't be, like, fully, like, responsible for me because we're living together."

Isla, joint claimant, single-earner couple, two children⁷¹¹

The cumulative impact of these policies weighs against cohabitation and marriage. The uncertainty, loss of autonomy and bureaucracy all serve to make claimants wary of entering stable, cohabiting relationships.

AREA FOR REFORM

Assess how to reduce the procedural barriers to registering as a couple within Universal Credit.

AREA FOR REFORM

Explore mechanisms to allow couples to split their joint Universal Credit payments between accounts.

Childcare costs

The relationship between parents and their children is the most important long-term effect of family stability. But that relationship is, currently, skewed by the childcare cost element. The childcare cost

⁷⁰⁷ Department for Work and Pensions (May 2022), 'Are household formation decisions and living together fraud & error affected by the Living Together as a Married Couple policy? An Evidence Review'. Accessed via: [Are household formation decisions and living together fraud & error affected by the Living Together as a Married Couple policy?](#) (Accessed: 20 July 2026)

⁷⁰⁸ DWP (May 2022), p. 37.

⁷⁰⁹ Ibid., pp. 43–45.

⁷¹⁰ Ibid., p. 40.

⁷¹¹ Ibid.

element pays 85 per cent of eligible childcare costs below a maximum of £1,071 for one child and £1,836.16 for two or more children.

Most criticism of the childcare cost element has focused on it as a barrier to work.⁷¹² The element is paid in arrears, meaning a parent putting their child into childcare so they can start work must front-up the first month of costs from their own wallet. Given the low incomes of Universal Credit claimants, meeting such up-front costs is near impossible and can make work unaffordable.

However, the size of the barrier is lessened somewhat by the FSF. The Fund is available to work coaches at the Jobcentre to spend on helping claimants find and start work. Guidance in 2023 clarified that work coaches can pay for a claimant's up-front childcare costs out of the Fund while the parent receives the usual reimbursement for the same charges.

Rather, the problem with the childcare cost element is more fundamental. It can only be used to cover the costs of childcare from a 'registered' provider such as a nursery, preschool, after-school club, or breakfast club. The claimant receives nothing if one partner in a couple stays at home to care for their child or a friend or family member offers to help. Combined with the government's other childcare offers, this is a financial deterrent against informal, family care.

This is a problem firstly because it is not what families themselves want. Public First polling for a 2024 CSJ report found over 70 per cent of working parents said they would like to spend more time caring for their children, and less time in paid employment, with 80 per cent of fathers and 76 per cent of mothers wanting to spend more time with their children. There was broad support from parents across the political spectrum for a more flexible childcare system.⁷¹³

Secondly, it is detrimental to children. The UK Millennium Cohort Study has found that positive home learning activities and warm, supportive parenting mediate some of the effects of poverty on children's cognitive and behavioural development.⁷¹⁴ The relationship between a child, especially in their first two years, and their primary caregiver is foundational to childhood wellbeing. Relationships with wider family members, such as grandparents or uncles and aunts, have a similar, if smaller, beneficial effect.⁷¹⁵

There is, of course, a trade-off here between our objective to encourage work and our objective to support stable families. Offering a more flexible childcare budget would likely lead to some parents – or other relatives – choosing to leave employment to care for their children. Yet, doing so would be a realisation of their stated preferences, which itself would be better for childhood development. The childcare element is weighted against parental flexibility; a new balance is needed.

AREA FOR REFORM

Explore the best way to balance the trade-off between work incentives and flexibility within the childcare cost element of Universal Credit.

712 Work and Pensions Committee (Dec 2022), 'Universal Credit and childcare costs: Fourth report of session 2022–23', House of Commons. Accessed via: [Universal Credit and childcare costs](#) (Accessed: 30 July 2026)

713 Centre for Social Justice (Jun 2024), 'Give Families Credit', p. 8. Accessed via: [Give Families the Credit](#) (Accessed: 30 July 2026)

714 Hernández-Alava, Monica; Popli, Gurleen (Feb 2017), 'Children's Development and Parental Input: Evidence From the UK Millennium Cohort Study', *Demography*, 54(2), pp. 485–511. Accessed via: [Children's Development and Parental Input: Evidence From the UK Millennium Cohort Study | Demography | Springer Nature Link](#) (Accessed: 30 July 2026)

715 See Centre for Social Justice (Jun 2024) for a summary of this evidence.

6.1.3 Encouraging saving

The policy that most impacts savings within Universal Credit is the capital limits. Savings below £6,000 do not affect a claimant's award. Any savings between £6,000 and £16,000 reduce their award by £4.35 for every £250 of savings, while savings above £16,000 make the claimant ineligible for Universal Credit.

The capital limit serves an important purpose in Universal Credit, ensuring that it targets those most in need rather than supporting individuals with adequate savings to support themselves. However, it also serves to discourage claimants of Universal Credit from building up savings for fear of losing their benefit. Figure 6.6 shows the difference in the value of savings between Universal Credit claimants and the rest of the adult population. Though there is some self-selection – individuals with less savings are more likely to claim means-tested benefits – the clumping of Universal Credit claimants below £6,000 compared to the smooth non-claimant tail suggests that claimants are responding to the limit.

"The £6k saving cap is a problem. You lose everything if you have more than £6k so you can't start a business, you can't get inheritance. It undermines any attempt to build financial resilience."

Big Listen East Midlands participant

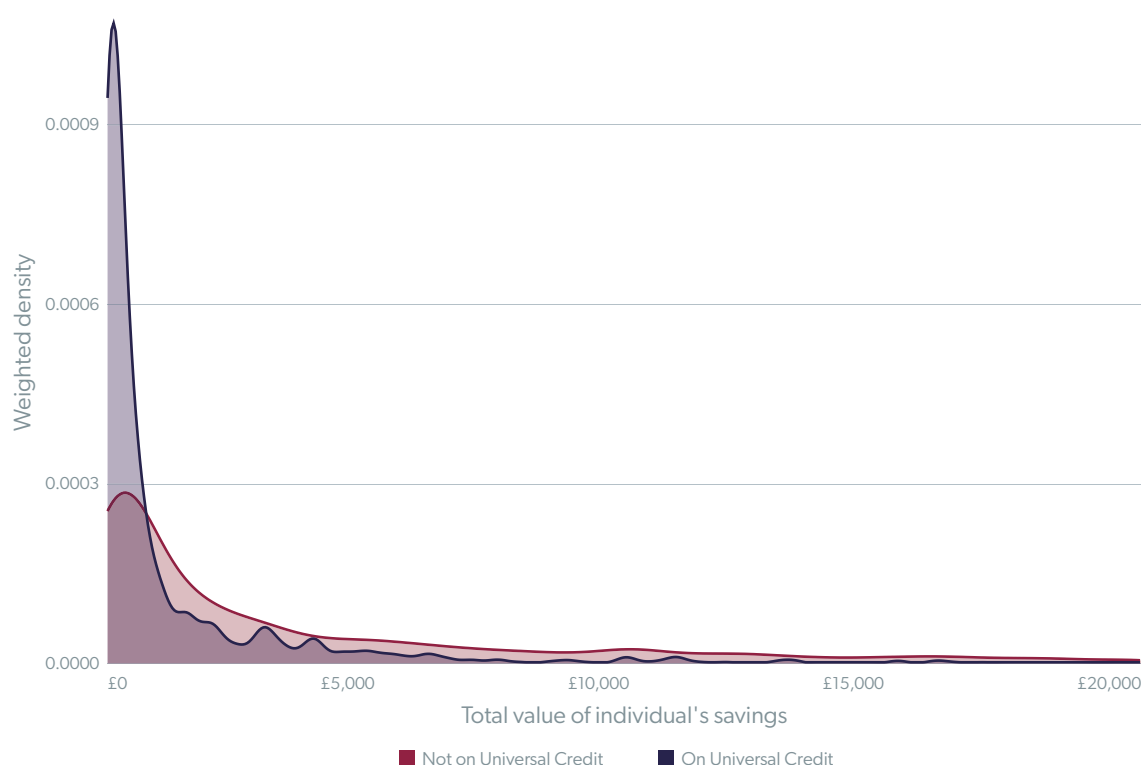
Their response reflects that the capital limit is increasingly imbalanced. Its thresholds were last updated in 2006. Had they kept pace with inflation, claimants could keep £10,667 worth of savings before their benefit tapered, and the upper limit would be £28,447.19. The £4.35 deduction assumes an income from savings of around 20 per cent, a return on capital above interest rates or any reasonable long-term investment.

One particularly perverse element of the capital limit is that it includes savings built up through Help to Save, which we discussed in Chapter 3. Universal Credit claimants can save up to £50 per month into the scheme and receive a 50 per cent bonus from the government. Help to Save is not enough to push a single claimant above the £6,000 capital limit on its own, but the inclusion of a scheme designed to encourage saving in the calculation of benefit withdrawal illustrates the confusion of purposes surrounding the capital limit.

AREA FOR REFORM

Reassess Universal Credit capital limits.

Figure 6.6: Total value of savings by Universal Credit claim status, UK adults 2024/25



Source: CSJ analysis of the Family Resource Survey

6.2 Personal Independence Payments and Universal Credit Health: a dysfunctional approach

PIP and the health element of Universal Credit theoretically serve different purposes: the former exists to contribute to the additional costs of disability, while the latter is an income-replacement for those whose health renders them unable to work. However, they are united in the same overarching aim – to support those with health-conditions – and, it is our contention, in their failure to achieve it.

The association between the two benefits, moreover, follows the simple fact that most people who claim one also claim the other. 72 per cent of working-age Universal Credit claimants with LCWRA also receive PIP, and 54 per cent of working-age PIP claimants are on Universal Credit with LCWRA. Fewer than one in five PIP claimants are in work, meaning that for most claimants PIP effectively acts as an income replacement benefit, whether in combination with another benefit or on its own.⁷¹⁶

The two benefits are only set to grow closer. The Government has outlined plans to make the functional assessment for PIP the single gateway to all health-related benefits. Even now, though claimant must go through separate assessments to claim either benefit (see Chapter 2), receipt of one can support the application for another, especially where the descriptors providing eligibility overlap. The Functional Assessment Service (FAS), introduced in 2024, also contracts one contractor to deliver both assessments in each geographical 'lot'.

⁷¹⁶ DWP (15 Jul 2026)

Our argument that both benefits fail to support those with health conditions follows from our case in Chapter 5. The rise in benefit caseloads linked to mental ill-health has been enabled by and highlights flaws at every level of the health-related benefit system. Flaws that affect claimants without a mental health condition too.

6.2.1 Getting a fit note

For the health element of Universal Credit, a new claimant's starting point is to get a fit note from their GP. GPs issued over 11 million fit notes in 2025. Though 77 per cent of all fit notes had no medical diagnosis attached, 36 per cent of those that attached a medical diagnosis reported a mental or behavioural diagnosis.

GPs have repeatedly reported that the fit note system is broken. In a 2020 consultation, they expressed concern that a 10- to 15-minute appointment is not enough time to ensure patients are assessed and treated holistically.⁷¹⁷ Several GPs have told the CSJ that they feel pressured to provide their patients with a fit note as a least worst option. They know that being declared unfit to work will worsen the patient's wellbeing, but do not have capacity to solve the underlying problem and fear denying the patient access to health-related benefits might be worse. This conflict explains why only seven per cent of fit notes issued in 2025 considered the patient 'may be fit for work': GPs simply do not have the time or expertise to act as occupational health experts.

"People are coming to me with huge life events – marriages falling apart and relatives dying. I feel like I'm a priest... If I don't sign their fit note, they might lose their income. Sitting on benefits won't help either, but I don't have capacity to support them properly."

NHS General Practitioner

The pressure felt by overstretched GPs is exacerbated by a lack of employer engagement when the claimant is coming out of the workplace. While there is no statutory ban on employers engaging with employees who go off sick, employers run the risk of grievances and tribunals if their communications are seen to pressure the employee or be detrimental to their health. The Keep Britain Working Review in 2025 heard from several employers who stated that fearing prompting a grievance or tribunal action if they contacted sick employees kept them from engaging.⁷¹⁸ A Chartered Management Institute poll confirmed that there is a significant minority of employers with similar worries: 21 per cent of respondents feared legal repercussions and 32 per cent feared causing offence.⁷¹⁹

By contrast, the Dutch system prioritises employer engagement throughout. The 'Gatekeeper Protocol' requires employers to pay sick employees 70 per cent of their wage for two years. During those two years, the employer must examine whether the employee can return to their previous job or another job within the company and work with the employee to identify any necessary adaptations. The company

⁷¹⁷ Department for Work and Pensions (Aug 2020), 'Exploring perceptions and attitudes towards the extension of fit note certification'. Accessed via: [Exploring perceptions and attitudes towards the extension of fit note certification - GOV.UK](#) (Accessed: 27 July 2026)

⁷¹⁸ Department for Work and Pensions (Nov 2025), 'Keep Britain Working: Final Report'.

⁷¹⁹ Chartered Management Institute (Nov 2025), '"Fear factor" stopping managers from supporting sick staff, CMI poll warns following Mayfield Review'. Accessed via: ["Fear factor" stopping managers from supporting sick staff, CMI poll warns following Mayfield Review - CMI](#) (Accessed: 22 July 2026)

must set milestones and develop an action plan. The employee can only claim an equivalent incapacity benefit after the two years pass.⁷²⁰ The Protocol reduced disability benefit applications by 40 per cent.⁷²¹

Municipalities in Denmark similarly offer its disability pension (*førtidspension*) only after exhausting all reintegration measures, with under-40s rarely accepted onto it. Before then, the claimant goes through a process of vocational rehabilitation, lasting one to five years, during which they receive sickness benefit and undertake vocational courses and medical assessments. If a claimant retains some capacity to work, they may be placed in a flexi-job, where the municipality subsidises the employer to cover the wages the individual is unable to work.⁷²²

In the UK, however, an employee is unlikely to be offered support either from their GP or from their employer. They are channelled towards the health element of Universal Credit almost by default. Once an individual claiming Universal Credit is registered as 'not fit for work' for more than 28 days, they are referred on to the WCA.

AREA FOR REFORM

Propose changes to the level and time of engagement between employees, employers, and occupational health prior to incapacity claims.

6.2.2 Health benefit assessment

Eligibility for health-related benefits is not automatic. An individual registered as 'not fit for work' still needs to pass the WCA, while a PIP applicant must go through a functional assessment. These two assessments are different but not dissimilar. The first assesses whether a claimant's illness renders them unable to work, while the second assesses the severity of their condition – a claimant's particular job may factor into a PIP assessment if it evidences that the claimant can perform certain tasks, but their overall working status is not a factor.

WCA and PIP assessments were historically in-person by default, but the DWP switched to virtual assessments on 17 March 2020 as the Covid-19 pandemic hit.⁷²³ The Department made its emergency move to multi-channel assessments permanent with a new regulation in 2021 then embedded it into operational contracts when the FAS was introduced in September 2024.⁷²⁴

While 62 per cent of WCAs were in-person in March 2020, only 10 per cent were in-person and 69 per cent were over the phone in 2024.⁷²⁵ Six per cent of PIP assessments were in-person. The DWP has

720 Mutual Information System on Social Protection (Jul 2025), 'Comparative tables'. Accessed via: [Comparative tables - MISSOC](#) (Accessed: 19 June 2026)

721 DWP (Feb 2026)

722 DWP (Feb 2026)

723 Department for Work and Pensions (Mar 2020), 'Face-to-face health assessments for benefits suspended amid coronavirus outbreak'. Accessed: [\[Withdrawn\] Face-to-face health assessments for benefits suspended amid coronavirus outbreak - GOV.UK](#) (Accessed: 23 July 2026)

724 The Social Security (Claims and Payments, Employment and Support Allowance, Personal Independence Payment and Universal Credit) (Telephone and Video Assessment) (Amendment) Regulations 2021, SI 2021/230. Accessed via: [The Social Security \(Claims and Payments, Employment and Support Allowance, Personal Independence Payment and Universal Credit\) \(Telephone and Video Assessment\) \(Amendment\) Regulations 2021](#) (Accessed: 23 July 2026); UK Parliament (Feb 2025), 'Personal Independence Payment: Question for Department for Work and Pensions, UIN 28985, tabled on 5 February 2025'. Accessed via: [Written questions and answers - Written questions, answers and statements - UK Parliament](#) (Accessed: 23 July 2026)

725 UK Parliament (Jan 2025), 'Work Capability Assessment: Question for Department for Work and Pensions, UIN 27607, tabled on 30 January 2025'. Accessed via: [Written questions and answers - Written questions, answers and statements - UK Parliament](#) (Accessed: 23 July 2026)

promised to increase the number of in-person assessments again, but its target is 30 per cent – less than half the rate in March 2020, when in-person assessments were first suspended.⁷²⁶

The problem is that the assessments were designed to be carried out in-person. WCA replaced the ‘Personal Capability Assessment’ in 2008, which itself followed a series of reforms to move incapacity benefits away from remote, paper-based applications. The Coalition Government explicitly designed PIP assessments to replace the paper-based process of DLA.⁷²⁷ The intent in both cases was to produce a (more) objective assessment of the difficulties a claimant faced, relying neither on self-reporting nor overstretched GPs but on an in-person assessment where a claimant could both explain and, where appropriate, demonstrate how their condition affects their ability to work, in the case of the WCA, or their daily life, in the case of PIP.

The loss of in-person assessments magnified a longstanding dichotomy within the health-related benefit system: one cohort of claimants struggle with the process, while those with the know-how can, at least, optimise their claim and, at the more dubious end, exaggerate their circumstances. In the former category, some claimants report that describing the impact that their health has on them verbally is more difficult and worry that the loss of visual context makes it harder for an assessor to understand their condition.⁷²⁸ At the same time, Policy Exchange have documented an explosion in so-called ‘sickfluencers’, large scale peer-to-peer coaching, and online walkthroughs with copy-and-paste answers.⁷²⁹

A lack of in-person scrutiny means those willing to game the system can more easily apply such walkthroughs and stock answers. The success rate for an in-person PIP assessment in 2024 was 44 per cent, compared to 56 per cent not in-person. It was in the period when in-person assessments fell that the share of more ambiguous conditions increased: psychiatric disorders, for example, had settled around 38 per cent of total PIP claims pre-pandemic and rose to 43 per cent by the end of 2024.

