

# Supporting disabled people into work

A view from London

Matthew Oakley

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**SMF**

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## ABOUT THIS REPORT

This report assesses the employment situation of people who report themselves to have a long-term disability or health condition that limits the amount or type of work that they can engage in. For ease of reading, and to match the approach used in Government and across a wide range of organisations providing support to this group, throughout this report we refer to this group as disabled people. We recognise that this is a diverse group, so where possible we report findings for people with specific types of conditions and impairments, however, given the sample sizes in the data used, this has not always been possible.

## ACKNOWLEDGEMENTS

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We would like to thank all the universities who engaged with us throughout this research and whose insights were extremely helpful. Thanks also go to colleagues at the SMF for their intellectual input and support.

## ABOUT THE AUTHOR

### MATTHEW OAKLEY

Matthew Oakley joined the SMF as Senior Researcher in July 2015. Before joining the SMF Matthew had been Chief Economist and Head of Financial Services Policy at Which?, Head of Economics and Social Policy at Policy Exchange and an Economic Advisor at the Treasury. He has an MSc in Economics from University College London, where he specialised in labour economics and econometrics. Alongside SMF, Matthew is Director of WPI Economics. He also led the Independent Review of Jobseeker's Allowance sanctions that reported to Parliament in 2014.

## ABOUT TRUST FOR LONDON

Trust for London is one of the largest independent charitable foundations funding work which tackles poverty and inequality in the capital. It supports work providing greater insights into the root causes of London's social problems and how they can be overcome; activities which help people improve their lives; and work empowering Londoners to influence and change policy, practice and public attitudes. Each year it provides over £8 million in grants and at any one point is supporting some 300 voluntary and community organisations.

## EXECUTIVE SUMMARY:

This report provides new evidence on the labour market outcomes of Londoners with a work limiting condition or disability. While London has made progress in increasing disability employment in recent years, there is still much to be done if the Mayor of London's vision of a "...fairer and more equal city" is to be realised.

To deliver this, the report argues that the Mayor needs to leverage his role in convening and coordinating pan-London work to deliver a fundamental shift in the approach to increasing disability employment. This would establish a Disability Employment Taskforce with the remit of coordinating action, testing new approaches and reporting on progress towards increasing disability employment right across the capital. Success would deliver significant health, well-being and economic benefits as well as significantly reducing benefit expenditure in the Capital.

### Context

Increasing the employment rate of people with a work limiting health condition or disability has been a goal of many governments in the last few decades. However, previous SMF work has shown that progress has been slow. While employment rates have risen overall, so too have employment rates of the non-disabled population, meaning that the employment rate gap (a measure of disadvantage in the labour market) has remained stubbornly constant.

As well as this overarching picture of slow progress, it is also apparent that the experience of disabled people varies significantly across the country. In some areas, disability employment rates are approaching 70%, whereas in others they are around 35%. Combined with the fact that significant steps are being taken to devolve public spending decisions and services, this suggests that assessing the disability employment at a sub-national and local level and developing local policy solutions could have more traction than a nationally based approach.

This report assesses the situation for disabled people living in London and, where possible, breaks down the results in specific London boroughs. It analyses the potential implications of the UK Government's ambitions on disability employment and puts forward concrete proposals for the Mayor of London and boroughs to take action to improve the work prospects and outcomes of disabled people living in the Capital.