The medium of the assessment, however, is secondary to the overall emphasis of each assessment. The focus of the application process and assessment for both benefits is proving whether a claimant can perform enough of the relevant activities adequately. A claimants aim throughout is to show what they cannot do. The harmful effects of this on claimants with mental ill-health follows from the impact of rumination and the neurology of goal-orientation that we discussed in Chapter 5. Telling an individual repeatedly of their incapacity and making them fight to prove how incapacitated they are is a self-fulfilling prophecy.

726 Department for Work and Pensions (Dec 2025), ‘Reforms to welfare system set to save £1.9 billion by the end of 2030/31’. Accessed via: [Reforms to welfare system set to save £1.9 billion by the end of 2030/31 - GOV.UK](#) (Accessed: 23 July 2026)

727 DWP (Dec 2010)

728 Bowron, George (Oct 2025), ‘From assessment to exclusion: Exploring the role of disability hierarchies in PIP claimant experiences’, LSE Department of Social Policy, Working Paper, pp. 19–20. Accessed via: [George Bowron Working Paper Oct 2025](#) (Accessed: 23 July 2026); Citizens Advice (Aug 2022), ‘Calling for Change: Telephone Health Assessments Fail the Test - A Report by Citizens Advice Exeter’. Accessed via: [Citizens-Advice-Exeter-Personal-Independence-Payments-Report-final-version-08.22.pdf](#) (Accessed: 23 July 2022)

729 Policy Exchange (2026), ‘Sickfluencers and AI: How Technology is Changing the Health and Disability Benefits System’. Accessed via: [Sickfluencers-and-AI_.pdf](#) (Accessed: 23 July 2026)

“During many years of disability and benefit tribunal work, I observed that appellants were more keen to demonstrate and evidence what they can’t do rather than what they can do to care for themselves and/or to take a job. The end result is that very large numbers of people are not active or gainfully employed and as a result spend large proportions of their lives at home being relatively inactive. There is very clear evidence that isolation, inactivity and not interacting with other people is directly linked to a significant worsening of mental and physical health disorders. That cannot be what a caring democracy wants for its citizens.”

Senior NHS consultant⁷³⁰

Yet, the assessment’s negative impact is not limited to claimants with a mental health condition. Respondents to the DWP’s Timms Review described their PIP assessment as ‘dehumanising’, ‘degrading’, and ‘humiliating.’⁷³¹ This is downstream of the interrogative nature of health-related benefit assessments. An assessor trying to understand whether a claimant meets relevant descriptors can easily slip into performing an intrusive, tick-box exercise.

The risk with seeking to make the assessment process less interrogative is that it will weaken the DWP’s ability to differentiate the genuineness and severity of needs. Any health-related benefit must target public funds to those who genuinely and most need it. On its own, PIP can offer over £10,000 in additional income per year, and there will always be people willing to game the welfare system for the sake of such a prize. Any process to discern claimants’ needs risks frustrating genuine claimants as it performs its gatekeeping role. The way to improve the assessment experience without inducing an unsustainable rise in opportunistic claims is to lessen the financial draw for non-genuine claimants.

AREA FOR REFORM

Explore how to incentivise people not to medicalise ambiguous conditions or game the assessment system in order to claim health-related benefits.

AREA FOR REFORM

Consider different means of reducing the burden of claims and assessments on people with severe health needs.

⁷³⁰ First quoted in our report *Change the Prescription* on p. 92. Accessible via: [Change the Prescription](#)

⁷³¹ DWP (15 Jul 2026)

6.2.3 Appeals

An applicant whose claim is rejected can have their award reviewed by another DWP decisionmaker in a Mandatory Reconsideration then appeal to the SSCST. The SSCST overturned 65 per cent of PIP appeals and 47 per cent of Universal Credit appeals in 2025/26.⁷³² Some of these appeals clearly overturned incorrect decisions, but there is evidence that the process also leads to laxer decisions than the initial assessment.

Claimants can bring new evidence to their appeal not considered by the DWP decision maker under Rule 15(2)(a) of the Tribunal Procedure (First-tier Tribunal) (Social Entitlement Chamber) Rules 2008.⁷³³ A 2018 DWP report estimated that 62 per cent of PIP claimants did exactly that.⁷³⁴ The proportion has likely climbed since as ‘sickfluencers’ and online walkthroughs consistently urge applicants to push their claim through to appeal.⁷³⁵ The SSCST also sits under the Ministry of Justice, with less than a third attended by a Presenting Officer from the DWP. While this ensures the appeals process is independent, it also means there is inconsistency between the approaches taken at assessment, Mandatory Reconsideration, and appeal, leading to divergent decisions on the same case.⁷³⁶

Tribunals influence on health-related benefit caseloads are not limited to overturning individual cases, however. As we set out in Chapter 2, the Upper Tribunal can set precedents that influence the interpretation of benefit eligibility across the board. Case law has, for example, encouraged generous interpretations of the descriptors 16 and 17 of the WCA and expanded the application of the ‘substantial risk’ criterion that grants eligibility to a claimant if:

“The claimant is suffering from a specific illness, disease or disablement by reason of which there would be a substantial risk to the physical or mental health of any person were the claimant found not to have limited capability for work and work-related activity.”⁷³⁷

The High Court, likewise, expanded mobility activity 1 of PIP in 2017, effectively granting eligibility to those who had difficulty navigating due to psychological distress. Another 2017 case, before the Upper Tribunal, expanded the closest equivalent to the ‘substantial risk’ criterion in the Social Security (Personal Independence Payment) Regulations 2013 by establishing that a claimant carrying out an activity ‘safely’ under regulation 4 did not require that a harm was ‘more likely than not’ only that ‘there was a real possibility that could not be ignored of harm occurring.’⁷³⁸

Each of these cases – alongside many others not listed – has successively expanded the eligibility for health-related benefits beyond the intent of the original legislation. The PIP mobility component has been most affected, and the impact is visible in Figure 6.7.⁷³⁹ The proportion of PIP claimants with a mental or

732 Ministry of Justice (Jun 2026), ‘Tribunals statistics quarterly: January to March 2026’. Accessed: [Tribunals statistics quarterly: January to March 2026 - GOV.UK](#) (Accessed: 23 July 2026)

733 The Tribunal Procedure (First-tier Tribunal) (Social Entitlement Chamber) Rules 2008, SI 2008/2685 (L. 13). Accessed via: [The Tribunal Procedure \(First-tier Tribunal\) \(Social Entitlement Chamber\) Rules 2008](#) (Accessed: 23 July 2026)

734 Department for Work and Pensions (Sep 2018), ‘Personal Independence Payment Claimant Research – Final Report’, p. 116. Accessed via: [Personal Independence Payment claimant research – final report](#) (Accessed: 23 July 2026)

735 Policy Exchange (2026)

736 Policy Exchange (2025), ‘Lapse of Judgment? An Assessment of the Benefit Appeals System: From Mandatory Reconsideration to the Social Security Tribunal’. Accessed via: [Lapse of Judgment.pdf](#) (Accessed: 24 July 2026)

737 The Universal Credit Regulations 2013, SI 2013/376, sch. 9(4)

738 Further detail for all these cases is in Chapter 2.

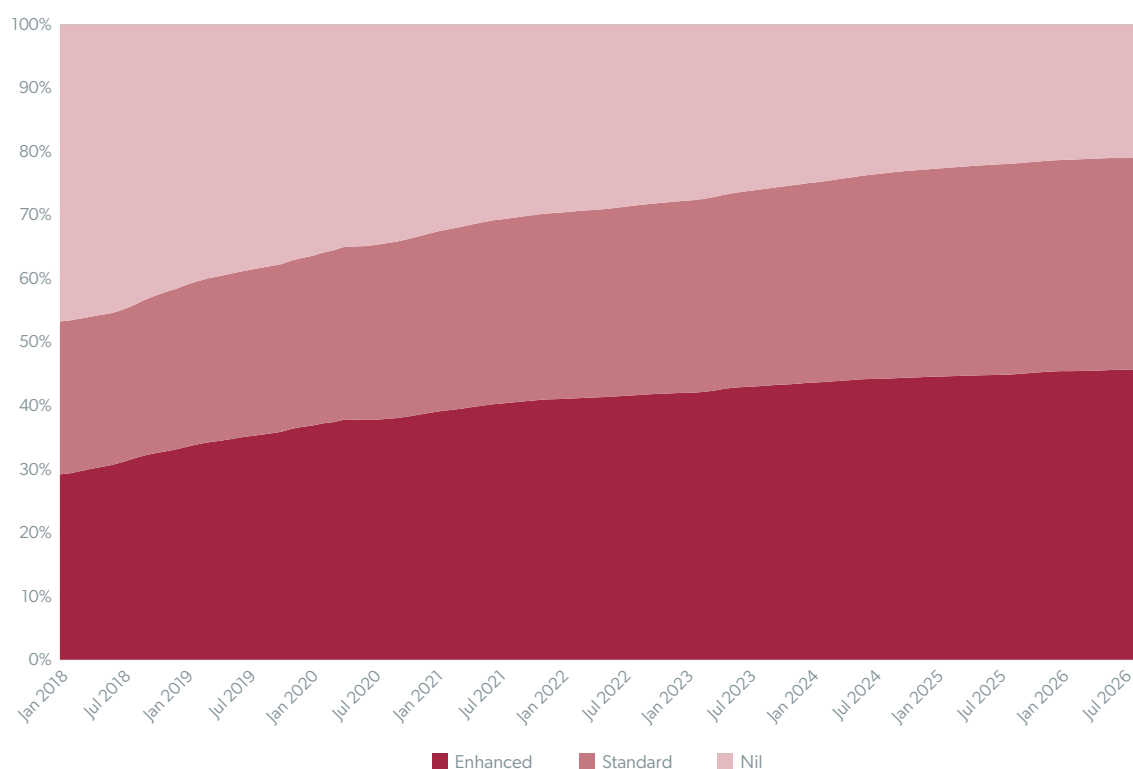
739 Policy Exchange (2025)

behavioural disorder not receiving the mobility component has fallen from 47 per cent in January 2018 – shortly after several decisions generously interpreted its descriptors – to less than 21 per cent today. Conversely, 46 per cent of claimants with a mental or behavioural disorder now receive the enhanced rate of the mobility component, unlocking access to the Motability scheme – the significant monetised benefits of which we discussed in Chapter 5.

AREA FOR REFORM

Re-evaluate the scope for the legal (re)interpretation of health-related benefit eligibility requirements.

Figure 6.7: Working-age PIP claimants whose main disability was a mental or behavioural condition by mobility award status, January 2018 to July 2026



Source: CSJ analysis of Department for Work and Pensions (Sep 2026), 'Personal Independence Payment: Official Statistics to July 2026'

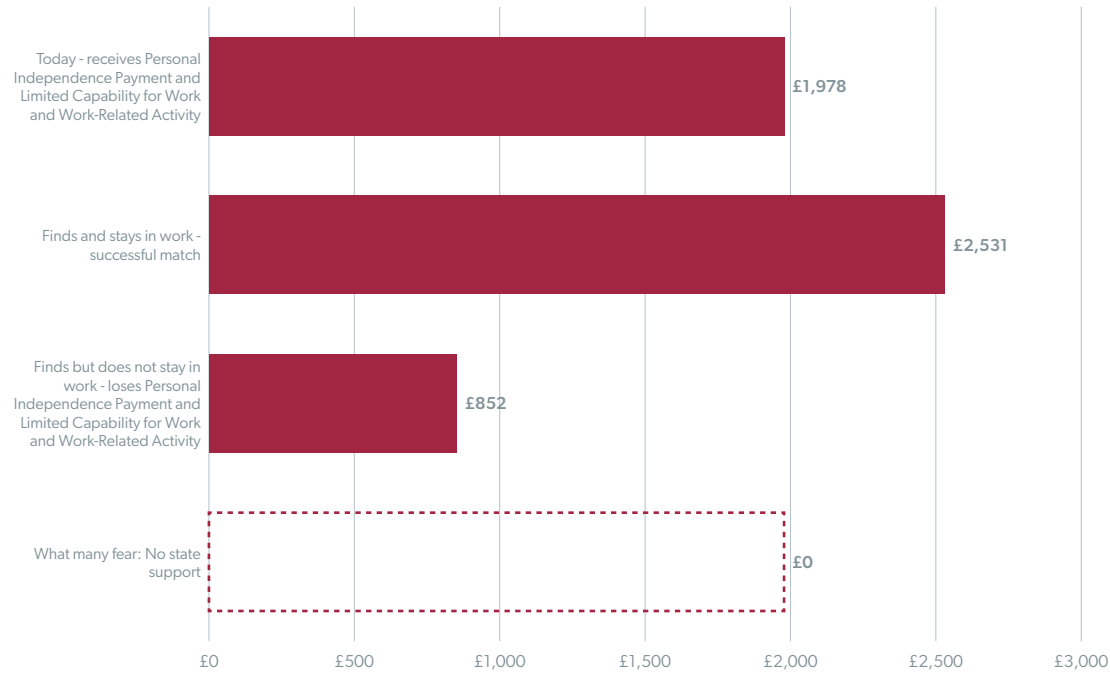
Note: Data is limited to claimants in England and Wales

6.2.4 In receipt

We explored the incentives that face a claimant once they are on health-related benefits in depth in Chapter 5. The key point remains that once an individual receives health-related benefits the fear of losing that income creates perverse incentives that are actively harmful to their well-being. Their fear bakes in inactivity in almost every sense.

Figure 6.8 reproduces Figure 5.15, drawn from the Milburn Review to showcase, again, that the rational calculation of an out-of-work health benefit claimant is not simply whether they will be better off in work, but the risk that entering work will be used against them to evidence they no longer need their health benefits. Claimants’ inactivity is not limited to employment: the recent interim report of the Timms Review found that PIP claimants fear living independently, exercising, and volunteering in case their benefit is reassessed.⁷⁴⁰

Figure 6.8: Scenario-based analysis of earnings under different job search outcomes, reproduced from Figure 28 of the Milburn Review



Source: The Department for Work and Pensions (Jun 2026), ‘Young people and work: interim report’

Note: In-work earnings based on 35 hours at national minimum wage. Their benefit claims include maximum PIP, UC LCWRA, housing element under average LHA rental costs, and Council Tax Support based on Leicester City council’s scheme.

“You are punished for coping. If you manage to do anything, it is used as evidence that you don’t need support.”

An individual responding to the Timms Review call for evidence.

“People with impairments and disabilities cannot feel like they can’t exercise for fear they will lose their PIP – it’s creating a trap of compounding [sic] reduction in physical health.”

An individual responding to the Timms Review call for evidence.

Locking people with a health condition into a system that encourages inertia is evidently bad for their health. In *'The Evolving Brain'*, Dr Paul Goldsmith sets out clearly that movement is fundamental to our neurology: we are wired to reward movement because, evolutionarily, to stop moving was to die.⁷⁴¹ But the effects go beyond mental well-being to halting physical atrophy and the social benefits of activity from exercise, volunteering, and work.

These detrimental effects are why so few comparable European countries have a similar system. None offer a cash-based disability benefit that is unlinked to provable costs, as we explored in Chapter 5, while Scandinavia and The Netherlands do not offer incapacity benefits (with rare exceptions) until both employer and employees have made exhaustive efforts to re-engage in work. It would be absurd to look at the outcomes for disabled people in countries like The Netherlands compared to the UK and conclude that we are right to be the exception.

There is no way to fix Britain's health-related benefit system without overhauling it. The challenge in the next stage of *Welfare 2030* is to design a system that supports those who genuinely cannot work without discouraging health activity, that helps people with the additional costs of their condition without becoming an implicit income replacement, that creates a fairer assessment system that neither exacerbates claimants' conditions nor focuses them on their incapacity, that tightens appeals, and that supports employer engagement.

6.3 Disability Living Allowance for Children: an outdated benefit

CDLA sits outside the other health benefits as a remnant from the legacy system that PIP was designed to replace. The Coalition Government at the time stated that '[they] would want to build on our experience of developing the objective assessment for claimants of working age before applying it to children.'⁷⁴² These plans ultimately never came to pass.

The failure to reform CDLA left it with all the flaws that PIP tried to fix. Decisions are paper-based and made by DWP Case Managers. There is no functional assessment, and most claims rely on letters from GPs and EHCP and Special Educational Needs and Disabilities (SEND) plans for medical evidence. Since the first quarter of 2016, CDLA caseloads have increased by 141 per cent, with a jump of over 48 per cent in just the three years. Almost all that increase, as we showed in Chapter 2, has been in cases where the main disability is a learning difficulty, behavioural disorder, or ADHD, which now make up 86 per cent of claims.

Some of the increase tracked in Figure 6.9 is down to an increase in behavioural and developmental difficulties among school-aged children. Our report *Change the Prescription: Update* showed that more children are arriving at school with weak speech and language, poor emotional regulation, impaired attention, and lower school readiness, with family instability and screen exposure worsening outcomes further.⁷⁴³ CDLA and SEND are closely associated – one can act as evidence to secure the other and 84 per cent of children receiving CDLA also had SEN – and SEND has seen a similar sharp increase.⁷⁴⁴

741 Goldsmith, Paul (2026)

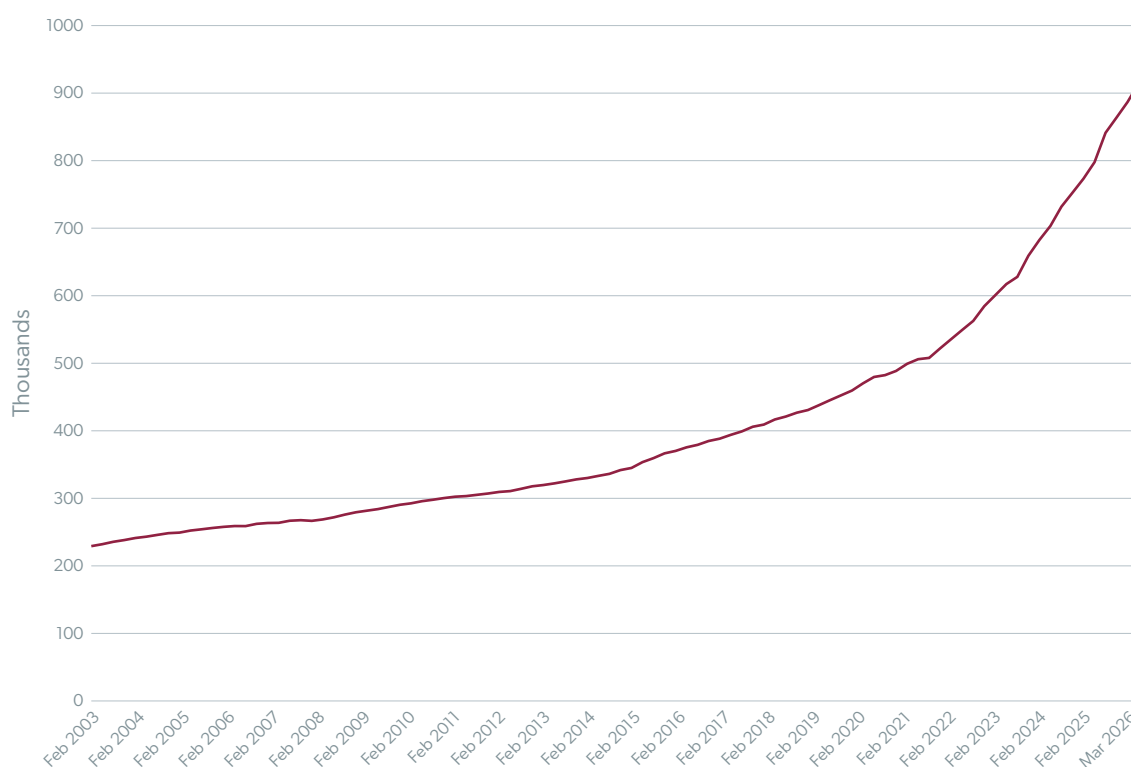
742 Department for Work and Pensions (2011), 'Government's response to the consultation on Disability Living Allowance reform'. Available at: [dla-reform-response.pdf](#) (Accessed: 6 May 2026)

743 CSJ (Jun 2026)

744 Ibid.

Yet, the welfare system, in lockstep with the SEND system, also intensifies demand. Claiming CDLA substantially increases a family's income. The most common combination of CDLA components is worth £458.90 per month, but it is rarely claimed alone. A parent whose child is on CDLA is automatically entitled to the disabled child element of Universal Credit – worth either £165.79 or £514.71 per month, depending on whether the child receives the higher or lower care component of CDLA – and, if they care for their child for more than 35 hours per week, the carer's element – worth £209.34 per month. Consequently, a parent claiming the most common combination of CDLA can be £10,000 per year better off, regardless of whether they are working or not.

Figure 6.9: Disability Living Allowance for Children caseloads, May 2002 to March 2026



Source: Department for Work and Pensions (Sep 2026), 'Annual DWP Benefits Statistics Compendium'

Note: Data is limited to claimants in England and Wales

The scale of these financial incentives understandably leads parents to conceptualise their child's difficulties in terms of a diagnosable neurodevelopmental disorder. The neurodevelopmental conditions that are driving demand in both the SEND and CDLA systems are the conditions where the SEND Code of Practice notes that boundaries are widest and professional judgement plays the largest role.⁷⁴⁵ A study by the University of Cambridge in 2018 found that out of 550 children referred by schools for suspected learning difficulties, one quarter were developmentally typical and showed no clear evidence of SEND needs.⁷⁴⁶ And, 75 per cent of GPs in our March 2026 poll agreed that 'the clinical boundaries

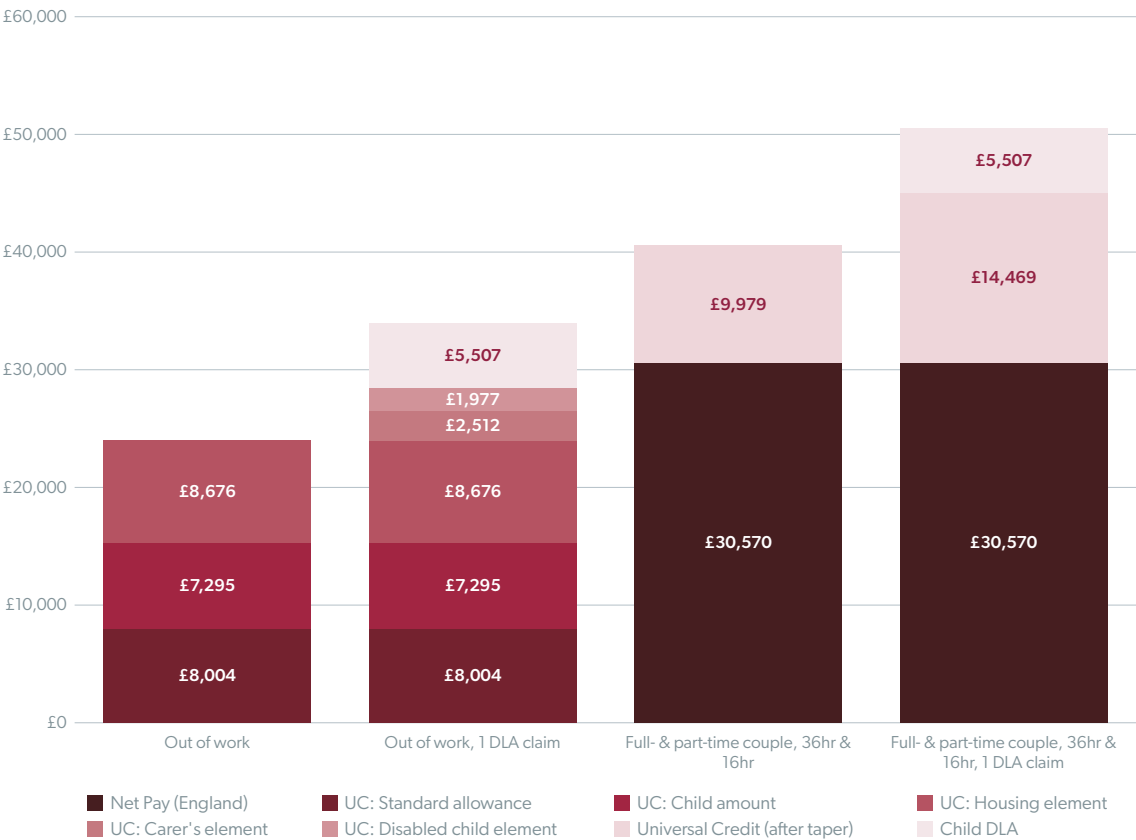
⁷⁴⁵ Department for Education and Department of Health (2015), 'SEND code of practice: 0 to 25 years: Guidance on the special educational needs and disability (SEND) system for children and young people aged 0 to 25'. Accessed via: SEND code of practice: 0 to 25 years - GOV.UK (Accessed: 11 May 2026)

⁷⁴⁶ Astle et al. (2018) 'Remapping the cognitive and neural profiles of children who struggle at school.' University of Cambridge. Accessed via: Remapping the cognitive and neural profiles of children who struggle at school (Accessed: 7 May 2026)

for diagnosing autism or ADHD have expanded to include behaviours that would previously have been considered within the normal range.’⁷⁴⁷

Once a child is on CDLA they will, in all likelihood, remain on welfare into adulthood. The Institute for Fiscal Studies estimates that individuals who received CDLA and an EHCP at 15-years-olds are three times more likely to be NEET and four times more likely to be on out-of-work benefits at age 22. Though eligibility for PIP is not automatic when a child reaches 16, over 80 per cent of CDLA to PIP reassessments are successful. Despite the rise in SEND funding over the last decade, there remains a 50-percentage point gap between pupils with SEN support and those without.⁷⁴⁸

Figure 6.10: Income from CDLA and passported benefits at 2026/27 rates



Source: CSJ analysis of UK benefit rules.
Note: the couple receive the UK-wide median local housing allowance for a Category C property. They have two children and claim CDLA for one child with the middle rate of its care component and lower rate of the mobility component.

Far from supporting children with disabilities to thrive, in other words, our current model seems to be embedding their disadvantages and financially compensating for the inconvenience. Any reform of health-related benefits must consider the feed through from CDLA and its flaws.

747 Savanta polling of 1,002 GPs for the CSJ, March 2026
748 CSJ (Jun 2026)

AREA FOR REFORM

Assess how children's disability benefits might be aligned with the adult system.

AREA FOR REFORM

Propose ways to reduce the amount of people incentivised to medicalise social, behavioural, and mental conditions in order to claim children's disability benefits.

6.4 Housing Benefit: the housing trap

Housing Benefit is now claimed by a small section of the working-age population. Only those living in temporary or specified accommodation can now apply for it, meaning it mostly supports people who have experienced homelessness, fled domestic abuse, or have another care need. While it only supports 341,000 working-age claimants, it significantly impacts and, according to several frontline charities at our Big Listens, harms them.

"Housing Benefit is a scourge of the country. . . It is near impossible to get people [in supported housing] into work... some organisations we know simply kick them out."

Big Listen East Midlands participant

The scourge referred to is the effect of Housing Benefit's earning disregards. As set out in Chapter 2, these are currently much lower than Universal Credit's work allowances. The disregard for a single claimant with no disabilities is £5 per week. If the individual claims Universal Credit, as most working-age Housing Benefit claimants do, they will receive maximum Housing Benefit up to the point that their earnings are high enough for them to lose Universal Credit eligibility – at which point, their Housing Benefit award drops. Over a third of Housing Benefit claimants are likely to be affected.

Several homelessness charities told us of claimants turning down additional hours or refusing work entirely because of this cliff edge. We even heard of instances of landlords actively discouraging residents from taking work to protect their rental income. This is clearly an unacceptable situation: Housing Benefit supports some of Britain's most vulnerable claimants, including individuals who have experienced homelessness or fled domestic abuse. Financially punishing them for seeking to rebuild their lives is abhorrent.

The Government has recognised this problem and, from October 2026, are raising earnings disregards.⁷⁴⁹ This is a step forward, as Figure 6.12 shows, but it does not lower the harsher taper rate faced by Housing Benefit claimants. The participation tax rate for moving into a 36-hour job would be over 66 per cent.

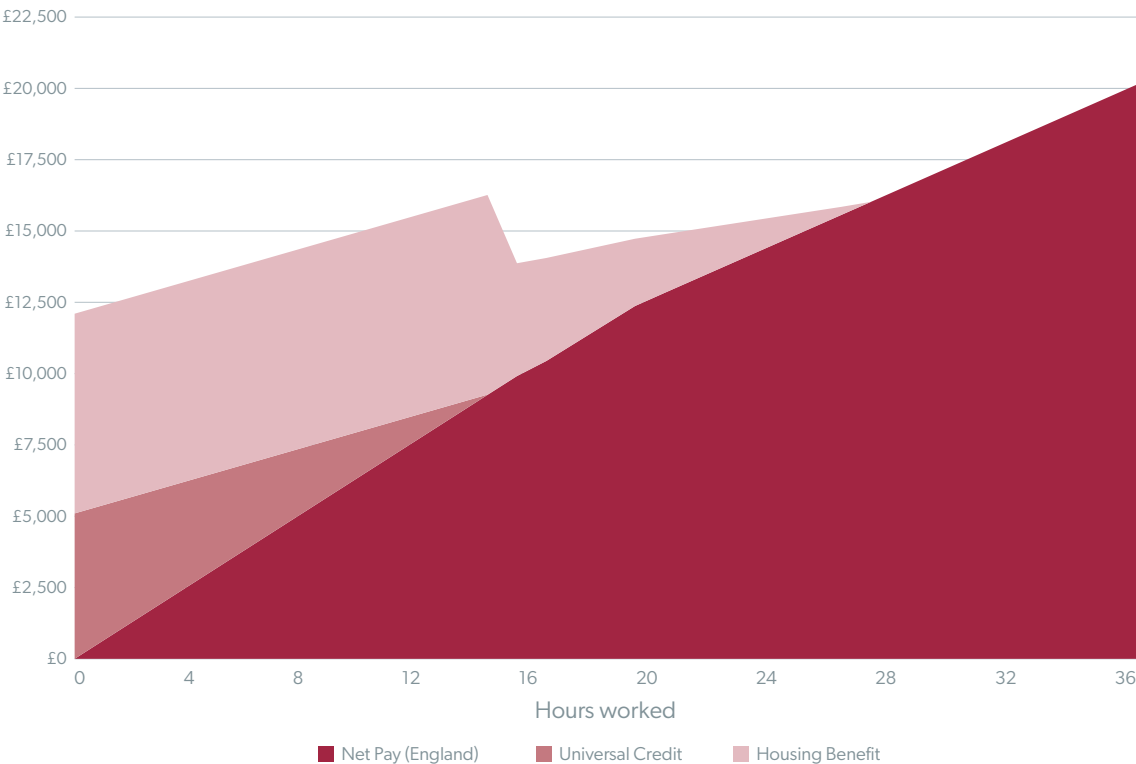
These interactions within Housing Benefit are, ultimately, the result of keeping Housing Benefit outside of the Universal Credit system. The decision to keep the two benefits separate came in August 2018 after

⁷⁴⁹ The Housing Benefit (Earned Income Disregards) (Amendment) Regulations 2026, SI 2026/753. Accessed via: [The Housing Benefit \(Earned Income Disregards\) \(Amendment\) Regulations 2026](#) (Accessed: 27 July 2026)

a consultation on migrating Housing Benefit claimants to the housing element of Universal Credit, while setting up a Local Grant Fund (LGF) to fund housing costs in short-term and transitional housing.⁷⁵⁰ The then-Government decided that the LGF would not be demand-led and risked local authorities choosing not to fund provision, scrapping the Fund meant not following through on migration.⁷⁵¹

The LGF was imperfect, but it was a worthy attempt to clarify one of Housing Benefit’s trickiest areas: what service charges it covers. Housing Benefit is meant to cover only charges that entail managing and maintaining specified accommodation and not charges to support the individual claimant.⁷⁵² These categories, however, often overlap. Staff in a refuge, for example, may both carry out maintenance work and offer claimants support.

Figure 6.11: Income for a single Housing Benefit claimant aged over 24, 2026/27



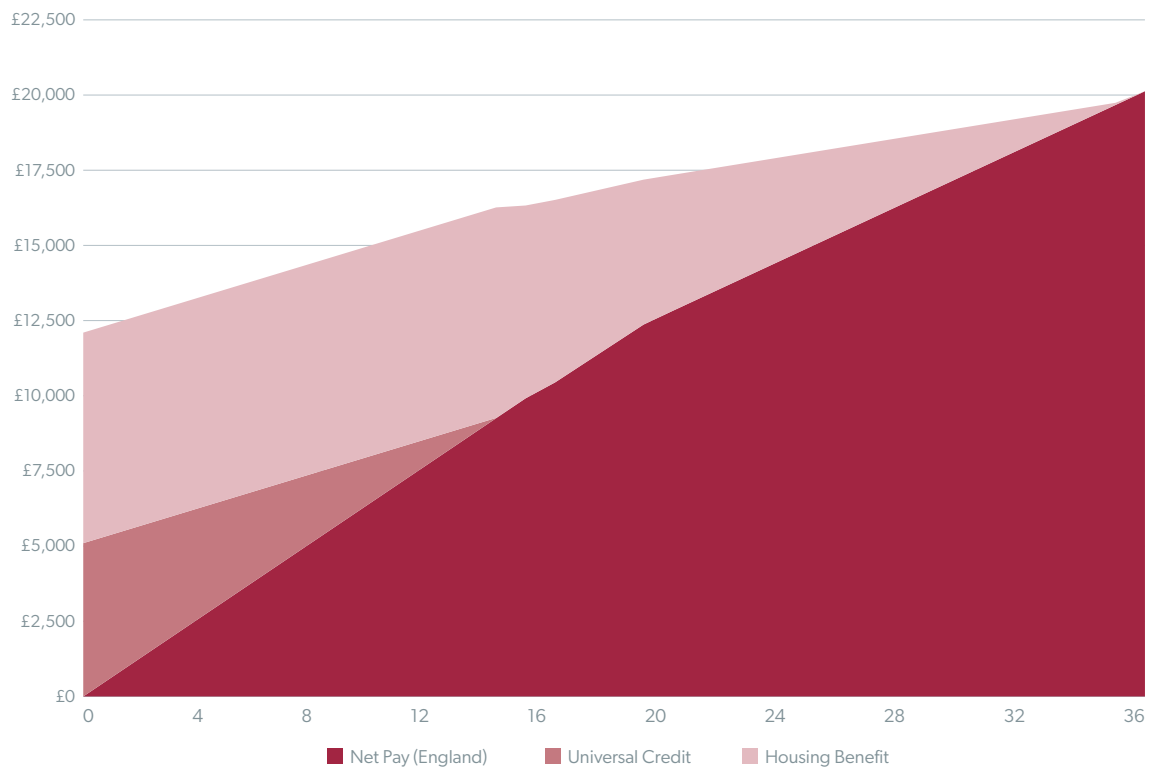
Source: CSJ analysis of UK benefit rules.
Note: The claimant is over 24, lives in a Category B property, and has no health conditions. Their pay is the national minimum wage.

It is local authorities that are responsible for determining what a reasonable charge should be and enforcing the distinction. Local authorities themselves report confusion about the ambiguities of which charges are eligible for Housing Benefit, with some claiming that housing providers will seek to disguise support costs as intensive housing management.⁷⁵³

750 Ministry of Communities and Local Government (Oct 2017), ‘Funding Supported Housing: Policy Statement and Consultation’. Accessed via: [Title](#) (Accessed: 28 July 2026)
751 Ministry of Communities and Local Government (Aug 2018), ‘Funding for Supported Housing: Government Response to Two Consultations’. Accessed via: [Funding for supported housing: consultation response](#) (Accessed: 28 July 2026)
752 Department for Work and Pensions (Apr 2026), ‘Housing Benefit guidance for supported housing claims’. Accessed via: [Housing Benefit guidance for supported housing claims - GOV.UK](#) (Accessed: 28 July 2026)
753 Department for Work and Pensions (Dec 2026), ‘Summary: Local Authority Insight Wave 35: Supported accommodation: qualitative interviews with local authorities’. Accessed via: [Summary: Local Authority Insight Wave 35: Supported accommodation: qualitative interviews with local authorities - GOV.UK](#) (Accessed: 28 July 2026)

The ambiguity leads to inconsistency between local authorities and providers with real consequences. We know of at least one instance where a charity – Hull Lighthouse, a charity working with women fleeing sexual exploitation – was forced to close their refuge because of it. Having delayed all Housing Benefit payments for 10 months, their local authority revised an earlier decision on the reasonableness of their charges and refused to cover any supported costs. The decision, and the uncertainty that preceded it, nearly sank the rest of the charity’s operations too.