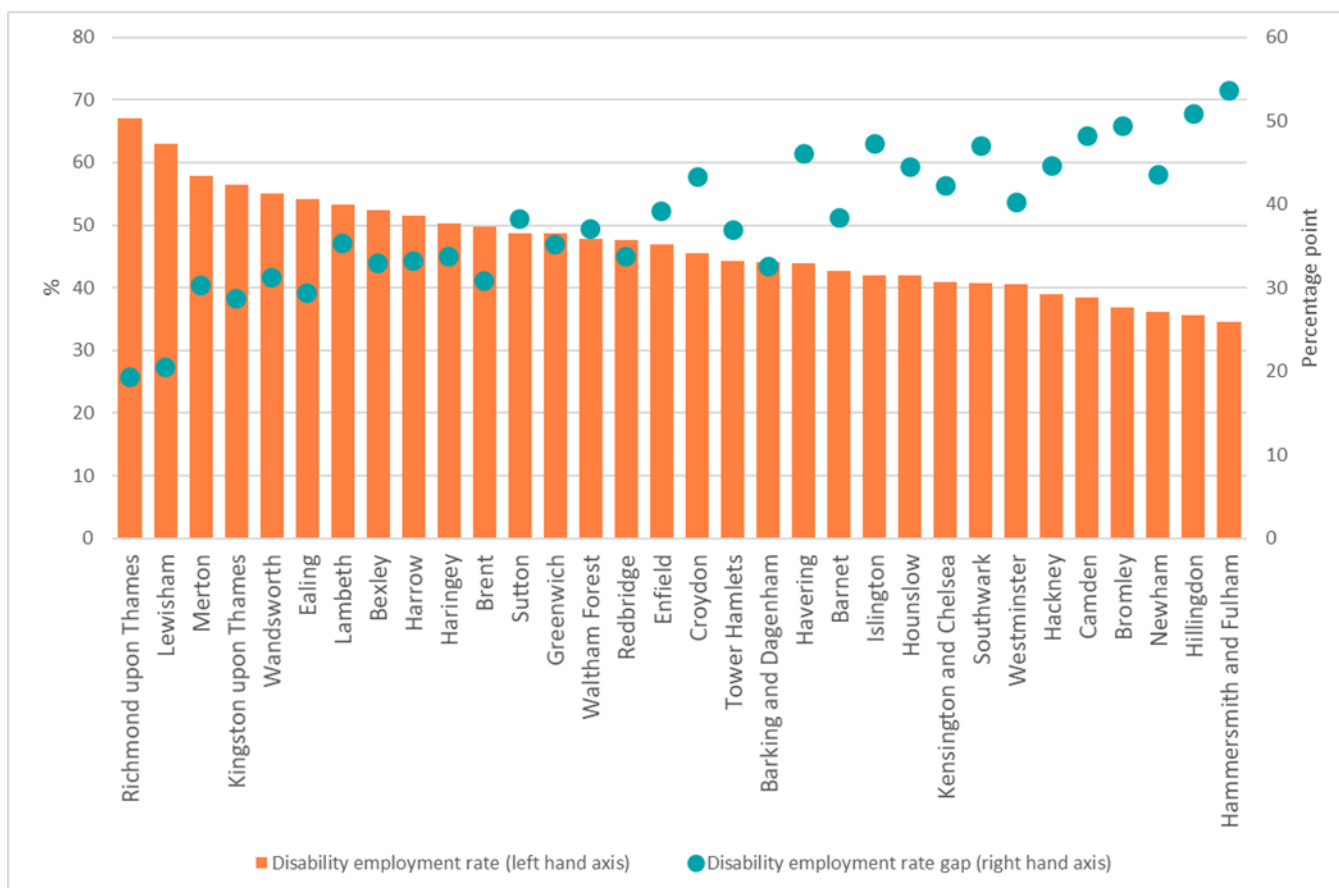
### Key findings

- The employment rate for disabled people in London stands at 46.5%. Meaning that some around 370,000 disabled Londoners are out of work.
- The equivalent for the non-disabled population stands at 85%, meaning that the disability employment gap in London stands at 38.5 percentage points, slightly lower than the national average of 41.5 percentage points.
- Average figures across London hide significant variation between the London boroughs, from a disability employment rate gap of 20 percentage points in Richmond to over 50 percentage points in Hammersmith & Fulham. (figure 1).
- While the disability employment rate gap across London has been falling over time, some boroughs, notably Croydon, Bromley, Sutton and Hillingdon have seen large increases in the disability employment rate gap. These had been amongst the best performing boroughs a decade earlier.
- While London's overall employment rate gap stands at 38.5 percentage points, and has fallen significantly since 2006, for those with a mental health condition, it still stands at 47.5 percentage points.
- If the current rate of progress in reducing the disability employment rate gap across London were continued until 2025, the gap would still be above 35 percentage points. This means that making significant progress on reducing the disability employment rate gap will mean taking much stronger action in future.
- However, this will not be easy. If London were to achieve the ambition of halving the disability employment rate gap as set out by the 2015 Conservative manifesto, it would need to see disability employment rise by 200,000 in the next 10 years. However, just 155,000 out-of-work disabled people currently want work, meaning that even if all of those people were helped to enter work, a large portion of those who do not

want to work will need to be supported to do so. There are a range of challenges to this, including that many of those who do not want work are constrained by the severity of their condition, their caring responsibilities and the fact that many have been out of the labour market for many years and have low or no qualifications, meaning that work is not always the right outcome.

- Out-of-work disabled Londoners are also likely to have a range of wider characteristics that are associated with labour market disadvantage and barriers to gaining employment. For example:
  - A growing proportion report having a mental health condition (32% overall), and our previous work has shown that (compared to those without another work-limiting condition) those with a mental health condition are 30% less likely to find work within a year.
  - The majority have low or no qualifications and have been out of work for five or more years.
  - The prevalence of work limiting conditions and disabilities is particularly high in deprived areas, where labour market opportunities are harder to come by.

**Figure 1: Disability employment rate and employment rate gap, by London borough, 2015**



Source: SMF analysis of Annual Population Survey. Notes: national average disability employment rate gap is 45.4 percentage points

### Policy recommendations

Taking action both across the Capital and in individual boroughs to improve disability employment is essential. Numerous reports, including previous research from the SMF have highlighted the huge personal, social and economic advantages to increasing disability employment. In a time of constrained public finances, other reports have shown the dramatic exchequer benefits to increasing disability employment.

London is already in a strong position. It has secured significant devolved powers with regards to health, skills and employment support and already has a number of successful programmes in place. The Mayor of London has also

already taken a strong step through his proposed compact with employers, the “Good Work Standard” and the London Healthy Workplace Charter. However, given the evidence above, it is clear that more is needed if the Mayor of London is serious about creating the “...fairer and more equal city” that he promised in his manifesto.

### Joining up action through a Disability Employment Taskforce

To do this, the Mayor could learn from the approach towards homelessness that has already been adopted in London and Birmingham. These have developed Taskforces focussed on bringing together the range of parties needed to make a real difference to develop intervention strategies and ensure that approaches are effectively joined up.<sup>1</sup>

#### Recommendation 1:

The Mayor of London should constitute a Disability Employment Taskforce, with the sole aim of increasing disability employment in the Capital. The taskforce should be comprised of representatives from disability charities (including Deaf and Disabled People’s Organisations, which are run by and for deaf and disabled people), service providers, central and local government and disabled people themselves. Building on the approach taken for the homelessness taskforces, it should play a number of roles:

1. Agreeing on an ambitious but realistic ambition for an increase in disability employment in the Capital over the next five and ten years. This should be at least as ambitious as the national ambition.
2. Developing and publishing a joint strategy to meet this ambition. This should include building partnerships between employers and service providers and providing details of how services will be coordinated, as well as developing a range of pilots targeted at increasing job entry and retention for disabled people.
3. Developing a dashboard to capture and analyse data from across London to understand progress on the ambition. Results should be broken down by Borough, demographics and condition type and should be published yearly.

### Focusing investment on disabled people

While a more joined up and coordinated local approach, coupled with innovation, is likely to deliver significant benefits in terms of outcomes, there is also a challenge of how to fund innovative programmes that could be developed. The future replacement of the European Social Fund provides a key opportunity.

#### Recommendation 2:

The Mayor of London should commit to allocating a share of the UK’s Shared Prosperity Fund to programmes that increase disability employment. The Mayor should ask the Disability Employment Taskforce to create a shortlist of innovative programmes, including both employers and services providers, that could increase disability employment and retention.

### Leveraging national support for local approaches

Central Government can also play a role in supporting local innovation, evaluation and the sharing of best practice across the country.

#### Recommendation 3:

To support local action, the national Government should launch a ‘Financing Future Health’ fund. This would set aside £1 billion for pilots that aim to provide better social, health and employment support for people claiming ESA.

Across the country, this could provide support to 400,000 people with around 50,000 of these being in the Capital. Other research has demonstrated that if just one-in-five of this group were supported into work, the reductions in benefits and increase in tax take would more than offset the exchequer costs over the course of the Parliament.<sup>2</sup> The benefits in terms of reduced health and social care costs and improved health and wider outcomes would be larger still.

## Conclusion

Overall, the benefits of increased disability employment in the UK and London are clear, but with the national Government focussed on Brexit and national programmes and ambition already being scaled down, the likelihood of success is low. This means that the Mayor of London must take action. He is ideally placed to use his convening and coordinating role to raise the profile of this issue, build a consensus on the way forward and take action that improves the lives of hundreds of thousands of the Capital's citizens.



## CHAPTER 1: CONTEXT

The Conservative party's 2015 and 2017 manifestos both outlined an ambition to dramatically increase disability employment rates in the UK. Previous reports from the SMF have outlined the scale of that challenge;<sup>3</sup> across the UK, the employment rate for disabled people currently stands at 45.5%. The equivalent rate for the non-disabled working age population is 87%. That leaves a disability employment gap of 41.5 percentage points and this is the level that the gap has stood at for at least 15 years.

This means that changing this situation and achieving significant increases in the disability employment rate would take significant policy and social changes. While challenging, the need to take action is clear; ensuring that all of those disabled people who are able and want to work are supported to actively engage in the world of work has significant benefits for the individuals involved, their families and the wider economy.

Previous reports from SMF outlined a framework for thinking about these issues and a set of policy proposals that, over time, could be used to make significant inroads into the disability employment gap.

Proposals were wide ranging and included:

- Ensuring that the national benefits system provides adequate support for those in need, while helping as many people as possible to enter work;
- Introducing a smarter system of requirements on disabled benefit claimants (conditionality) that loosens existing rules and recognises the barriers to employment that many disabled people face; and
- Consulting on, and introducing, a radical new system of social insurance that provides support to both employees (and the businesses that employ them) when they experience the on-set of a serious health condition or disability. Much like auto-enrolment, the scheme would be compulsory for all firms and would also compensate employers for the costs of Statutory Sick Pay.

This report builds on the foundations of that work. It is motivated by two observations:

1. First, it is apparent that, since our earlier work, much has changed in the national policy debate. For example:
  - Perhaps reflecting the scale of the challenge faced, the 2017 Conservative Manifesto significantly downgraded their ambition on disability employment; committing to increasing disability employment by one million people over ten years, rather than halving the gap.
  - Even if the ambition had remained, it is also clear that the Prime Minister is faced with a smaller majority in Parliament, and the fact that a large portion of Parliamentary time and civil service capacity will need to be dedicated to navigating a successful Article 50 negotiation and Brexit.

Both of these factors suggest that there will be less drive and opportunity to take forward the radical national programme needed to boost disability employment.

2. It is clear from previous analyses undertaken, that the experience of disabled people varies significantly around the country. In some local areas, there is no discernible disability employment gap. In others, it is as high as 80 percentage points. In the context of significant steps to devolve finances and services, including the introduction of Metro Mayors, this suggests that local policies to boost disability employment may be as important as national policies.

Each of these motivations show that understanding disability employment at the sub-national, regional and local level is as important as understanding the national picture. To add to this understanding, this report analyses the situation for disabled people living in London and, where possible, breaks down the results to show the situation in specific London boroughs. It analyses the potential implications of the downgrading of the Government's ambitions on disability employment and puts forward concrete proposals for the Mayor of London and boroughs to take action to improve the work prospects and outcomes of disabled people living in the Capital.

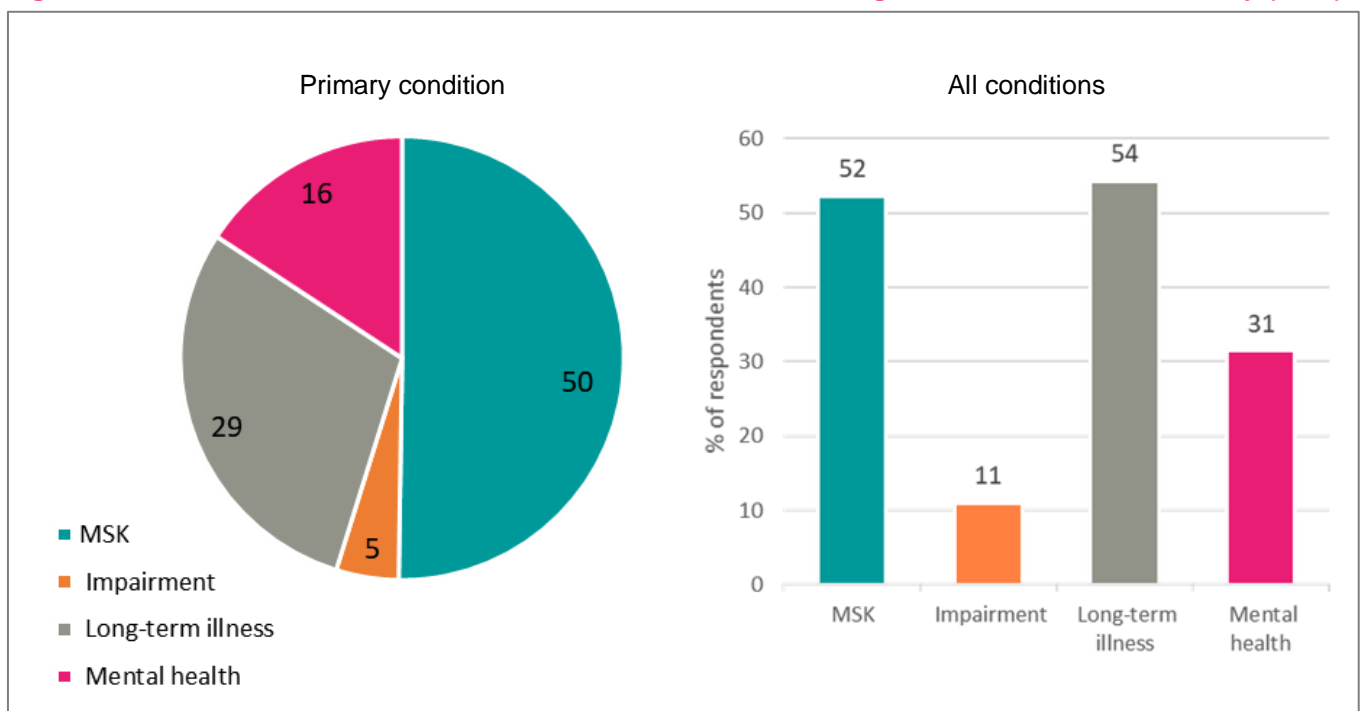
## CHAPTER 2: DISABILITY EMPLOYMENT IN LONDON

### Disability in London

Some 690,000 working age Londoners (12.9%) report having a work limiting health condition or disability. Of these, over half (50%) – see figure 2, report a musculoskeletal (MSK) problem as their primary condition, 29% a long-term illness and 16% a mental health problem.

As well as reporting the primary work-limiting condition, the Annual Population Survey allows respondents to report other conditions that they have. This allows us to better understand comorbidity and to explore the proportion of people who have each of the conditions, regardless of their primary condition. When all conditions are included in this way, more than half of disabled people report a long-term illness and nearly a third reporting having a mental health condition.