Figure 6.12: Income for a single Housing Benefit claimant aged over 24, from October 2026



Source: CSJ analysis of UK benefit rules.

Note: The claimant receives the UK-wide median local housing allowance for a Category B property. They have no health conditions and are over 24 years old. They are paid at the national minimum wage.

AREA FOR REFORM

Explore how to integrate support for Housing Benefit claimants within Universal Credit to reduce work disincentives, while allowing for the unique situations of such claimants.

AREA FOR REFORM

Build a clearer, more consistent system for funding specified accommodation.

6.5 NS ESA and JSA: the leftovers

NS ESA and JSA are the humble remnants of Beveridge's original vision for the welfare state. They are paid at a flat rate with eligibility founded on NICs, in line with the contributory system proposed by Beveridge that we explained in Chapter 1.

Their humility comes because they are paid at the same rates, though weekly, as the equivalent elements of Universal Credit and deducted pound-for-pound when claimed alongside it. The only reasons for a claimant to choose a New Style benefit is, firstly, because they are ineligible for Universal Credit – either because their household savings are above the £16,000 capital limit or their partner's earnings are too high – or, secondly, to accrue Class 1 National Insurance Credits. There is, otherwise, little advantage to them.

The positives and negatives of NS JSA and ESA are, therefore, limited. They go some way to mitigating the disincentive to save or couple with a working person as a benefit claimant, while their retention of legacy earning disregards and tapers means New Style-only claimants face sharper work disincentives than Universal Credit claimants – an ESA-only claimant faces a 73 per cent participation tax rate to take a 16-hour job. But the fundamental issue with the New Style benefits is their existence rather than their particularities.

Over 42 per cent of the working-age welfare system was contributory in 1967/68, less than six per cent of it was in 2025/26. We explored the decline of contributory benefits in Chapter 1. The shift towards means-testing was understandable within its framework, but that framework built upon a re-definition of poverty into relative terms. Contributory benefits, especially if earnings-linked, embed income differences into benefit payments, making them intrinsically less effective than means-tested benefits at relieving relative low-income.

However, there is less reason to believe contributory benefits are ineffective at solving poverty when poverty is defined – as we believe it should be (see Chapter 4) – based on the material necessities that an individual lacks. Many European nations with far more contributory systems have rates of poverty lower than the UK. Only 2.7 per cent of children in the more contributory Dutch system live in poverty, for example, under their minimum-needs metric.⁷⁵⁴

The contributory principle also has a philosophical appeal. As we set out in Chapter 1, and in our recent paper on the social contract, Beveridge's ideals stemmed from the mutual welfare system built by working-class communities throughout the 19th century.⁷⁵⁵ The principle of paying in to get out was constitutive of community solidarity and dignified claimants, giving them a claim to support without degenerating to the language of rights that we criticised in Chapter 4. Its impact is still felt in the public's view of welfare. In our polling, 65 per cent of respondents agreed that 'only those who have paid into the system should claim welfare'.⁷⁵⁶

There is, therefore, a case for contribution in British welfare.⁷⁵⁷ But NS ESA and JSA are paltry contributory offerings. For the £5.4 billion that they cost in 2025/26, it would be better either to build the contributory principle into the wider welfare state or tackle the savings and couple penalties that contribution ameliorates within Universal Credit.⁷⁵⁸

754 The poverty metric used by The Netherlands is closer to a material deprivation than a relative measure. Statistics Netherlands calculates the income necessary to pay for basic needs, such as food and clothing, after accounting for housing costs. A household/individual is classified as being in poverty if their income is below this line, after adjusting for their actual housing costs and their savings and asset holdings. Centraal Bureau voor de Statistiek (Oct 2024), 'De nieuwe methode om armoede in Nederland te meten'. Accessed via: cbs.nl/-/media/_pdf/2024/42/rapport-nieuwe-methode-armoede.pdf (Accessed: 29 July 2026)

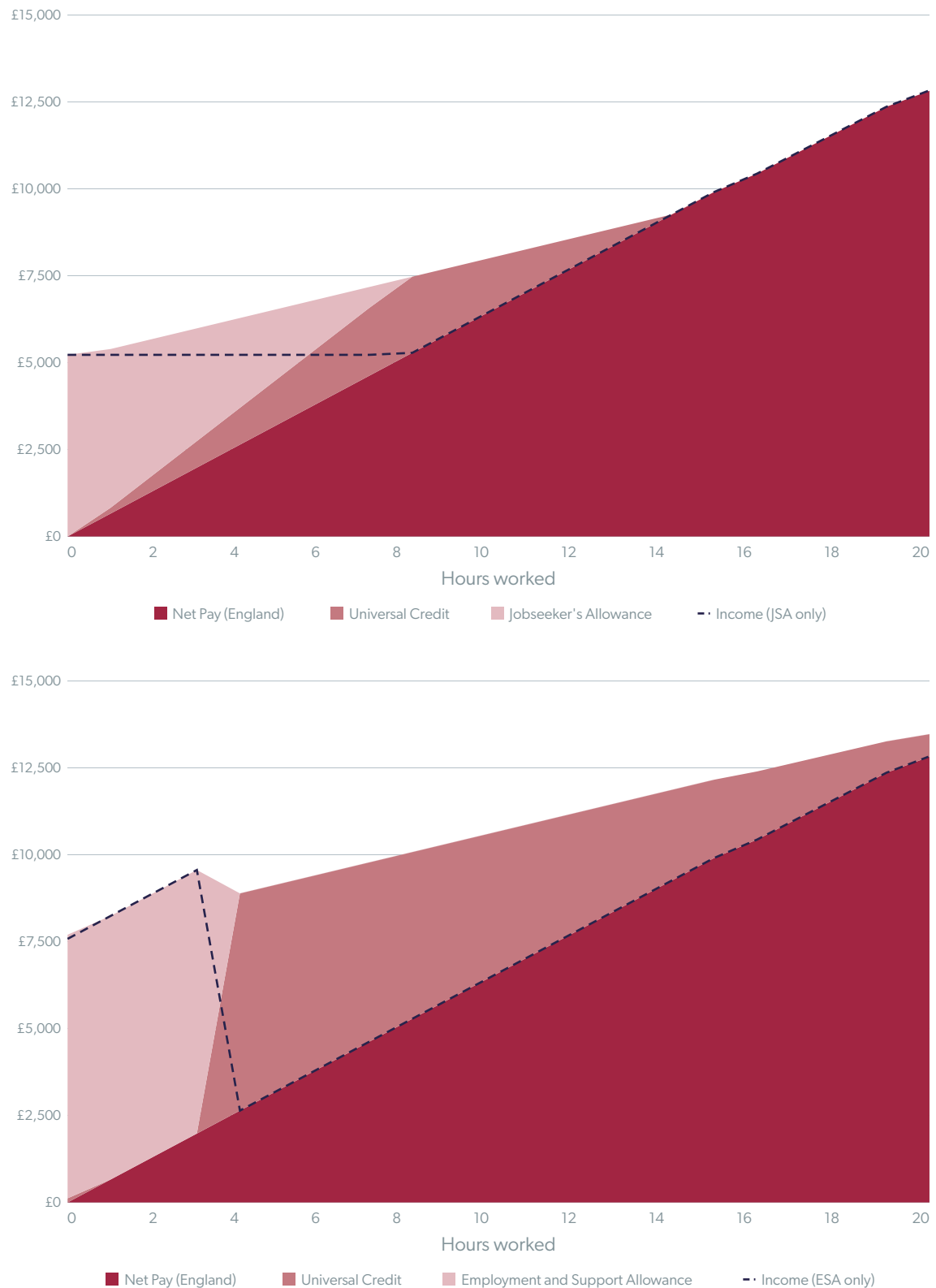
755 Centre for Social Justice (Jun 2026), 'What is the social contract?' Accessed via: [What is the social contract?](#) (Accessed: 29 July 2026)

756 Polling conducted by Opinion of 2,054 nationally representative adults between 25 and 27 March 2026.

757 For a longer argument in favour of contribution, see Labour Together (Sep 2025), 'The Case for Contribution'. Accessed via: [The Case for Contribution - Labour Together.docx](#) (Accessed: 29 July 2026)

758 DWP (Apr 2026)

Figure 6.13: Income from NS JSA, NS ESA, and Universal Credit for claimant over 24, 2026/27



Source: CSJ analysis of UK benefit rules

Note: The first claimant has no health conditions and is over 24 years old. He claims only the standard allowance of Universal Credit. They are paid at the national minimum wage. The second is in the Support Group for NS ESA and LCWRA for Universal Credit

AREA FOR REFORM

Explore how NS ESA and JSA might be integrated into Universal Credit.

6.6 Carer's Allowance: hurting the helpers

Carer's Allowance is the oldest surviving carer's benefit, introduced as ICA in 1976 and left substantially untouched by the creation of Universal Credit. Eligibility rests on providing at least 35 hours of care per week to someone claiming a qualifying disability benefit and having net earnings of no more than £204 a week. Both conditions are absolute: there is no partial award for caring fewer hours and no taper for earning above the limit.

It is reasonable to expect that someone receiving Carer's Allowance would prioritise offering care over working, but the two eligibility requirements are remarkably strict. Someone who fits caring responsibilities around part-time work or takes a zero-hours contract can find their award fluctuating dramatically from week-to-week. The sharpness of the cliff edge – even after recent, welcome reforms to raise the earnings limit to 16 times the NLW in April 2025 – is visible in Figure 6.14. Carer's Allowance therefore confines carers to a narrow band of low-paid, part-time work since any job paying more than £204 net per week is closed to them regardless of its hours.

The hours requirement, meanwhile, restricts carer's lives. Participants at our Big Listens reported carer's losing eligibility because they had volunteered, while the Independent Review of Carer's Allowance Overpayments noted that a carer would not be eligible if they cared for two people without caring for either for more than 35 hours, even if the time spent caring for both was more than the requirement.⁷⁵⁹

"Even just volunteering can lead to benefits being re-assessed. Carer's Allowance is a big problem for it."

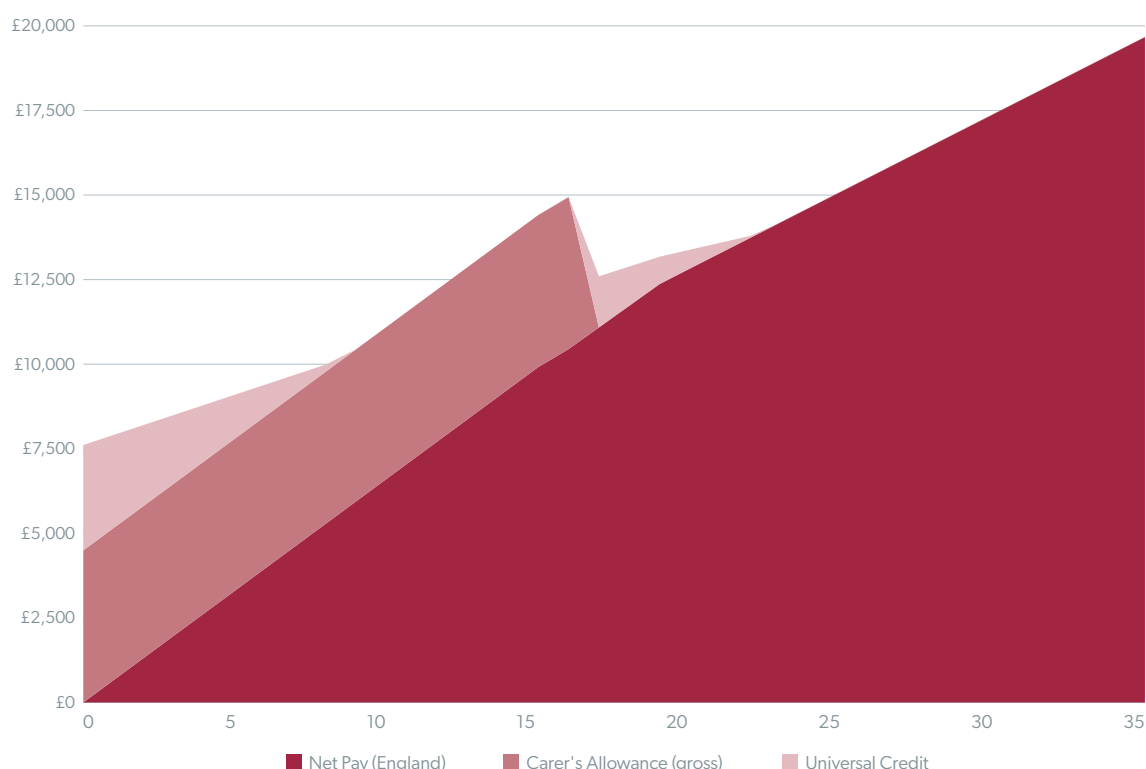
North East Big Listen frontlines participant

The Government did not respond to the latter problem, but it accepted the former. It agreed to explore replacing the cliff edge with an earnings taper, taking earnings data directly from HMRC's RTI system, in response to the Independent Review of Carer's Allowance Overpayments. It cautioned, however, that both would require significant changes to DWP systems and are likely to be several years away.⁷⁶⁰

⁷⁵⁹ DWP (Apr 2026)

⁷⁶⁰ DWP (Apr 2026)

Figure 6.14: Income for Carer's Allowance, Universal Credit and wages for a single carer, 2026/27



Source: CSJ analysis of 2026/27 benefit rules and rates

Note: The claimant is a single carer over 25 providing at least 35 hours of care per week, with no housing costs and no health conditions. They receive the standard allowance and carer element of Universal Credit and are paid at the national minimum wage. No work allowance is applied, so their Universal Credit is fully withdrawn by nine hours of work; a carer retaining a work allowance would see Universal Credit absorb a larger share of the cliff edge.

Yet, Universal Credit has both capabilities already and a carer element covering the same ground. That element requires the same 35 hours of care but has no strict earnings limit and is payable to carers who never claim Carer's Allowance. Carer's Allowance is itself treated as unearned income and deducted pound-for-pound. The main reason for a Universal Credit claimant to claim Carer's Allowance is that it confers Class 1 National Insurance Credits where the carer element confers Class 3 – a distinction that the Independent review asked the DWP to remove and which the government has accepted.⁷⁶¹

What Carer's Allowance does do is pay the carer in their own name and ignore their savings entirely, mitigating the couple and savings penalties we criticised earlier. But fixing the benefit's flaws requires the DWP to spend years rewiring a fifty-year old system so that it can do what the system beside it already does. As with NS ESA and JSA so with Carer's Allowance: it makes little sense to keep a separate, worse benefit at a £4.6 billion cost.⁷⁶²

AREA FOR REFORM

Explore how Carer's Allowance might be integrated into Universal Credit.

⁷⁶¹ Ibid.

⁷⁶² DWP (Apr 2026)

6.7 Council Tax Support: localised complexity

CTS sits outside the welfare system administered by the DWP. The original intention in *Dynamic Benefits* was to incorporate CTB into Universal Credit, but that intent was overridden in the 2010s and CTB was localised instead. The result is a more complex and inconsistent system.

There are 296 billing authorities in England, 140 of which operate a banded scheme while the rest have typically varied either the maximum award or the taper rate.⁷⁶³ Claimants in identical circumstances can thus receive completely different awards depending on their area.

The aim of localisation was to give local authorities a stake in encouraging claimants into work.⁷⁶⁴ The principle is good, but both the incentive within CTS and a council's leverage is far too small. Most of the fiscal benefits accrue to central government, and what little accrues to local authorities is overwhelmed by the costs of getting the claimant into work – especially given they lack power over the rest of the incentives faced by claimants.⁷⁶⁵ If a postcode lottery formed because billing authorities were outcompeting each other to produce the most effective scheme, localisation would be worthwhile. Instead, they are rushing to the bottom to plug a fiscal leak.

The decision to localise also undermined the simplicity that Universal Credit was aiming for. Around 62 per cent of working-age Universal Credit claimants in 2025 also claimed CTS.⁷⁶⁶ Figure 6.15 shows how the default scheme can raise the EMTR of a single person under 25 back towards rates seen under legacy benefits, and the default scheme is the generous baseline.

Changes in theoretical EMTRs have real world implications. The Institute for Fiscal Studies found that CTS explains why six per cent of workers on Universal Credit face marginal tax rates over 75 per cent.⁷⁶⁷ And, the reason that the Policy in Practice report referenced earlier found a smaller employment effect for Universal Credit than other evaluations is because it relied on administrative data from local authorities, which limited its sample to those claiming CTS.⁷⁶⁸

763 Institute for Fiscal Studies, (Mar 2026)

764 Ministry of Communities and Local Government (2011), 'Localising support for council tax in England: Government's response to the outcome of consultation'. Accessed via: [Localising support for council tax in England: Government response](#) (Accessed: 29 July 2026)

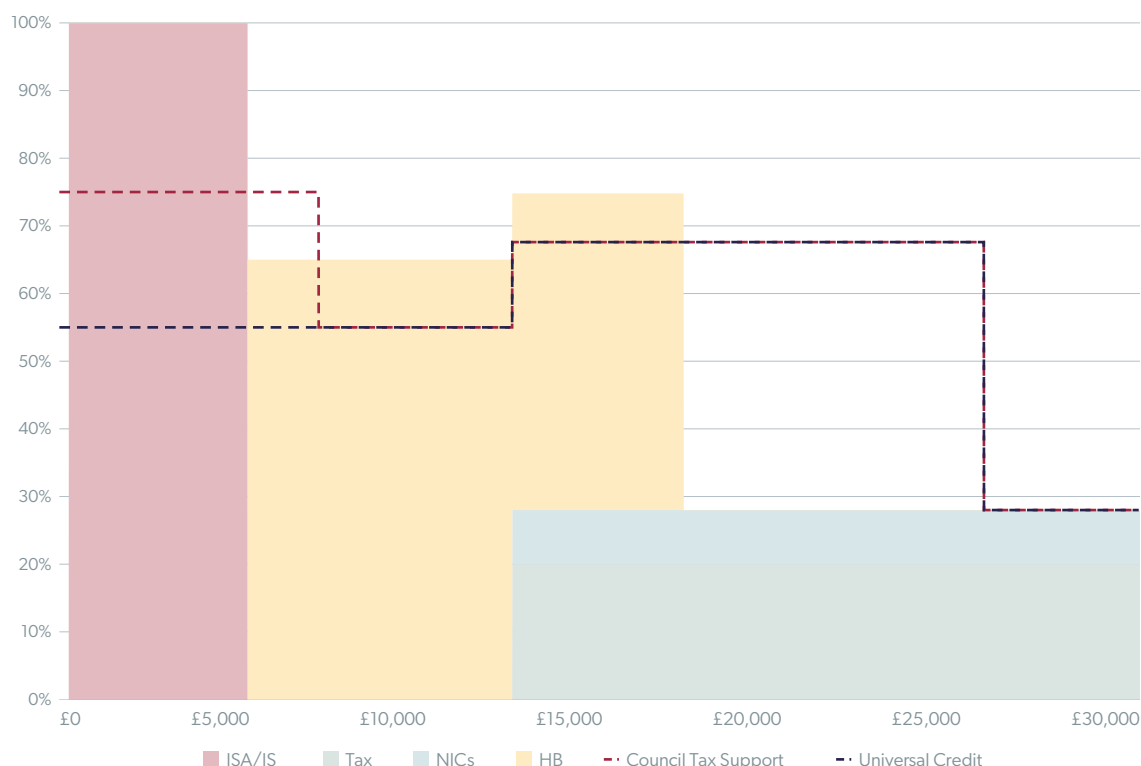
765 Institute for Fiscal Studies (Mar 2026)

766 Policy in Practice (Sep 2025)

767 Institute for Fiscal Studies (Jun 2024), 'Universal credit: incomes, incentives and the remaining roll-out'. Accessed via: [Universal credit: incomes, incentives and the remaining roll-out](#) | Institute for Fiscal Studies (Accessed: 17 July 2026)

768 Policy in Practice (Nov 2018)

Figure 6.15: Effective marginal tax rates for a single person over 25 on Universal Credit, legacy benefits, and the default Council Tax Support scheme, 2026/27 rates



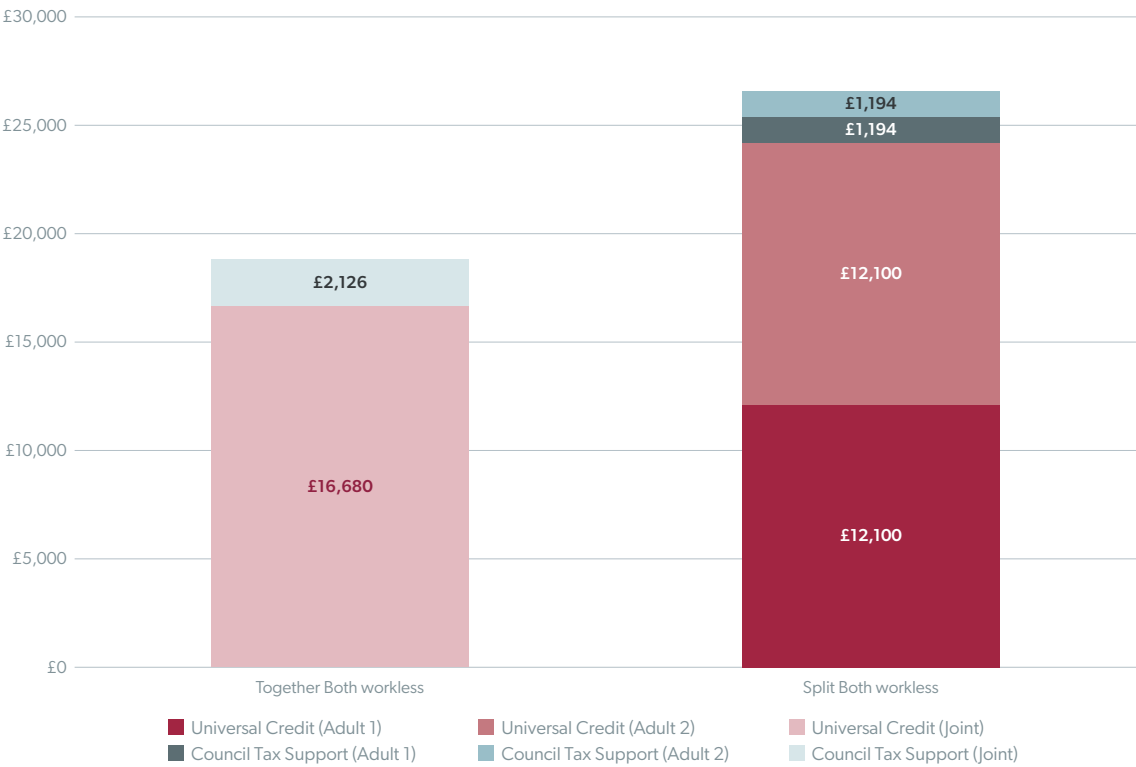
Source: CSJ analysis of 2026/27 benefit rules

Note: Calculations based upon a single person over 25 years of age with no extra disability payments and receiving the median 2026/27 Local Housing Allowance for a Category B property (£134.63 per week). They are on the national default Council Tax Support scheme and pay Band B Council Tax, the national median for which is £1,900 or £1,425 with the 25 per cent single-person discount. Note that the single person would not be eligible for any Working Tax Credits due to the combination of the 30-hour rule and their earnings on the minimum wage.

CTS also impacts on couple and savings penalties. Around one third of English billing authorities have reduced the savings limit to £6,000, getting rid of the taper between £6,000 and £16,000 in national benefit schemes.⁷⁶⁹ Figure 6.16 shows how much a couple on the national default scheme – again on the more generous end – fare when living together or separately, treating the saving made on their council tax as income (to which it is equivalent). Assuming the couple live in a Band C property when together and Band A properties when apart, their income is 71 per cent together of their incomes when split: less than the 74.6 per cent of income that the DWP’s equivalisation scales estimate they need to retain an equivalent standard of living.

769 Ibid.

Figure 6.16: Income from Universal Credit on a couple’s income when living together or separately, 2026/27



Source: CSJ analysis of 2026/27 benefit rules

Note: Calculations based upon a couple over 25 years of age with no extra disability payments. They receive the median 2026/27 Local Housing Allowance for a Category C property (£166.85 per week) when together and for a Category B property when apart (£134.63). They are on the national default Council Tax Support scheme and pay Band C Council Tax when together, the national median for which is £2,126, and Band A Council Tax when apart, the median for which is £1,194 with the 25 per cent single-person discount

Judging the exact impact of CTS on our objective is difficult because of the multiplicity of schemes, but this brings us back to its fundamental flaw. The particularities and complexities of CTS are downstream for the decision to localise rather than integrate it: a decision that was wrong at the time, and it is wrong now.

AREA FOR REFORM

Propose a way to align Council Tax Support more closely with Universal Credit.

Chapter 7:

The broken state

7.1 A broken Department?

The DWP is the biggest spender in government. In 2025/26, it moved £309.5 billion (more than the budgets for defence, education, and policing combined) to some 23 million people.⁷⁷⁰ No other arm of the British state touches so many lives directly, nor with such consequence.

It is often tempting to judge the DWP wholly working or wholly failing. It is neither. The Department does some things with a reliability few organisations of any size can match yet fails at others so consistently it tempts charges of complete malfunction. Whether the Department succeeds or fails turns on two things: the nature of the task the Department has been given, and whether that task has been allocated the required resources. Where a task is settled, rule-bound and adequately staffed, the Department excels. Where judgement, discretion or integration are demanded (or where resources are pulled away to serve a more politically salient priority) it falters, often with devastating impacts.

7.1.1 Jobcentres

Conflicting objectives

Jobcentres, as discussed in Chapter 3, are the DWP's frontline, tasked with delivering its main strategic goal of getting people into and on at work.⁷⁷¹ In practice, they carry two distinct responsibilities at once: administering benefit entitlement and supporting claimants towards employment. These two tasks do not sit together easily. The first calls for monitoring and, where necessary, sanction. The second requires trust and candour. As a result, Jobcentres struggle to achieve their primary goal of getting people back into work.

This tension between a support function and monitoring compliance is reproduced within the role of the work coach. Work coaches struggle to accommodate both dimensions of their job, which scramble for precedence and undermine each other in the process. It should be noted that this is a structural issue, and not a reflection on the quality of individual work coaches, nor is it a matter of attitude that better training might correct. Most work coaches are committed to helping the people in front of them but lack the time and the means to do so within the current system.⁷⁷²

Compliance and conditionality checks routinely take precedence in the appointments between a work coach and a claimant. In the most detailed recent study of the relationship between work coach and claimant, Jagna Olejniczak and Kate Harrison found that work coaches' focus is 'primarily on monitoring

770 DWP (9 Jul 2026), p.10.

771 National Audit Office (Nov 2025), 'Department for Work and Pensions Overview, 2024–25', p.4. Accessed via: [Department for Work & Pensions Overview 2024–2025](#) (Accessed 30 June 2026)

772 NAO (Nov 2025), p.3.

claimants' compliance with their commitments' in a 'tick box exercise'.⁷⁷³ The Department's own analysts, recording what was discussed in work-search reviews, found that conditionality was the most frequently covered topic.⁷⁷⁴ This is because the compliance check is mandatory. The check cannot be deferred without the claimant's conditionality going unverified, and so it is appropriately protected. This resulted in the Commission on the Future of Employment Support identifying a 'compliance culture' in Jobcentres.⁷⁷⁵

Conversely, the provision of support is increasingly residual. An evaluation carried out for the DWP by Ipsos and the Institute for Employment Studies found that longer-term work and training routes (such as traineeships and apprenticeships) 'were not mentioned' in interviews with claimants and 'did not appear to be a referral option that was often considered by work coaches or the Jobcentre more widely'.⁷⁷⁶ The government's recent *Get Britain Working* white paper concedes that the current service is 'too focused on box ticking around monitoring benefit compliance', and that the new Jobs and Careers Service must 'prioritise providing genuine support for people'.⁷⁷⁷

"You only get ten minutes with the work coach. It's too short...their sessions are just ten minutes of bureaucracy."

Big Listen North East participant

The orientation of work-search reviews away from employment support and towards compliance verification places the relationship between work coach and claimant into jeopardy. Effective employment support requires candour: a claimant must be willing to disclose their situation openly, and a coach must be able to advise without the claimant second-guessing every answer. This is self-evident in the Department's own description of the work coach's job as one of 'encouraging, motivating, and building trust'.⁷⁷⁸ Yet the person responsible for building that trust is also the person who triggers the sanctions process. Claimants have described fearing to question their work coach's suggestions in case they were recorded as 'difficult or work-shy'.⁷⁷⁹ The Department's own research points the same way: claimants who did not find their reviews useful 'viewed them mainly as a compliance measure' rather than as help.⁷⁸⁰

"Do you really expect people to trust the person in front of them who they perceive as trying to take money away from them?"

North East Big Listen frontlines participant

Paradoxically, the prioritisation of compliance makes obligatory compliance checks more difficult to perform. In its account of what makes a work-search review effective, the DWP identified that the

773 Olejniczak, Jagna and Harrison, Kate (Jan 2025), 'Found anything yet?: Exploring the relationship between Universal Credit claimants and their work coaches', p.3. Accessed via: [Found anything yet? Exploring the relationship between Universal Credit claimants and their work coaches](#). (Accessed 30 June 2026)

774 Department for Work and Pensions (Feb 2026), 'What makes work search reviews effective: a synthesis report'.

775 Institute for Employment Studies (Sep 2024), 'Working for the Future: Final report of the Commission on the Future of Employment Support', p.6. Accessed via: [Working for the Future Final Report.pdf](#) (Accessed 30 June 2026)

776 Department for Work and Pensions and Government Social Research (May 2023), 'Work Coach Provision of Employment Support: A Work Coach-focused interim report from the research project 'Cross-Cutting Evaluation of Plan for Jobs'', p.11. Accessed via: [Work Coach Employment Support Evaluation](#) (Accessed 30 June 2026)

777 DWP, et al., (Nov 2024)

778 Department for Work and Pensions (Apr 2016), 'Written evidence from Department for Work and Pensions: Executive Officer DWP Operations – Work Coach'. Accessed via: [committees.parliament.uk/writtenevidence/66493/html](#) (Accessed 30 June 2026)

779 Olejniczak, Jagna and Harrison, Kate (Jan 2025), p.12.

780 Department for Work and Pensions, (Feb 2026), 'What makes work search reviews effective: a synthesis report'.

supportive relationship between claimant and work coach was bound up with how compliance was checked: it is the rapport built with a claimant that enables a work coach to establish what activity they have undertaken.⁷⁸¹ Support and compliance are thus entangled, preventing the fusion of functions being understood as two separable tasks.

AREA FOR REFORM

Explore ways to prevent the fusing of the compliance and support functions within the work coach role, ensuring neither undermines the other.

Staffing

Jobcentres' conflicting objectives have been compounded by an ineffective funding and staffing model, creating pressures on time and resources that lead to work coaches' inability to prosecute the support and compliance functions of their role. In 2022/23, the Department had some 2,300 (13.2 per cent) fewer work coaches than its own model estimated it needed, which subsequently narrowed to 1,400 (8.6 per cent) in 2023/24 before widening again to 2,100 (around 11 per cent) in the first half of 2024/25.⁷⁸²

This gap, however, does not originate within the DWP. The mechanism that generates the Department's estimate of need is sound and produces a defensible figure for work coaches required per year.⁷⁸³ The shortfall in staff originates in the negotiations and settlement with the Treasury. These negotiations have consistently secured funding for fewer work coaches than its own model says it needs. In the first half of 2024/25, the DWP assessed a requirement for 18,900 FTE work coaches but the Treasury only granted funding for between 17,600 and 18,000.⁷⁸⁴

The Treasury settlement and DWP modelling also run on different timescales. The DWP forecasts demand on a six-monthly cycle yet fixes resources over a far longer horizon. For example, in 2024/25, funding was originally set in November 2021, three years before the caseload it had to serve.⁷⁸⁵ A staffing level calibrated against a 2021 forecast was still governing the service in 2024, by which point the caseload and its needs had morphed and changed beyond what the initial model could have anticipated. Moreover, the Department cannot freely close that gap by moving its DEL budget because it must obtain Treasury approval for changes to manage shortfalls that carry a potential impact on benefit expenditure.⁷⁸⁶

The interface with the Treasury, in other words, turns a sound estimate for need into a lower figure for funding, on a cycle that the DWP does not control and against a forecast already years out of date. It is a structural flaw at the boundary between the Treasury and the DWP, effectively ensuring the Jobcentre frontline is insufficiently staffed.

Not all of the shortfall in staff is external, however. The DWP has had fewer work coaches in post than it held funding for in recent periods, due to difficulties recruiting and retaining staff.⁷⁸⁷ Turnover among the

⁷⁸¹ Ibid.

⁷⁸² Committee of Public Accounts (Jul 2025), 'Jobcentres', p.9. Accessed via: [Jobcentres](#) (Accessed 30 June 2026)

⁷⁸³ NAO (Mar 2025), p.45.

⁷⁸⁴ Committee of Public Accounts (Jul 2025), p.9.

⁷⁸⁵ Ibid.

⁷⁸⁶ NAO (Mar 2025), p.8.

⁷⁸⁷ Committee of Public Accounts (Jul 2025), p.9.

Executive Officers who staff Jobcentres ran at 8.5 per cent in 2023/24.⁷⁸⁸ Part of this is circumstantial: the Department roughly doubled its work coach headcount during the pandemic (from around 13,500 to 27,000) and lost many of those recruits when the wider economy reopened.⁷⁸⁹ The Department itself concedes that attrition is highest where local labour markets are buoyant, with staff leaving over pay and the availability of better-paid roles nearby.⁷⁹⁰

The most tangible effect of these staffing problems is the local flexibility framework (explained in Chapter 3) which allows a Jobcentre under caseload pressure to temporarily decrease the level of support it offers through a graduated series of measures. More often than not, this mechanism leads to a permanent reduction in services and undermines the support available to a claimant. This framework ensures that the gap between expected and deliverable support is not flagged upward as a shortfall but managed downward as a permitted reduction.

Flexibilities were initially introduced in September 2023 as a contingency: measures a Jobcentre *could* temporarily implement when caseloads exceed a threshold of more than 110 cases and are forecast to stay there. Between September 2023 and November 2024, 57 per cent of Jobcentres used local flexibility mechanisms to reduce the support they provided.⁷⁹¹ In 2025, the Department permanently reduced the integral opening interview between claimant and work coach from 50 to 30 minutes and transferred some IWS claimants from weekly to fortnightly/eight-weekly appointments.⁷⁹²

Examining the framework, the Public Accounts Committee (PAC) recommended that the Department evaluate the impact of the measures on claimants and share the results before making any of them permanent. This was due to fears that the evidence the Department was using to argue for these changes was out-of-date and anecdotal.⁷⁹³ The Department did the opposite. The Permanent Secretary for the DWP confirmed that the measures were to be made permanent without the evaluation requested by the PAC.

The significance of this lies not in the reductions themselves, but in the absence of evaluation. A contingency for overloaded offices has, within two years, become a national baseline without the Department establishing what the reductions cost claimants, and despite an explicit recommendation that it do so before proceeding. A lower standard of service has been quietly redefined as the new norm.

AREA FOR REFORM

Align Jobcentre staffing with the Department's own modelled need, on a funding cycle responsive to changes in the caseload.

The Centralised Support Model

Jobcentres administer support through a central support model: a nationally administered model that the Department judges will maximise employment and earnings for claimants, focusing on those placed in

788 Ibid., p.10.

789 House of Commons (May 2025), 'Public Accounts Committee – Oral evidence: Jobcentres, HC 823'. Accessed via: committees.parliament.uk/oralevidence/16033/html (Accessed 30 June 2026)

790 Committee of Public Accounts (Jul 2025), p.10.

791 NAO (Mar 2025), p.23.

792 Committee of Public Accounts (Jan 2026), 'DWP follow-up: Autumn 2025', p.4. Accessed via: [DWP follow-up: Autumn 2025](#) (Accessed 30 June 2026)

793 Committee of Public Accounts (Jul 2025), p.4.

the IWS category. In practice, this model is structured around regular work coach meetings, with weekly meetings for the first 13 weeks of a claim, followed by weekly or fortnightly meetings thereafter.⁷⁹⁴ It is not clear, however, if this model actually helps claimants into work.