**Figure 2: Breakdown of conditions for Londoners with a work limiting health condition or disability (2015)**

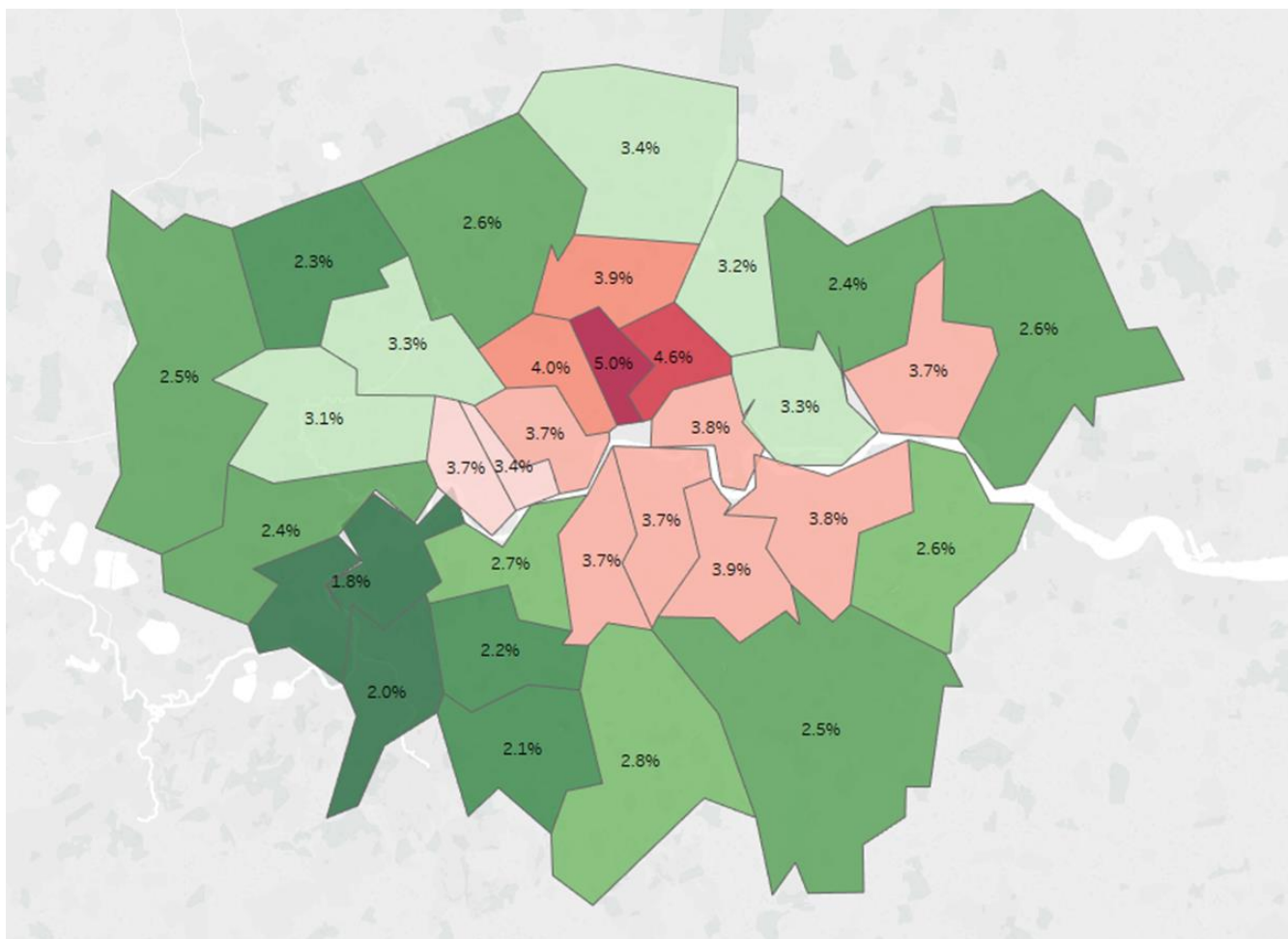


Source: SMF analysis of Annual Population Survey

### Out-of-work disability benefits in London

While one in eight working age Londoners report a work-limiting health condition or disability, just 3.15% of the working age population claims Employment and Support Allowance (ESA). Figure 3 shows that there is a large degree of variation in the proportion of the population claiming ESA across London boroughs, with inner London boroughs tending to have a far higher proportion of claimants than outer London boroughs.

**Figure 3: Working age ESA claimants as a proportion of the working age population, by London borough, 2015**



Source: SMF analysis of DWP Stat-Xplore, ONS

### London's disability employment rate gap

While it is helpful to assess the proportion of the population claiming out-of-work disability benefits, this measure understates the potential scale of the disability employment challenge, as it focuses solely on people claiming benefits. This is problematic for two reasons:

1. Some disabled people will choose not to claim disability benefits; and
2. Many out-of-work people with a work limiting health condition or disability will, in fact, end up claiming Jobseeker's Allowance, rather than disability benefits.

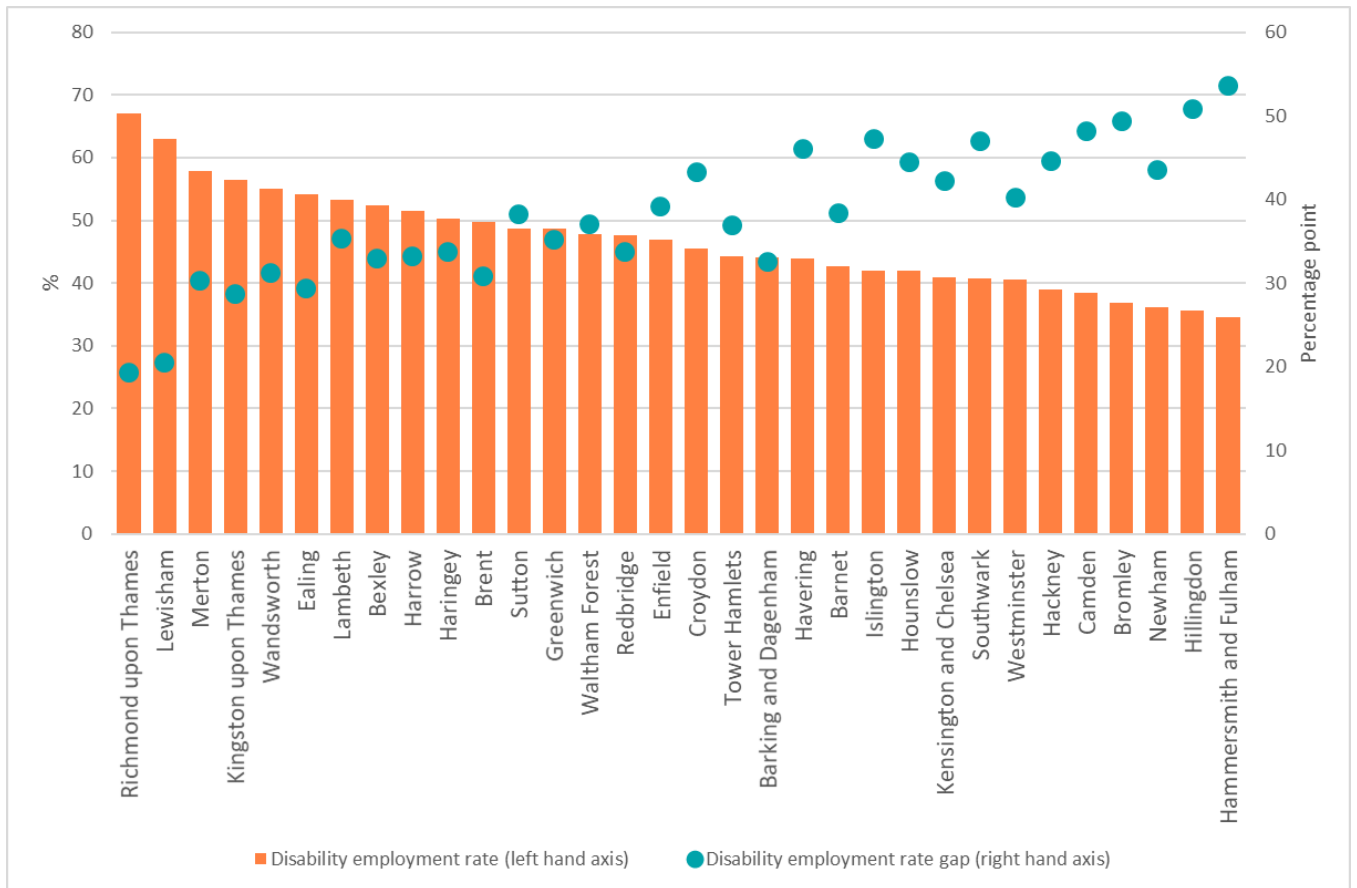
For this reason, unless otherwise stated, the rest of this report focuses on assessing the employment status and characteristics of the group of people identifying themselves as having a work-limiting health condition or disability.

The employment rate for this group of disabled people in London stands at 46.5%. The equivalent for the non-disabled population stands at 85%, meaning that the disability employment gap in London stands at 38.5 percentage points.

This means that the disability employment gap in London is slightly lower than the national average. However, these average figures across London hide significant variation between the London boroughs. Figure 4 shows employment rates of disabled people in each of the London boroughs. At their highest, these reach over 60% in Lewisham and Richmond upon Thames. At the other end of the scale, six London boroughs, including Hackney,

Newham and Hammersmith and Fulham, have disability employment rates that are below 40%. Unsurprisingly, figure 4 also shows that, the employment rate gap is higher in areas with low rates of disability employment.

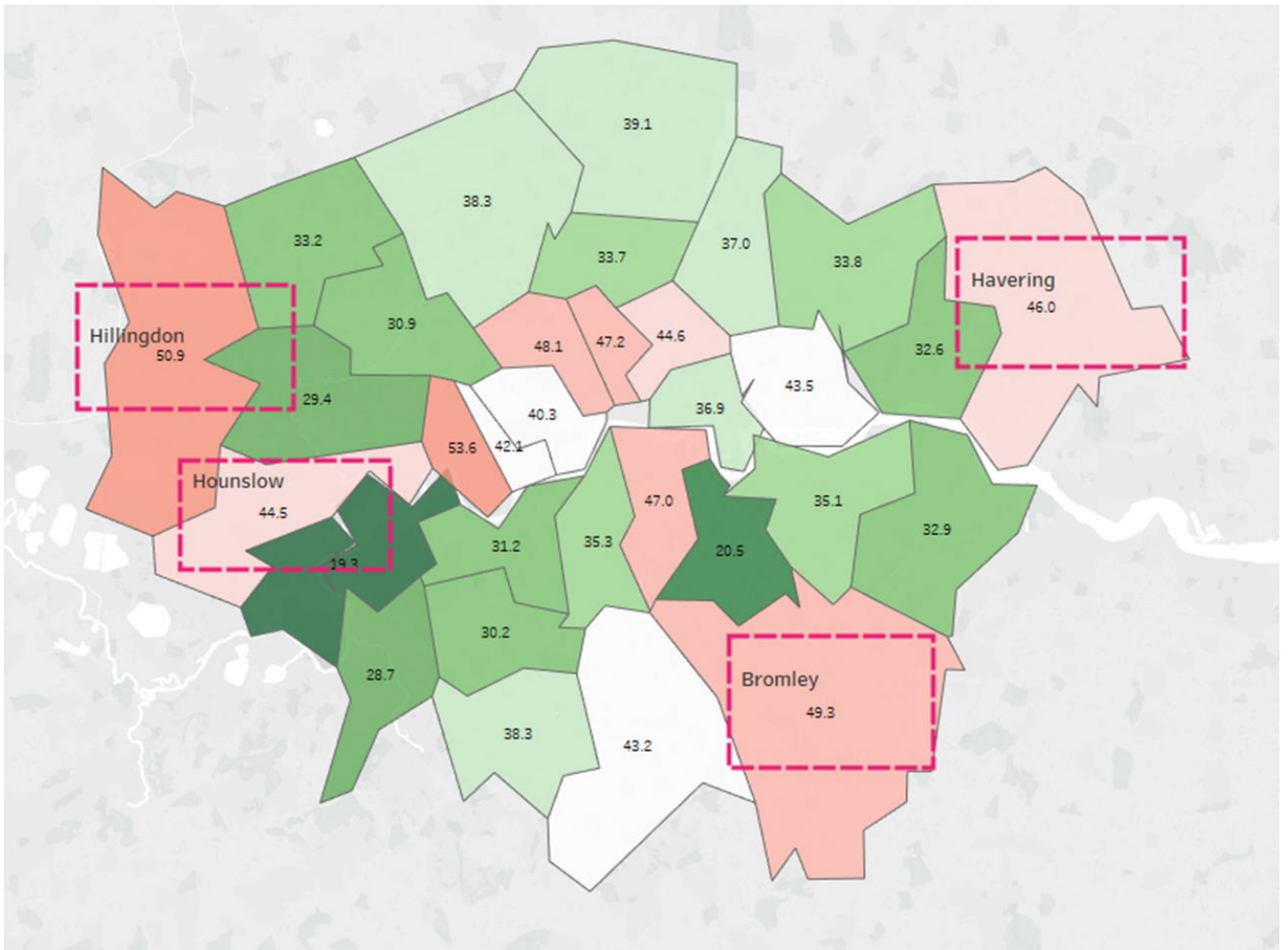
**Figure 4: Disability employment rate (%) and employment rate gap (percentage point), by London borough, 2015**



Source: SMF analysis of Annual Population Survey

Figure 5, demonstrates how London boroughs perform against the national average of the disability employment rate gap. Boroughs shaded green perform better than the national average (have a lower disability employment gap), while boroughs shaded red perform worse (have a higher disability employment gap). Comparing this figure with figure 3 demonstrates that relying on ESA claims as a proxy for the labour market challenges faced by disabled people can be misleading; some of the boroughs with the lowest ESA claim rates, have the highest disability employment rate gaps. Four such boroughs are highlighted on the figure.