The central support model was assembled from randomised controlled trials conducted between 2005 and 2015 on a JSA caseload of broadly work-ready claimants drawing a time-limited unemployment benefit.⁷⁹⁵

Randomised Control Trials contributing to the Central Support Model⁷⁹⁶

- 2005 Jobseeker's Allowance Intervention Pilots: This trial showed that excusing claimants from meetings with their work coach increased the time they spent on JSA.
- 2013 Jobseeker's Allowance meeting trials: On average, claimants who attended weekly face-to-face meetings with their work coach spent 2.6 fewer days claiming benefits than those doing fortnightly meetings.
- 2015 Weekly Work Search Review: This trial showed that weekly meetings significantly increased the time claimants spent in employment and reduced the time they spent on JSA.

The model is now used to support those in the IWS Category, defined as those judged to be capable of taking intensive action to find work.⁷⁹⁷ This cohort of claimants has been enlarged in recent years through successive increases to the AET: the monthly earnings level below which a working Universal Credit claimant is placed in the IWS regime. This has increasingly pulled in the low-paid in work into this cohort. Those in the IWS category now include large numbers of people with health conditions and caring responsibilities migrated from legacy benefits.⁷⁹⁸ The central support model, then, was designed and built around evidence assembled for a different benefit, in a markedly different labour market.

The Department cannot demonstrate whether this model actually works. In 2025, the PAC found that the DWP had not evaluated the effectiveness of its central support model in over a decade.⁷⁹⁹ The measure against which the Department measures its efficiency is the into-work rate (the share of IWS claimants moving into work each month), which has fallen from 9.7 per cent in 2021/22 to 8.2 per cent in 2023/24.⁸⁰⁰ However, the Department cannot say what this decrease actually reflects. Asked to account for the fall, the Department itself attributed it to external factors: a weakening labour market, fewer vacancies, and a more complex caseload of claimants further from work.⁸⁰¹ This explanation is plausible, but it cuts both ways: if the labour market drives the rate down, it may equally drive it up. The DWP has no real means of separating the effect of its own model from the effect of the economy into which claimants move in and out.

Furthermore, there is limited evidence that the support model works across varying local labour markets. From December 2023 to November 2024, the average monthly into-work rate across DWP's seven regions ranged from 7.3 per cent in London and Essex to 8.7 per cent in southern England. At district

794 NAO (Mar 2025), p.8.

795 Ibid., p.18.

796 Ibid.

797 Parliamentary Digital Service, 'Intensive Work Search Regime', p.1. Accessed via: [Document Title](#) (Accessed 7 July 2026)

798 NAO (Mar 2025), p.38.

799 Committee of Public Accounts (Jul 2025), p.6.

800 Ibid., p.12.

801 Ibid., p.12.

level, though, the spread was far wider: from 5.5 per cent in Birmingham and Solihull to 10.8 per cent in northern Scotland.⁸⁰² A nationally consistent, centrally defined model is producing materially different outcomes depending on where a claimant happens to live, and the Department cannot say how much of that gap reflects the service a claimant receives and how much is caused by the labour market they live in.

The model also allocates support without assessing need. Claimants are placed in a labour market regime according to their earnings and circumstances rather than their likelihood of finding work. This means that resources are split between those who would have found work without the assistance, and those who face complex and overlapping barriers to work.⁸⁰³

AREA FOR REFORM

Rebuild the central support model on evidence drawn from today's caseload, allocating support at the point of claim according to assessed need, with the flexibility to respond to local labour markets.

7.1.2 Outsourced intensive employment support

Not all employment support is alike. For the majority of claimants, particularly those relatively close to the labour market requiring help in searching, matching, and presenting themselves to employers, outsourcing employment support has been effective. The Work Programme, the Department's flagship contracted scheme between 2011 and 2017, moved a cohort of participants aged 25 and over who had claimed JSA for at least twelve months into an average of 46 additional days in employment over the two years after referral. In addition, the scheme returned £1.50 to the Exchequer and £1.75 to society for every pound spent.⁸⁰⁴

Intensive employment support is a different task entirely. It exists for the claimants whom a work coach cannot move into work alone: the long-term ill, disabled, and economically inactive. These are often the most complex cases and sit furthest from the labour market. Each requires deep specialism and sustained relationships. It is the most expensive support the Department buys and is precisely where outsourcing most often fails to deliver. For example, of the most recent cohort of claimants transferred from Incapacity Benefit to complete a year on the Work Programme, only 3.9 per cent had achieved three months of work.⁸⁰⁵ The Department's assessment of the scheme conceded that the programme 'did not work as well' for those with age, health, and disability issues.⁸⁰⁶

Our research strongly suggests that the poor performance of intensive employment support flows from the structure of the employment support market. The Department, as we explore below, has identified and tried to fix many of the high-level flaws in how it buys intensive support, but it has done so while buying from the same narrow, interconnected market of large prime contractors. Reforming how the Department forecasts need or incentivises job outcomes will, ultimately, have minimal impact so long as it

802 NAO (Mar 2025), p.40.

803 Re:State (Sep 2026), 'No Job for the Centre: The case for devolving employment support', p.31. Accessed via: re-state.co.uk/wp-content/uploads/2026/09/No-Job-for-the-Centre.pdf. (Accessed: 23 September 2026)

804 Department for Work and Pensions (Nov 2020), 'The Work Programme: A quantitative impact assessment', P.14. Accessed via: [The Work Programme: A quantitative impact assessment](#) (Accessed 1 July 2026)

805 Work and Pensions Committee (Oct 2015), p.7.

806 DWP (Nov 2020), p.16.

buys support whose best delivery is specialist, local, and small from providers that are, by definition, the opposite.

Forecasting need

Intensive employment support must react to a labour market that is often hard to predict. Outsourcing, as the Department has practiced it, has been poorly equipped to deal with this. Since contracts are necessarily negotiated in advance, forecasts are used to size them, so that prime providers can plan and buy capacity accordingly. That capacity is then largely fixed for the life of the contract. If a forecast turns out to be wrong, the model cannot readily adjust.

Restart is the clearest illustration of the problem, precisely because it was the largest and most recent programme to run headlong into it. The scheme was designed against the OBR's early pandemic projection of a surge in unemployment peaking at close to 12 per cent. £2.9 billion of funding was announced at the November 2020 Spending Review, but the contracts as signed were expected to cost £2.58 billion to support around 1.43 million people.⁸⁰⁷ When the predicted surge in unemployment did not occur (peaking at just over five per cent), the prime contractors needed to support only 692,000 people (48 per cent of the original forecast) at a revised contract cost of £1.68 billion.⁸⁰⁸ Although the number of participants nearly halved, the cost did not fall proportionately, inflating the cost of supporting each claimant from £1,800 to £2,429.⁸⁰⁹ The projected net benefit of the scheme fell from £6.8 billion to £2.3 billion.⁸¹⁰

This exposure runs through the entire supply chain for employment support. On signing a government contract, primes necessarily buy capacity and enter into fixed commitments (such as leases on premises) in advance. Should a forecast prove to be erroneous, as it was for the Restart scheme, the Department is largely unable to recoup its costs and scale the programme down. When the Department attempted to renegotiate its Restart contracts in 2022, it was only able to shave £27 million off an expected cost of £1.71 billion.⁸¹¹ The lesson the Department drew from this is visible in the design of what came next.

CtW is built, in part, to address this limitation. It is grant-funded under multi-year arrangements running up to March 2030, but expenditure is annualised. This enables an annual review to adjust a grant up or down as delivery unfolds.⁸¹² On its own terms this is a genuine advance on a fixed multi-year commitment: the Department is no longer locked into paying for capacity a wrong forecast has left it unable to use. However, it resolves the Department's exposure by transferring it onto providers.

We have repeatedly heard that annualised funding leaves smaller, specialist organisations unable to plan, recruit, or retain staff beyond a single year. In our North East Big Listen, we were told that:

"Funding is a massive issue. It is all year-on-year and short-term. We only found out about the funding for our next financial year on the Monday we were starting. It makes it so hard for recruitment."

North East Big Listen frontlines participant

807 NAO (Dec 2022), p.15.

808 Ibid., p.8.; These figures relate to the original contracts as renegotiated in 2022. The 2023 extension subsequently added around £1.1 billion and a further 550,000 expected participants.

809 Ibid., p.11.

810 Ibid., p.10.

811 Ibid., p.11.

812 DWP (May 2026), p.30.

The same annualisation that lets the Department scale a programme when a forecast proves wrong denies its delivery partners the stability that specialist, relationship-based support depends on. The instability inherent in matching fixed capacity to an unpredictable labour market has not been removed so much as moved; from the Department's balance sheet onto the smaller providers least able to absorb it. This is the first instance of a pattern that recurs throughout this section – a genuine fix that leaves the foundational weakness freshly exposed.

AREA FOR REFORM

Increase funding stability for specialist providers as far as possible without locking the taxpayer into capacity that a wrong forecast leaves unused.

Payment-by-results

The DWP has proven relatively adaptable in identifying flaws in its procurement processes and fixing them. Nowhere is that clearer than in its long struggle with 'creaming and parking', where providers prioritise claimants nearest the labour market (creaming) while avoiding those furthest (parking). 'Creaming and parking' has been closely associated with the PBR model the Department has, until recently, used to commission almost all of its contracted employment support. Critics argue that this model creates a direct incentive for providers to invest their effort in the claimants most likely to produce a successful outcome, and to do the minimum for those less likely to, leaving those most in need of help without it.

The Department has understood this for the better part of two decades and has repeatedly attempted to fix it. The Work Programme explicitly tried to design the incentive out by introducing a differential payment model that paid providers more for helping complex and challenging claimants into work than work-ready cases. Payments across claimant groups varied from a maximum of £3,810 for JSA claimants aged 18 to 25 to £13,720 for an individual within the ESA group for recent IB claimants.⁸¹³ This failed, with the Work and Pensions Committee reporting that, despite the higher payments, 'providers still tend to offer greater support to more "work-ready" participants'.⁸¹⁴

Again, the Restart Scheme (2021–2026) tried to design these incentives out by writing nine customer-service standards into every contract. Should a provider fail to meet these, the Department reserved the right to withhold up to 40 per cent of the monthly delivery fee.⁸¹⁵ This failed to stop the problem, with providers falling short on six of the eight standards for which data exists. These included the requirements to draw up an action plan within eight weeks and to reassess each participant every four months, actions upon which the most complex cases often depend.⁸¹⁶ The NAO reported that providers still tended to pursue additional job outcomes 'if they can do so without significantly increasing their costs'. Where a harder case raised costs significantly, providers were 'incentivised to focus solely on those that are easier to get into work'.⁸¹⁷ The Department deducted just 0.8 per cent (£2.3 million) of the delivery fees it had paid by October 2022, with a further 1.9 per cent (£5.6 million) deferred.⁸¹⁸

813 Rees, James; Whitworth, Adam; Carter, Ellie (Mar 2014), 'Support for All in the UK Work Programme? Differential Payments, Same Old Problem', p.226. Accessed via: Support for All in the UK Work Programme? Differential Payments, Same Old Problem (Accessed 8 July 2026)

814 Work and Pensions Committee (Oct 2015), p.7.

815 NAO (Dec 2022), p.41.

816 Ibid., p.42.

817 Ibid., p.38.

818 Ibid., p.10.

That the Department recovered so little was not simply a failure of nerve. The withholding mechanism was only applicable to the fixed delivery fee. Meanwhile, the incentive to concentrate on the work-ready operated on the far larger outcome payments the standards did not touch. By 2023, the Institute for Government maintained that the hybrid PBR model employed by the Department still offered 'little real incentive to assist the most disadvantaged jobseekers'.⁸¹⁹

Having failed to stop creaming and parking by reform, the Department has now scrapped PBR entirely with CtW, a voluntary supported-employment scheme for people with disabilities, health conditions, and complex barriers to work. Here, funding is disbursed not as an outcome-based contract but as an annualised grant to local accountable bodies, paid in arrears against the actual costs they incur in delivering a service.⁸²⁰ How these bodies in turn contract their delivery partners is left to local discretion.

Although the Department has not formally prohibited PBR in CtW, it has both advised against it and largely designed it out. Provision must follow two defined supported-employment models: Individual Placement and Support and the Supported Employment Quality Framework. Adherence is enforced through a fidelity-assessment regime that is a condition of the grant rather than a payment lever.⁸²¹ A provider is thus judged on whether it delivers the prescribed model faithfully rather than how many outcomes it records. This removes, at least in principle, the PBR model.

The question remains, however, whether PBR was the problem to begin with. If the outcome payment offers a higher return for a claimant requiring intensive support than a claimant near the labour market, there should be no financial reason for a contractor to cream and park. Multiple frontline employment support providers have told the CSJ that they can provide intensive support to a claimant with complex barriers to work for between £1,500-£3,000, in some cases including almost a year of in-work support.⁸²² Government contracts, meanwhile, tend to pay around £2,000-£2,500 for 12-16 weeks of intensive employment support for the most complex claimants. On its year-long mandatory employability contracts (for the long-term unemployed, including recent and historic prison leavers) the figure rises to around £4,500 per head where the full schedule of outcome payments is achieved.

The comparison becomes more stark when we compare back to the Work Programme. Then, the DWP paid £13,720 for moving an individual within the ESA group for recent Incapacity Benefit claimants into work. This is between 4.5 and 9 times the cost to a specialist, frontline provider, assuming their costs were similar in the 2010s. The incentive provided by PBR at the height of creaming and parking accusations, therefore, seems more than adequate.

The problem, as we explain below, is that these payments were rarely making it down to such frontline services.

The market

The employment support market is a dysfunctional oligopoly sustained by the DWP's procurement systems. Both of the features examined above pull in the same direction. PBR and the DWP's forecasts require contracted providers to hold large balance sheets to carry the substantial financial risks that come with the responsibility of being awarded a contract. The CAEHRS framework, through which the most intensive support was procured until 2025, set high financial-viability thresholds to gatekeep access to

819 Institute for Government (Jul 2023), p.21.

820 DWP (May 2026)

821 Ibid.

822 These are provider-reported figures, calculated on differing bases rather than as audited unit costs and they are not always strictly like-for-like, but even read cautiously they point the same way.

Tier 1, the band to which major contracts were awarded. The scale at which the Department commissions, and the risk it transfers, together select for size – the exact thing the best specialist provision does not have.

The result is a narrow and interconnected market of large primes. The likes of Shaw Trust, Maximus, Ingeus, Reed in Partnership, Serco and Seetec recur across every iteration of the Department's major outsourced employment support programmes. The DWP's current commissioning strategy, published in 2025, affirms its belief that a nationally commissioned, centrally designed and managed model using a prime contractor offers the best efficiency and effectiveness for provision commissioned at the largest scale. It also concedes that for more specialist services it may use smaller-scale, localised models.⁸²³ The Department both understands that specialist provision calls for a different commissioning model and continues to buy its largest programmes in the way that forecloses one.

Restart illustrates the concentration this produces: a scheme nominally delivered by eight prime contractors across 12 CPAs. Maximus, Ingeus, Serco and Reed in Partnership each acted as prime provider in two CPAs, and four primes worked as subcontractors in other package areas. Of the £1.68 billion in renegotiated fees, the NAO expected 57 per cent to flow to the largest four providers.⁸²⁴ Some of the concentration was deliberate. The Department chose to contract a single prime per area, reasoning that removing competition between providers within a CPA would encourage cooperation and the sharing of best practice.⁸²⁵ The policy had the effect of entrenching a small group of large contractors and foreclosing the competitive pressure that might otherwise have disciplined price and performance. It also concentrated risk. Had a large prime collapsed into liquidation, continuity of support for its participants depended on the hurried transfer of its work to another large provider.

The decisive question is whether the DWP's new schemes break this pattern or merely relocates it. The early evidence points to relocation. CtW devolved the commissioning of contracts to 49 local accountable bodies in an attempt to align procurement to local priorities, but it has again relied upon the same narrow market of primes.⁸²⁶ Shaw Trust, a prime contractor on the Work and Health programme (and a long-standing deliverer of DWP employment provision), has, in the current round, been awarded CtW contracts in Greater Essex, the West Midlands, Hampshire, and Hull and East Yorkshire.⁸²⁷ If PBR and moving commissioning to the local level leaves the same organisations delivering the work, it suggests neither the payment model nor the tier of government doing the commissioning was the binding constraint. The constraint is the structure of the market itself which has, so far, survived the transition intact.

The persistence of that market would matter less if the primes were also the best deliverers. The evidence the CSJ has gathered suggests the opposite. Specialist frontline organisations report converting people into work at rates far above the levels the Department's own programmes are designed to hit.

One provider working with a predominantly complex caseload (people on inactive benefits, in one of the most challenging local labour markets in the country) reported a conversion rate into work of around 70 per cent; another reported 40 to 45 per cent, alongside a further 20 to 30 per cent moving into education or training. Government programmes, by contrast, are typically designed against job-outcome expectations in the range of 5 to 30 per cent. These are not audited figures on a common basis, and the caseloads are not identical, but the gap is of an order that a difference in measurement cannot explain.

823 Department for Work and Pensions (Oct 2025), 'DWP Employment Provision Commissioning Strategy 2025', p.7. Accessed via: [DWP Employment Category Commissioning Strategy](#). (Accessed 31 July 2026)

824 NAO (Dec 2022), p.37.

825 Ibid.

826 DWP (May 2026), p.7.

827 GOV.UK (Oct 2025), 'Award: Connect to Work (Greater Essex)'. Accessed via: [Connect to Work \(Greater Essex\) - Find a Tender](#) (Accessed 15 June 2026)

The organisations least able to win the DWP’s contracts are, on the available evidence, among the most effective at the task those contracts exist to perform.

The market is corrosive for these providers. They are often drawn into supply chains on terms that extract their value while denying them security. The CSJ repeatedly heard that being ‘named as a partner’ in a prime’s bid meant, in practice, little more than receiving referrals while the prime collected the job-outcome payment when a placement succeeded. One specialist charity, delivering under an English employment contract that passed to Fedcap after Working Links collapsed, told the CSJ that it was forced to surrender a quarter of its funding to the prime as a management fee. Yet, it was consistently the best-performing organisation in the whole contract area on starts, job outcomes and sustained outcomes.

Part of this behaviour is a rational response to the way contracts are built. The Transfer of Undertakings (Protection of Employment) regulations (TUPE) generally oblige an incoming prime to take on the staff of the outgoing provider. Having inherited a whole workforce, a prime has every commercial reason to route the work through those staff rather than pay a subcontractor on top. Primes are not always choosing to sideline specialists out of bad faith but responding to an obligation that their contracts places on them. It does not, however, change the effect. The specialist capacity the Department says it values is routinely stranded once a bid is won.

This same pattern was documented in the CSJ’s 2024 report *Going Dutch*. We found that smaller and local providers were increasingly unable to win government contracts and that the market structure was leaving grassroots organisations little room to prosper.⁸²⁸

The clearest illustration of how specialist providers are treated comes from the Department’s Specialist Employability Support programme. Smaller, local charities (the Royal National College for the Blind and Doncaster Deaf Trust) routinely outperformed the larger, pan-disability providers on the Department’s own measure of job outcomes.⁸²⁹ Both were nonetheless prevented from bidding for prime contracts in the programme that followed, left to act as specialist subcontractors beneath the pan-disability organisations that were awarded the prime contracts. Doncaster Deaf Trust, written into two primes’ bids as a specialist subcontractor, was not given a single referral over the life of the programme, later discovering that the prime had chosen to deliver the support in-house.⁸³⁰ The Trust came to regard itself as ‘bid fodder’: named in a winning bid to demonstrate specialist capability, then frozen out of the delivery it had been included to provide.⁸³¹

This is not a historical curiosity from a single programme. Frontline organisations told the CSJ that being written into a prime’s bid and then extracting nothing from it remains a routine experience. They also told us that the practice has, if anything, become more extractive. Providers described being approached not merely to lend their name, but to hand over the intelligence a prime needed to build its bid, with no commitment offered in return.

828 Centre for Social Justice (Sep 2024), ‘*Going Dutch: Devolving employment support and adult education to tackle economic inactivity*’. Accessed via: [Going Dutch - Final Report](#) (Accessed 1 July 2026)

829 CSJ (Sep 2024), p.244.

830 Ibid.

831 Ibid.

"[National Prime] have done this to us twice. One time [they] asked us to complete a 'stakeholder form' asking for all the partnerships we have with contacts, their details, the nature of the partnerships and what they do. So we were not just 'bid candy' but actually doing their research work for new third-sector partnerships. I filled out the form but blanked out all key information, saying it would be available upon award of contract and signing of an SLA and DLA. I didn't hear back."

Specialist provider, in evidence to the CSJ

The same provider described a more recent approach from another national prime:

"[National Prime] requested a Teams call to share their bid. Despite offering no part of the contract, they requested three times for me to reply in written format about our 'partnership' so they could include it in a bid. I declined."

Specialist provider, in evidence to the CSJ

In both accounts the value flowed only one way. The specialist supplies the local credibility, the partner contacts to ask for the written information a compliant bid requires, and the specialist receives no enforceable claim on any of the work in return. The risk is asymmetric too. Providers told us they had repeatedly done unpaid preparatory work for bids that then evaporated:

"Many times we have done hours of work to be a subcontractor on a bid, only for the lead bidder to withdraw their submission near to the deadline."

Specialist provider, in evidence to the CSJ

Nor does the route designed to admit smaller providers reliably do so. The Dynamic Purchasing System – an electronic framework that allows pre-qualified suppliers to bid for employment contracts – often leaves smaller providers with limited capacity unable to procure contracts. One specialist provider told the CSJ:

"For small contracts through the Dynamic Purchasing System we don't stand a chance. I remember taking weeks and weeks to get onto the DPS and putting six offers on. [Larger supplier] had 26,000 offers, so they got all the work."

Specialist provider, in evidence to the CSJ

The Department is not blind to this. FES is one of the first schemes to place a hard obligation on primes rather than an exhortation. The CSJ was told that it carries a pass/fail requirement, tested at the first stage of bidding, that around a quarter of delivery must go to local small- and medium-sized providers. Crucially, this requirement obliges that a share of payment should flow to these providers throughout the life of the contract, with specific monitoring to ensure it is honoured. This would be a real departure

from the bid-fodder pattern, and it aligns with the Department's stated intent to 'increase visibility and accessibility of contract opportunities for small businesses'.⁸³²

The value of these reforms will depend entirely on enforcement. A pass/fail gate at bidding stage that is not policed through delivery would simply reproduce the bid fodder problem with a compliance form attached. The Department's record on Restart's service standards, where it deducted just 0.8 per cent of the fees at stake, offers little promise.

A second, larger shift may bear on the same problem: the devolution of employment support to mayoral authorities. In the current model, CPAs are vast (just 12 covered the whole of England and Wales under Restart). It is that scale, as much as anything else, that requires the balance sheet only a national prime can offer. Devolving commissioning to combined authorities could, if it reduced the size of CPAs, lower the volumes and the financial risk attached to each area. In theory, this would open the space for a consortium of smaller providers to bid credibly.

Seven mayoral authorities now receive consolidated 'Integrated Settlements' which will cover employment support from 2026/27. In its July 2026 *Rewiring the State* Cabinet statement, the government committed to devolving employment support to mayors, including 'giving local areas the power to procure and provide tailored and specialised support for the long-term unemployed'.⁸³³ More details are set to follow in a white paper. Until that detail arrives, devolution remains a commitment rather than a structure for contracted employment support. FES is still being let over the same vast, region-spanning footprints. Whether devolution shrinks the unit of commissioning enough to change who can bid remains to be seen.

Reform after reform has changed the form of the problem without changing its substance. The same six or seven organisations recur across every programme. The specialist providers that outperform them are named in bids they are subsequently blocked from delivering, subcontracted on terms that take 25 per cent of their funding, or shut out altogether. Intensive support has been handed to a market that cannot provide what it requires.

AREA FOR REFORM

Direct intensive employment support funding to the specialist, local, and small providers best equipped to deliver it.

7.1.3 A fragmented system

The DWP does not operate as a single machine. Its service is dispersed across two delivery groups, some 70 service centres, and a telephony estate, with each benefit it administers running on its own systems and standards. In short, no single part of the Department is answerable for the quality of the whole.

In 2025/26 the Department adopted, for the first time, a common headline expectation: that 90 per cent of new claims should be cleared within the planned timescale for that benefit.⁸³⁴ This is a genuine advance

832 HM Treasury, Cabinet Office (Mar 2026), 'Small and Medium-Sized Enterprise (SME) Action Plan: 2025 to 2028'. Accessed via: Cabinet Office and HM Treasury: Small and Medium-Sized Enterprise (SME) Action Plan: 2025 to 2028 - GOV.UK (Accessed 20 July 2026)

833 Cabinet Office (Jul 2026), 'Rewiring the State - Cabinet Statement' p.3. Accessed via: [REWIRING_THE_STATE_-_CABINET_STATEMENT.pdf](#). (Accessed: 23 September 2026)

834 DWP (Jul 2026), p.78.

on having no shared measure at all. But a uniform target laid over benefit-by-benefit timescales that the Department itself sets (and can revise) is not the same as a single standard against which the service as a whole can be judged. The Department treats the quality of the whole as a sub-function of a part.⁸³⁵

This matters because the Department is demonstrably capable when it owns a task in the round. Where one part of the Department controls a function end-to-end, on systems it runs itself, it performs well: its Advanced Customer Support Senior Leaders team, dedicated to customers at serious risk of harm, handled a staggering 12,200 referrals in 2022/23, and its home-visiting service cleared some 155,000 cases in 2023/24.⁸³⁶ The Department's level of service is therefore not, at root, a problem of competence or effort. It is a problem of fragmentation – the points where a task is split across ageing systems, handed to an external provider, or owned by nobody in particular.

One of the most overt instances of fragmentation within the DWP relates to the IT systems used to administer benefits. As described in Chapter 3, the Department still relies on ageing legacy IT systems that are unintegrated and prone to error. For example, the CACS (the main computer system for administering Carer's Allowance) only holds part of the information needed by a caseworker, meaning that other computer systems must be manually consulted to construct a holistic view of a claimant.⁸³⁷ The NAO has been unambiguous that legacy systems like the CACS are inefficient to use and liable to increase the risk of error.⁸³⁸ Notably, the Department does not dispute this, ranking its reliance on legacy technology among its principal risks. It still rated this as 'high' as of 31 March 2026, citing the 'scale and complexity of legacy technology across critical services', accepting that significant parts of its services remain unmodernised.⁸³⁹

This proliferation of outdated IT can have a real cost on claimants' lives. As described in Chapter 3, the data that decides a carer's entitlement (their earnings) is held by HMRC's RTI system, which reaches the DWP through VEPS. The system only raises an alert where a caseworker has manually switched monitoring on for a claim. Where it flags that a carer may have exceeded the earnings threshold, it can only refer the case for a caseworker to manually investigate. The consequence of this was the amassing of large debts by unknowing Carer's Allowance recipients which the Department subsequently sought to recover in full, in some cases pursuing prosecution. By mid-2024 the scale of this became a public scandal.

These outdated IT systems exacerbate other levels of fragmentation within the Department. The PIP assessment, for example, is carried out by private contractors under regional contracts, rather than by the Department itself.⁸⁴⁰ The Department remains answerable for the accuracy and timeliness of PIP claims yet has little to no control over the part of the process most liable to delay.

The impact is visible in how unevenly the service performs from place to place. Against a median end-to-end clearance time of 18 weeks for new claims in July 2026, the Department noted significant variations in clearance times between regions, which it primarily attributed to 'differing levels of available assessment capacity' among its providers.⁸⁴¹ 12 of those 18 weeks fall between the referral to the assessment provider and the decision, up from 10 of 15 the year before. Hence, the segment that the Department does not run accounts for a substantial amount of the wait, and for two of the three weeks by which it lengthened.⁸⁴²

835 NAO (Jul 2024), p.6.

836 Ibid., p.19.

837 Ibid., p.10.

838 Ibid., p.38.

839 DWP (9 Jul 2026), p.216.

840 UK Parliament (May 2023), 'Health Transformation Programme update'. Accessed via: questions-statements.parliament.uk/written-statements/detail/2023-05-25/hcws807. (Accessed 16 June 2026).

841 Department for Work and Pensions (Sep 2026), 'PIP statistics to July 2026'. Accessed via: gov.uk/government/statistics/personal-independence-payment-statistics-to-july-2026/personal-independence-payment-statistics-to-july-2026#clearance-and-outstanding-times. (Accessed: 1 October 2026)

842 Ibid.

Table 7.1 demonstrates how customers experience the administration of different benefits based on timeliness, satisfaction, payment accuracy (overpayment). Where a benefit is simple, automated, and run entirely within the Department, it tends to be administered well; where it runs across multiple systems, providers, and processes, it underperforms. The result is a bimodal service in which the claimant's experience is determined by which benefit they happen to claim.

Table 7.1: Benefit administration stratified by timeliness, satisfaction and accuracy, 2025/26

Benefit	On time, 25/26	Satisfaction, 25/26	Overpaid, 25/26
State Pension	96.4%	94%	0.2%
Universal Credit	83.5%	87%	8.5%
PIP	82.2%	84%	2.3%
ESA	19.6%	84%	3.4%

Source: CSJ analysis of DWP Annual Report and Accounts, 2025–26.

The state pension is paid on time in 96 per cent of cases with negligible error, whereas ESA is paid on time in fewer than a fifth of cases. PIP payments appear to have improved dramatically, jumping from 51 per cent to 82 per cent of payments being on time in a single year. But in 2025/26 the Department relaxed its own planned timescale to 120 working days, resetting the clock against which it marks itself. Its other adjustments that year were marginal or ran the other way: the timescale for CDLA was extended from 40 to 45 days while the Child Maintenance Service standard was tightened. The benefit whose standard was relaxed was the one assessed externally, and the one performing worst. On the previous basis, the Department's overall performance would have been 69.8 per cent rather than the 76.7 per cent it reports.

These statistics have significant implications for claimants' livelihoods. Of the roughly 766,900 new PIP claims cleared in 2024/25 (the last year for which the Department published a breakdown of waiting times and the last under the 75-day standard), almost half (around 376,400) waited longer than 75 working days: 287,500 cleared within six months, a further 84,300 taking between six months and a year, and 4,600 waiting more than a full year for a decision on their claim.⁸⁴³ Reviewing this in January 2026, the PAC judged these wait times to be unacceptable, concluding that the Department had no adequate plan to bring them down in the short term.⁸⁴⁴

The 2025/26 figures show how this unevenness is produced. Performance on JSA collapsed from 51.5 per cent of new claims cleared on time to 14.3 per cent. ESA fell further to 19.6 per cent. The Department's explanation is candid: to meet the ministerial priority of moving claimants onto Universal Credit, 'experienced resource was redirected from JSA/ESA new claims'.⁸⁴⁵ At the same time, and by the same mechanism in reverse, CDLA was transformed – from 2 per cent of claims cleared within 45 days at the beginning of 2025 to 86.5 per cent in January 2026 (45.9 per cent annually) – after extra case managers were deployed to clear its backlog.⁸⁴⁶ The Department is plainly capable of turning a failing processing service around inside a year when it chooses to resource it. With no one accountable for the

843 Department for Work and Pensions (Mar 2026), 'The journey time distributions of Personal Independence Payments (PIP) new claims: 1 April 2024 to 31 March 2025'. Accessed via: gov.uk/government/statistics/the-journey-time-distributions-of-personal-independence-payment-pip-new-claims/the-journey-time-distributions-of-personal-independence-payment-pip-new-claims-1-april-2024-to-31-march-2025. (Accessed 2 July 2026)

844 Committee of Public Accounts (Jan 2026), p.5.

845 DWP (9 Jul 2026), p.80.

846 Ibid., p.60.

whole process, those decisions are taken service-by-service, and the claimants of whichever benefit is not this year's priority absorb the cost.

The Department is aware of its antiquated systems, diagnosing the problem in much the same way as this chapter. As a result, an organisation-wide programme called the Service Modernisation Programme (SMP) was launched in 2022/23 as the principal vehicle for change. On current plans, it is set to run through to 2032–33, though its funding is secured in stages.⁸⁴⁷ The SMP will seek to target the limited self-service, complex multi-process systems, manual data collection, and lack of data-sharing (in other words, the fragmentation of the departmental machinery) that blights the DWP's administration.⁸⁴⁸

The centrepiece of the SMP is the replacement of the legacy IT that prevents staff from obtaining a holistic view of a case. The Department is working on a three-year plan to cut the risks inherent in its outdated IT by 58 per cent by March 2028, measured against a mid-2025 baseline. The SMP is aimed in the right direction. It is also, in part, already delivering. The Department has reported having digitalised elements of the state pension, child maintenance, attendance allowance and maternity allowance, projecting a net return of around £1 billion over the programme's life.⁸⁴⁹ In the first year it reported a reduction of around 14 per cent against a 5 per cent target.⁸⁵⁰

However, successful delivery is far from assured. The Department's own annual report rated the programme's delivery risk as 'medium' due to the 'scale and complexity of the problem' in 2024/25.⁸⁵¹ This echoes the NAO's conclusions that despite the SMP resting on a 'good understanding of the issues', their 'scale and complexity' meant delivery was 'risky...and DWP is unlikely to achieve in the short term the improvements that are needed'.⁸⁵² The PAC was blunter still, remarking that 'major digital transformation programmes have often failed to deliver as intended, and government is struggling to modernise a legacy environment'.⁸⁵³

The SMP will not resolve the outsourcing of assessment, nor create a single owner answerable for the quality of the whole service. The likeliest outcome is a department that becomes quicker and more integrated for everyone while the shape of its service changes far more slowly. Outdated IT is only part of this problem. Whether the answer lies in drawing more of this provision in-house or in holding external providers to a single, enforceable standard of quality is not within the scope of this report. What is clear is the underlying flaw: with no one body answerable for the service a claimant experiences, the Department will remain prone to failing the same people at the seams between its parts.

AREA FOR REFORM

Explore ways of securing a high quality and accountable end-to-end service for claimants.

847 Department for Work and Pensions (May 2026), 'Service Modernisation Programme Accounting Officer Assessment (November 2025). Accessed via: gov.uk/government/publications/dwp-accounting-officer-assessments-for-the-government-major-projects-portfolio/service-modernisation-programme-accounting-officer-assessment-november-2025. (Accessed 2 July 2026)

848 NAO (Jul 2024), p.45.

849 Department for Work and Pensions (May 2026), 'Service Modernisation Programme Accounting Officer Assessment (November 2025)

850 DWP (9 Jul 2026), p.149.

851 Department for Work and Pensions (Jul 2025), 'Annual Report and Accounts 2024–25', p.27. Accessed via: assets.publishing.service.gov.uk/media/686f993d-10d550c668de3da5/dwp-annual-report-and-accounts-2024-to-2025.pdf. (Accessed 2 July 2026)

852 NAO (Jul 2024), p.12.

853 Committee of Public Accounts (Jan 2026), p.5.

Artificial Intelligence (AI)

While the Department is evidently beginning to realise the benefits of AI, it has only scratched the surface of its potential. On its own account, the Universal Credit Advances Model remains the only fraud and error machine learning model deployed at scale in live service. The Tony Blair Institute estimates that AI could free as much as 40% of the Department's employees' time. This is equal to a productivity gain of close to £1 billion.⁸⁵⁴ The considerable capabilities of AI could be harnessed to reduce backlogs, reimagine Jobcentres, and even reduce the long-term cost of benefits.

Yet currently, AI models are used sparingly to protect public money, flag claimants who may be at risk, and speed up routine processing. The department must go further. Several problems, however, obstruct the DWP from integrating AI further.

Most prominent among them is the Department's fragmented and disparate IT systems. Currently, legacy IT systems prevent caseworkers from viewing all the information the Department holds on a claimant. This confines models to the single system they reside within, preventing the development of a tool that requires a holistic view of a claimant across benefits. This is borne out by the algorithmic tools currently logged on the ATRS: the ESA Medical Matching Tool is only employed on the ESA computer systems, and the Predictive Analytics Compliance tool is also restricted to the Child Maintenance Service's systems. The SMP has the potential to fix this by integrating computer systems and opening the door to realising AI's potential within the Department. Until then, though, the efficacy of AI tools is hamstrung by the Department's inefficient legacy IT systems. Ultimately, there is little to gain from automating inefficiency.