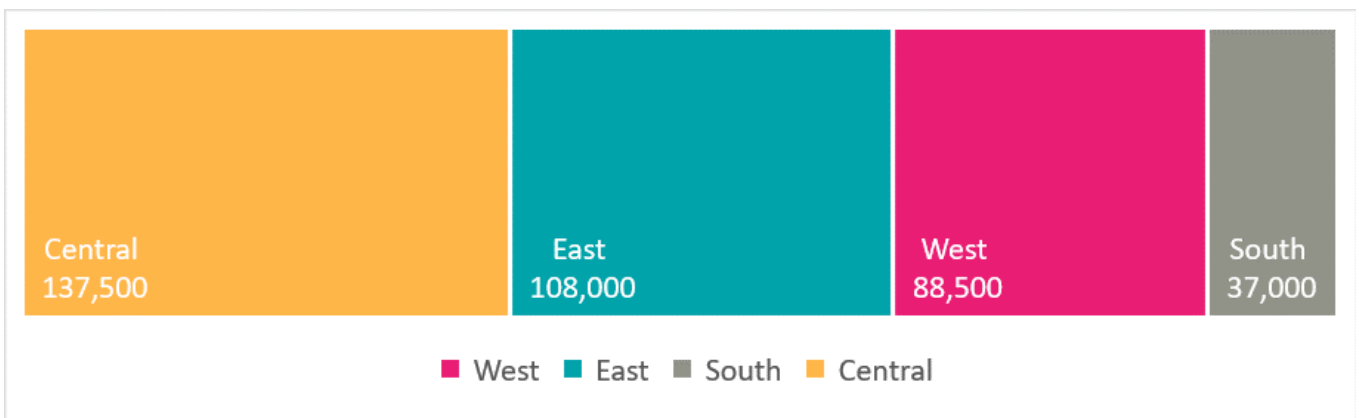
**Figure 5: Disability employment rate gap, by London borough – compared to national average, 2015**



Source: SMF analysis of the Annual Population Survey

Overall, these results show that, by this definition, there are around 374,000 out-of-work disabled people living in London. Figure 6 shows how this group is distributed across the sub regions of the Capital.

**Figure 6: Population of out-of-work disabled people in London sub-regions, 2015**



Source: SMF analysis of the Annual Population Survey

Figure 7: Summary statistics by London Borough, 2015

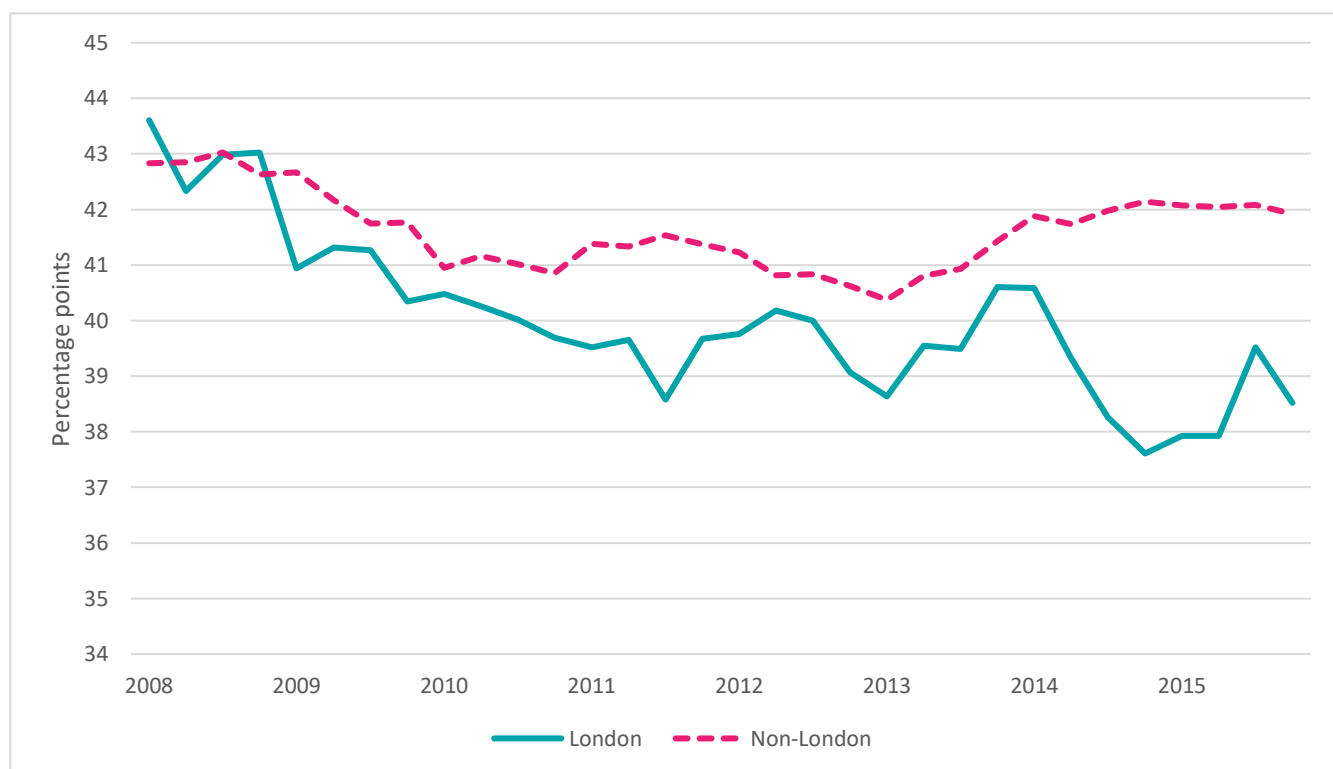
London borough	Disability	Employment		Primary condition				Any condition			
	Rate of disability (%)	Disability employment rate (%)	Disability employment rate gap (pcp)	MSK	Impairment	Illness	Mental health	MSK	Impairment	Illness	Mental health
Barking and Dagenham	16.5	44.1	32.58	61.2	5.0	23.1	10.8	61.5	12.8	57.4	20.8
Barnet	12.4	42.8	38.35	44.3	2.7	34.8	18.2	50.1	5.8	50.1	28.0
Bexley	11.3	52.4	32.88	41.9	2.1	32.2	23.9	47.4	9.4	47.6	33.7
Brent	14.9	49.8	30.85	54.8	3.5	34.1	7.5	53.7	9.6	66.8	20.3
Bromley	11.2	36.8	49.34	55.6	9.0	17.1	18.3	55.7	14.6	39.1	29.4
Camden	17.7	38.5	48.11	53.5	8.9	29.2	8.4	56.6	15.7	54.3	38.4
Croydon	13.1	45.4	43.20	56.1	1.4	31.5	11.0	61.0	15.1	69.3	37.4
Ealing	10.6	54.2	29.38	43.1	3.5	42.6	10.9	46.7	6.8	62.3	22.2
Enfield	11.7	46.9	39.09	46.3	3.4	31.5	18.8	46.5	4.5	44.9	33.9
Greenwich	15.4	48.7	35.12	69.8	3.4	20.8	6.1	65.8	10.2	60.0	34.0
Hackney	15.2	38.9	44.64	58.3	2.0	29.1	10.6	55.7	7.4	47.2	34.3
Hammersmith and Fulham	9.8	34.6	53.61	52.9	4.6	26.6	15.8	53.7	12.6	56.6	37.1
Haringey	14.0	50.3	33.72	53.4	3.5	27.7	15.4	54.1	8.6	53.6	30.3
Harrow	10.1	51.6	33.21	51.2	5.2	32.5	11.1	50.4	11.0	52.0	26.5
Havering	13.3	43.8	45.99	46.8	6.4	29.0	17.8	50.2	19.4	59.2	37.4
Hillingdon	12.6	35.6	50.86	47.6	3.1	26.2	23.1	46.6	7.9	42.7	28.6
Hounslow	13.2	41.9	44.46	51.1	1.4	29.0	18.4	60.3	9.3	58.3	31.8
Islington	13.1	41.9	47.21	47.8	1.5	29.9	20.8	49.8	7.3	55.3	35.1
Kensington and Chelsea	12.5	40.9	42.14	48.1	8.5	27.1	16.2	47.4	15.6	55.6	35.3
Kingston upon Thames	9.7	56.4	28.73	45.7	2.6	29.6	22.2	44.9	8.2	47.0	35.2
Lambeth	12.8	53.3	35.31	50.8	3.4	22.4	23.4	47.3	7.5	43.6	39.8
Lewisham	13.2	63.0	20.51	47.5	3.9	27.8	20.8	55.3	11.5	51.4	31.9
Merton	11.6	57.9	30.24	55.3	4.5	26.9	13.4	58.5	13.9	56.2	23.2
Newham	11.1	36.2	43.48	46.9	6.5	35.0	11.6	47.2	10.9	60.9	24.4
Redbridge	13.5	47.6	33.76	54.0	4.7	35.4	5.9	58.8	13.4	60.8	17.5
Richmond upon Thames	8.0	67.0	19.27	36.1	5.9	34.4	23.7	41.2	11.0	45.4	33.9
Southwark	14.0	40.7	47.01	40.3	3.4	29.0	27.4	43.5	9.5	53.0	41.9
Sutton	10.6	48.7	38.28	42.8	18.0	21.4	17.8	43.6	26.5	52.4	39.1
Tower Hamlets	10.9	44.2	36.89	42.3	6.1	33.5	18.1	48.8	10.6	56.6	40.0
Waltham Forest	13.5	47.8	36.98	50.7	2.8	27.9	18.7	52.0	7.5	47.4	28.4
Wandsworth	7.7	55.1	31.15	46.1	5.2	30.7	18.0	45.3	9.4	55.9	24.1
Westminster	15.9	40.6	40.25	47.1	9.0	30.3	13.6	53.5	18.0	60.4	35.1