The DWP has also struggled to turn its generative AI prototypes into operational services. In July 2024, it went to market seeking suppliers to help with delivery, scaling, integration and maintenance, noting that its AI and Innovation Directorate had already carried out a series of proof-of-concept experiments into generative AI.⁸⁵⁵ Six months later, documents released under freedom of information legislation revealed that at least half a dozen generative AI prototypes had been shelved, including tools intended to improve staff training and jobcentres, speed up disability payments and modernise communication systems.⁸⁵⁶ Two of these (Aigent and A-cubed) had been presented, in the DWP's 2023–24 annual report, as examples of what the technology might achieve. Officials recorded that the principal obstacle in moving from early testing to full use is making products scalable, reliable and thoroughly tested.⁸⁵⁷ This is to be expected: the test-and-learn approach thrives off innovative and flexible projects that the Department can learn from. However, it does not explain why, three years on, so few generative AI tools developed through the approach currently operate at scale.

As the AI revolution sweeps across the world, the Department must not be caught slacking. While the DWP has recognised the capabilities of AI and adopted a suitably entrepreneurial approach to developing generative AI, its fragmented IT systems are holding it back from fully unleashing the potential of AI within government.

854 Tony Blair Institute (July 2024), 'Governing in the Age of AI: Reimagining the UK Department for Work and Pensions'. Accessed via: [Governing in the Age of AI: Reimagining the UK Department for Work and Pensions](#). (Accessed: 14 September 2026)

855 Department for Work and Pensions (July 2024), 'DWP – Nexus AI (Market Information)'. Accessed via: [DWP - Nexus AI \(Market Information\) - Contracts Finder](#). (Accessed: 15 September 2026)

856 The Guardian (Jan 2025), 'AI prototypes for UK welfare system dropped as officials lament "false starts"'. Accessed via: [AI prototypes for UK welfare system dropped as officials lament "false starts" | AI \(artificial intelligence\) | The Guardian](#). (Accessed: 15 September 2026)

857 Ibid.

AREA FOR REFORM

Use the SMP's reorganisation and streamlining of departmental IT systems to unleash the full potential of AI to revolutionise the Department's operations.

7.2 Beyond the Department

The DWP does not hold a monopoly on welfare, but it does hold the key to most of it. As Chapter 3 explained, Universal Credit is not only a monthly payment but a passport: receipt of it confers eligibility for a sprawling array of further support administered from beyond the Department's borders. These 'passport benefits' provide more than £10 billion a year in support to working-age claimants alone, spread across more than a dozen schemes and almost every domestic policy department.⁸⁵⁸

There is a particular irony in Universal Credit occupying this position given that it was designed to abolish precisely this kind of amalgamation. *Dynamic Benefits* and the 2010 white paper on Universal Credit promised that the benefit-triggered thresholds passporting claimants to schemes such as FSMs and health support 'will no longer exist'. In their place, 'an income or earnings-related system that gradually withdraws entitlements' would ensure that support did not collapse all at once.⁸⁵⁹ A single, tapered award was meant to end the patchwork of benefits convoluting the welfare state. Instead, it has become the patchwork's foundation.

This architecture was never designed as a whole. Each scheme was added at a different time, by a different actor, under different rules, to fix different problems. No one is responsible for how these schemes interact or combine. This absence of design produces four distinct failures: support that never reaches those entitled to it; thresholds that punish work and saving; schemes run by bodies with no welfare expertise; and a reliance on in-kind support that poverty metrics do not see.

Passporting

Passporting is meant to make access automatic, and where it genuinely is automatic it largely works. In reality, much of the existing welfare architecture requires a claimant to know a scheme exists, identify that they qualify, make an application, and reapply when their circumstances change. In 2025/26, the value of unclaimed support was estimated as more than £745 million in water support and £1.5 billion in broadband social tariffs.⁸⁶⁰ The barriers to take-up are familiar: unawareness, complexity and stigma. The patchwork of schemes in question compounds all three by confronting the claimant with dozens of schemes, sets of rules, and application routes.

That this is a failure of design rather than of generosity is visible in the difference automation makes within a single scheme. FSM have ordinarily been claimed by a household recognising that it qualifies and applying, with 123,000 eligible children missing out as a result.⁸⁶¹ Where councils instead used data they already held to enrol eligible pupils automatically, take-up rose as high as 95 per cent.⁸⁶² Where

⁸⁵⁸ Onward (Feb 2026)

⁸⁵⁹ DWP (Nov 2010), p.45.

⁸⁶⁰ Onward (Feb 2026), p.12.

⁸⁶¹ Ibid, p.34.

⁸⁶² Ibid, p.36.

enrolment is automatic, the system delivers. Wherever it requires a household to act, take-up evaporates. The further a scheme sits from a single, automatic point of administration, less of its intended support arrives.

Work and saving

Entitlement for most passported benefits is conferred by various income thresholds. Given that each scheme's thresholds are set independently, a small rise in earnings can lead to the removal of several passported entitlements. This is unfair on households and, as we discussed in Chapter 5, can deter households from moving into work or seeking more hours.

The burden falls on those least equipped to manage it. In Healthy Start, eligibility is tested against earnings in a single month. As a result, a working parent whose income fluctuates can move in and out of entitlement multiple times within a single year. Of working Universal Credit households with children, only 56 per cent have earnings consistently below the scheme's limit, and 43 per cent breach it at least once per year, routinely losing eligibility with little to no warning.⁸⁶³

The same design punishes saving as well as earning. Help to Save pays low-income workers a government bonus of 50 per cent on the sums they put aside (up to £1,200 over four years) precisely to encourage them to build up a financial buffer.⁸⁶⁴ Yet the savings it rewards are counted as capital for Universal Credit, which reduces a claimant's award once their capital passes £6,000.⁸⁶⁵ One arm of the state offers a bonus to reward saving while another simultaneously withdraws support.

Moreover, these thresholds do not hold their value. Their decay is a second-order effect of the same fault. Inflation erodes the value of a fixed award and wage growth can lift households over a frozen eligibility line so that entitlement narrows year-on-year without any active decision. Given that this patchwork of support stretches across various departments and budgets, each frozen threshold is an inconspicuous saving that no single actor is best placed to act upon. The default state of this architecture is a slow and silent corrosion of support.

The £7,400 FSM threshold was set in 2018 and did not move for eight years.⁸⁶⁶ Even then, as a result of the 2026 expansion, this frozen line survives for the school funding it now gatekeeps. The adult social care capital limits (£23,250 above which a person funds their own care in full, £14,250 below which their capital is disregarded) have been frozen since 2010, drawing steadily more people into paying for their own care as asset values have risen around static thresholds.⁸⁶⁷ Many of the awards themselves are frozen: the SSMG has been fixed at £500 since 2002; Funeral Expenses Payment's cap on non-burial costs at £1,000 since 2020; VSB maximum at £1,200 since 2011. Each of these was initially set at a level related to the cost it was helping to meet, but over time has depreciated in real terms value. Table 7.2 sets out the scale of this drift.

863 Onward (Feb 2026), p.39.

864 GOV.UK, 'Get help with savings if you're on a low income (Help to Save)'.

865 Low Incomes Tax Reform Group (Apr 2026)

866 House of Commons Library (Oct 2025)

867 House of Commons Library (May 2024), p.10.

Table 7.2: Frozen thresholds and awards, nominal and real terms

Scheme	Level	Fixed since	Value today if uprated with CPI
FSM earnings threshold	£7,400	2018	c.£10,000
Adult social care upper capital limit	£23,250	2010	c.£37,300
Adult social care lower capital limit	£14,250	2010	c.£22,900
Sure Start Maternity Grant	£500	2002	c.£960
Vulnerable Students Bursary (maximum)	£1,200	2011	c.£1,850
Funeral Expenses Payment (non-burial cap)	£1,000	2020	c.£1,320

Note: Real-terms values are calculated by uprating each threshold or award by the change in the Consumer Prices Index (CPI) since the level was set, using the Office for National Statistics CPI all-items index (series D7BT, 2015=100). For each row, the original nominal value is multiplied by the ratio of the latest monthly index (August 2026) to the annual average index for the calendar year in which the level was fixed. Results are rounded to the nearest £10.

Source: CSJ analysis of Office for National Statistics, 'CPI Index 00: All Items 2015=100' (series D7BT), release of 16 September 2026

A coherent system would have a mechanism (whether that be statutory, automatic, or reviewed) for uprating rates and thresholds. In our current system, no such mechanism exists, with the ensuing result being a yearly narrowing of support.

Delivery

A great deal of this support is designed and delivered by organisations whose primary business does not relate to welfare. Water companies, broadband providers, and individual councils all perform a welfare function they are not equipped for. The predictable result is that each benefit run by one of these providers does the job on its own terms, unevenly.

Water social tariffs make this point most obviously. Support ranges from proportional discounts of 15 to 90 per cent to bills capped at between £66 and £450 a year, depending on the company.⁸⁶⁸ Eligibility is itself assessed in various ways depending on the administering water company: some companies test household income, some benefit receipt, and some the ratio of the bill to income. Inevitably, a household can qualify under one supplier's rules and not another's, even if they are in identical circumstances. The Social Market Foundation found that a low-income family in Reading, served by Thames Water, would receive no discount where an identical family in Basingstoke, served by South East Water, would have their bill capped at a generous rate.⁸⁶⁹

Broadband carries the same logic to its inevitable conclusion. Here, government neither funds, mandates, nor regulates the social tariffs that providers offer. As a result, the availability, price, and qualifying conditions of these tariffs rest entirely on each company's discretion.⁸⁷⁰ Although appearing to be a national scheme of discounted broadband for those on benefits, it is in fact a scatter of voluntary corporate offers that a claimant may or may not be able to access, depending upon who supplies them.

This pattern holds even where the state funds the scheme itself. The CRF hands each LA a grant to design its own support within broad central guidance so that what counts as a qualifying crisis, and what support it attracts, can differ from council to council. Variation, in other words, is not an accident but a feature built into the architecture, featuring wherever administration is devolved without a common standard to hold it to.

⁸⁶⁸ Onward (Feb 2026), p.45.

⁸⁶⁹ Social Market Foundation (Sep 2023), 'Bare necessities: Towards an improved framework for social tariffs in the UK', P.18. Accessed via: smf.co.uk/wp-content/uploads/2023/09/Bare-necessities-Sept-2023.pdf. (Accessed 3 July 2026)

⁸⁷⁰ Ofcom (Jun 2026)

Counting in-kind benefits

Many of these benefits are delivered in-kind rather than as cash. The government's headline poverty measure (relative income after housing costs) does not count all in-kind provision, meaning that the support a household receives is often invisible to the metric used to decide where support should go. The system simultaneously overstates the number of households in poverty and misdirects help away from those its schemes are already reaching. This problem is compounded by the schemes' inconsistency at the point of targeting. Schemes identify need in different ways (by annual earnings, benefit receipt, bill-to-income ratio etc.), meaning that there is no shared definition of who is poor enough to qualify.

None of this was unforeseeable. At Universal Credit's creation, the Social Security Advisory Committee was asked to examine how passported benefits should relate to Universal Credit, recommending a coherent, cross-government approach if new cliff-edges and fresh complexity were to be avoided.⁸⁷¹ Evidently, these recommendations were not implemented.

AREA FOR REFORM

Simplify in-kind and passported benefits and centralise delivery within government.

7.3 Conclusion: A broken state?

The familiar charge against the DWP is that it is failing. The evidence assembled in this chapter does not sustain such a black-and-white verdict.

Judged as a vast payment engine, the Department performs well. It moves £308.6 billion in benefits a year with 96 per cent accuracy.⁸⁷² It clears the State Pension within days for 96 per cent of claimants. In 2025/26, it substantially completed the final and most difficult phase of Universal Credit, migrating nearly 900,000 ESA claimants onto a system it reports as £500 million a year cheaper to run than the one it replaced.⁸⁷³ Its work coaches verify conditionality with near-total consistency across roughly 640 offices, its staffing model produces a sound estimate of need, and where a single team is endowed with end-to-end ownership of a task (such as the Advanced Customer Support network) it delivers well at scale.

However, the Department's tasks are frequently misallocated. The Jobcentre has almost incompatible functions. Responsibility for complex and relational employment support is routed through large prime contractors and standardised delivery structures, rather than being channelled through the specialist or local providers who are often more apt for delivery. Responsibility is diffuse in the Department's own administration: claims run through ageing systems, external assessors, and separate delivery groups, dispersing accountability across the DWP.

This misallocation reaches its terminal form beyond the Department. The sprawling architecture of support that surrounds the DWP has grown by accretion, with no one person or organisation responsible

871 Department for Work and Pensions (Mar 2012), 'Universal Credit: the impact on passported benefits', p.34. Accessed via: assets.publishing.service.gov.uk/media/5a74fd8eed915d3c7d5298a3/ssac-rev-of-pass-bens.pdf. (Accessed 6 July 2026)

872 Department for Work and Pensions (May 2026), 'Fraud and error in the benefit system: Financial Year Ending (FYE) 2026 estimates. Accessed via: [Fraud and error in the benefit system: Financial Year Ending \(FYE\) 2026 estimates - GOV.UK](https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system). (Accessed: 18 August 2026)

873 DWP (9 Jul 2026), p.76.

for how the schemes fit together or whether support actually reaches the people it is meant for. Responsibility is altogether absent.

These misallocations fall along a single fault line. The Department succeeds wherever the task is settled, verifiable, and resourced to the level the task demands. It fails wherever a task requires judgement, discretion or integration, and wherever the resource a rule-bound task needs has been redirected to a more urgent priority elsewhere. The tasks requiring human connection, judgement, and integration are repeatedly assigned to machinery simply not equipped to deal with it.

If this were a problem of execution, fifteen years of reform would have solved it. For reform has been near-continuous, changing the emphasis and aesthetics of support, but leaving the underlying architecture largely intact. *Get Britain Working* moved compliance to the background of a role that still fuses it with support. CtW retired PBR and improved the adaptability of contracting yet still buys from the same closed market that excludes the providers best suited to the hardest cases. The SMP, the most substantial of the reforms, strikes at a genuine structural cause by integrating the Department's systems, though its delivery is far from assured. None of these reforms are cosmetic: each addresses a real fault and each should improve a claimant's experience in some way. None tackle the flaws at the foundation of the Department's structure.

The DWP requires comprehensive reform. It is built as a vast payments engine, yet it is answerable for judgement, support, and the integration of complex need – tasks whose responsibility has been placed in the wrong role, handed to the wrong providers, dissolved across systems, or, beyond its borders, assigned to no one at all.

AREA FOR REFORM

Reallocate tasks within the welfare state to the area of government structurally best suited to deliver them.

Areas for reform

The boxes below show possible avenues for welfare reform that follow from our findings in *State of Dependency*. We will investigate these areas in the next stage of the *Welfare 2030* project. They are not final recommendations and our thinking on them will evolve as the project continues.

AREA FOR REFORM

Prioritise reducing the costs of necessities over subsidising demand for them within welfare.

AREA FOR REFORM

Encourage activities, whether work, exercising, or volunteering that raise individual health and wellbeing, within the health-related benefit system.

AREA FOR REFORM

Consider how non-cash support for non-severe long term ill-health challenges may better support claimants, in line with European examples.

AREA FOR REFORM

Enable regional growth through welfare, both directly – through incentives within the system and its structures – and indirectly – by freeing resources for investment.

AREA FOR REFORM

Connect welfare, immigration and employment policy to realise the productive potential of millions currently on out-of-work benefits rather than relying on migrant labour and to control the cost of benefit spending on non-British nationals.

AREA FOR REFORM

If technically and fiscally feasible, offer flexible assessment periods within Universal Credit

AREA FOR REFORM

Ensure the financial incentives in Universal Credit encourage 16- to 17-year-olds to take up work, vocational education, and/or apprenticeships.

AREA FOR REFORM

Incentivise full-time work at least as much as part-time work, regardless of whether the claimant is moving from worklessness or from fewer hours.

AREA FOR REFORM

Assess how to reduce the procedural barriers to registering as a couple within Universal Credit.

AREA FOR REFORM

Explore mechanisms to allow couples to split their joint Universal Credit payments between accounts.

AREA FOR REFORM

Explore the best way to balance the trade-off between work incentives and flexibility within the childcare cost element of Universal Credit.

AREA FOR REFORM

Reassess Universal Credit capital limits.

AREA FOR REFORM

Propose changes to the level and time of engagement between employees, employers, and occupational health prior to incapacity claims.

AREA FOR REFORM

Explore how to incentivise people not to medicalise ambiguous conditions or game the assessment system in order to claim health-related benefits.

AREA FOR REFORM

Consider different means of reducing the burden of claims and assessments on people with severe health needs.

AREA FOR REFORM

Re-evaluate the scope for the legal (re)interpretation of health-related benefit eligibility requirements.

AREA FOR REFORM

Assess how children's disability benefits might be aligned with the adult system.

AREA FOR REFORM

Propose ways to reduce the amount of people incentivised to medicalise social, behavioural, and mental conditions in order to claim children's disability benefits.

AREA FOR REFORM

Explore how to integrate support for Housing Benefit claimants within Universal Credit to reduce work disincentives, while allowing for the unique situations of such claimants.

AREA FOR REFORM

Build a clearer, more consistent system for funding specified accommodation.

AREA FOR REFORM

Explore how NS ESA and JSA might be integrated into Universal Credit.

AREA FOR REFORM

Explore how Carer's Allowance might be integrated into Universal Credit.

AREA FOR REFORM

Propose a way to align Council Tax Support more closely with Universal Credit.

AREA FOR REFORM

Explore ways to prevent the fusing of the compliance and support functions within the work coach role, ensuring neither undermines the other.

AREA FOR REFORM

Align Jobcentre staffing with the Department's own modelled need, on a funding cycle responsive to changes in the caseload.

AREA FOR REFORM

Rebuild the central support model on evidence drawn from today's caseload, allocating support at the point of claim according to assessed need, with the flexibility to respond to local labour markets.

AREA FOR REFORM

Increase funding stability for specialist providers as far as possible without locking the taxpayer into capacity that a wrong forecast leaves unused.

AREA FOR REFORM

Direct intensive employment support funding to the specialist, local, and small providers best equipped to deliver it.

AREA FOR REFORM

Explore ways of securing a high quality and accountable end-to-end service for claimants.

AREA FOR REFORM

Use the SMP's reorganisation and streamlining of departmental IT systems to unleash the full potential of AI to revolutionise the Department's operations.

AREA FOR REFORM

Simplify in-kind and passported benefits and centralise delivery within government.

AREA FOR REFORM

Reallocate tasks within the welfare state to the area of government structurally best suited to deliver them.



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