Source: SMF analysis of Annual Population Survey Jan-Dec 2015.

## Disability employment rate gap over time

London has also performed better than the average in terms of reducing the disability employment rate gap over the last ten years. Figure 8 shows that since 2008, the disability employment rate gap in London has fallen from around 43.5 percentage points to 38.5 percentage points. This is a significantly better performance than the rest of the UK where, after falling from around the same starting position a decade ago, the last couple of years have seen the gap increase to 41.5 percentage points.

**Figure 8: The disability employment rate gap (percentage points) over time, in London and outside of London**



Source: SMF analysis of Annual Population Survey Jan 2005 – Dec 2015

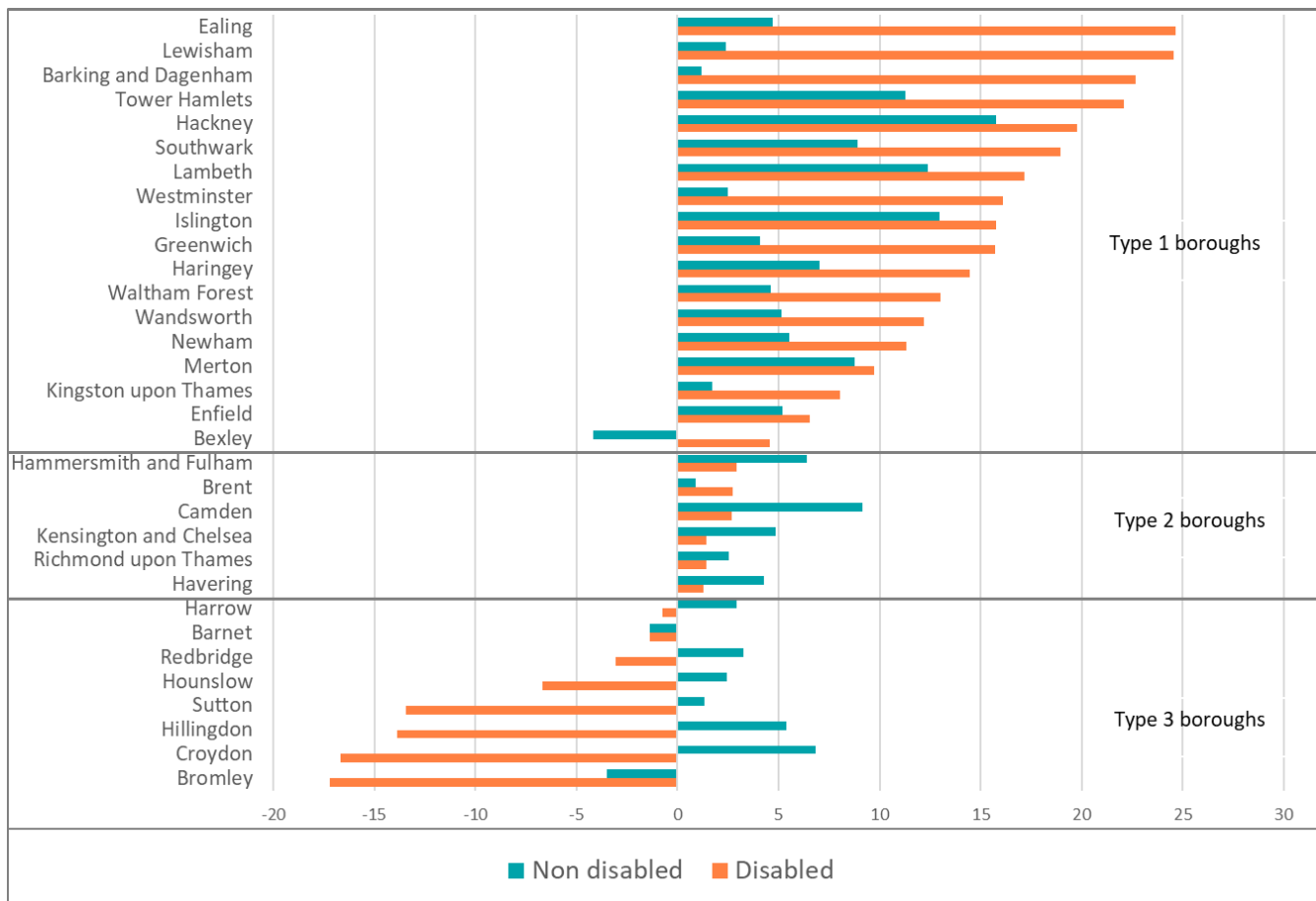
This cross-London strength hides significant variations between London boroughs. The majority of boroughs (20) saw the disability employment rate gap remain constant or fall. However, despite an overall fall in the disability employment rate gap across London, 12 boroughs saw the disability employment rate gap rise between 2005 and 2016. Differences in experience are driven by changes in employment rates in both the disabled and non-disabled population in each borough. Figure 9 suggests that there are three broad experiences that different boroughs saw between 2005 and 2016:

**Borough type 1:** A large proportion of boroughs that saw large increases in disability employment rates. On the whole, these increases have not fed through into similar size reductions in the disability employment rate gap, as the employment rate of the non-disabled population has also risen. However, they have all seen a reduction in the disability employment rate gap.

**Borough type 2:** A small proportion of boroughs where disability employment rates increased, but the non-disabled employment rate increased by more. Overall, this led to a small increase in the disability employment rate gap in these areas; and

**Borough type 3:** Another small proportion of boroughs where, as a result of falls in the disability employment rate and increases in the non-disabled employment rate, the overall disability employment rate gap has increased significantly.

**Figure 9: Changes in employment rates (percentage point) for disabled and non-disabled population (2005-2015), by London borough**



Source: SMF analysis of Annual Population Survey Jan 2005 - Dec 2015

It is hard to unpick exactly what is driving these different experiences from the data available in the APS alone, however it does provide some insights. In particular, the experiences of the three broad categories of boroughs correlate with the initial strength of their labour markets. For example: in 2005, type 1 boroughs had an average non-disabled employment rate of 78% and an average disability employment rate of 33%. This compares to 83% and 52% respectively for type three boroughs (and 81% and 44% for type two boroughs). Overall, this suggests that between 2005 and 2016, boroughs with initially lower employment rates caught up with those with initially higher employment rates. Interestingly, this particularly benefited disabled people and has meant that, over the same period, the variance of performance on the disability employment rate gap has narrowed across London boroughs. The drivers of these changes are likely to be due to a mix of labour market, regeneration, public policy and social changes in each of the areas. Future research would benefit from developing this understanding further.



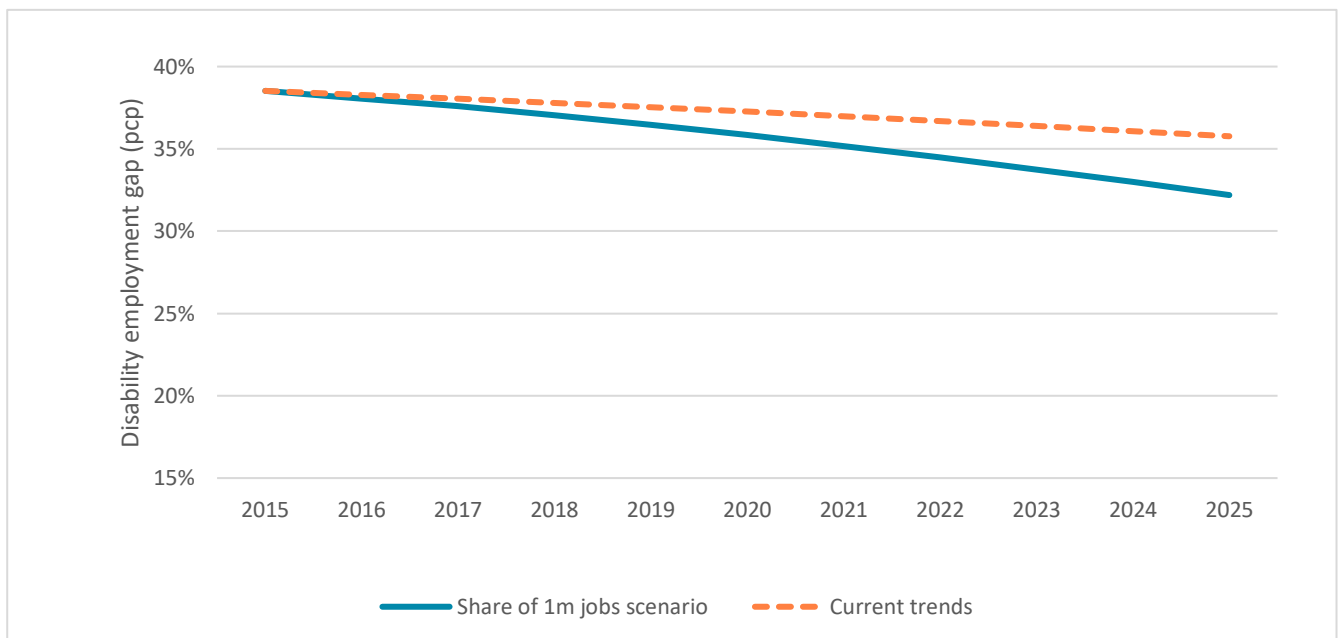
## CHAPTER 3: WHAT THE GOVERNMENT'S COMMITMENTS TO CLOSING THE GAP MEAN FOR LONDON

Chapter 2 outlined the progress that has been made in London in terms of reducing the disability employment gap. However, there is clearly still a long way to go, and in some boroughs, disability employment rates have been moving in the wrong direction.

The fact that employment levels and rates of the general population are increasing, and London's population is projected to grow in the coming years, makes reducing the gap even more challenging. To understand how much more needs to be done, we have used projections of future population growth from the GLA and our own analysis to show how the disability employment gap in London might evolve over the next ten years.

Figure 10 shows that, even if current rates of improvement continue, the disability employment gap would still be above 35 percentage points by 2025. It compares this to the situation that would exist if the Government's ambition of increasing disability employment by one million in the next ten years were achieved. If the Government achieves its ambition, the improvement is significantly less than one might expect. This is because the overall population of adults and employment levels (and potentially rates) in London are also projected to increase in the next 10 years.

**Figure 10: Disability employment rate gap to 2025 with current trends and the Conservative manifesto commitment**



Source: SMF modelling using Annual Population Survey & GLA population projections

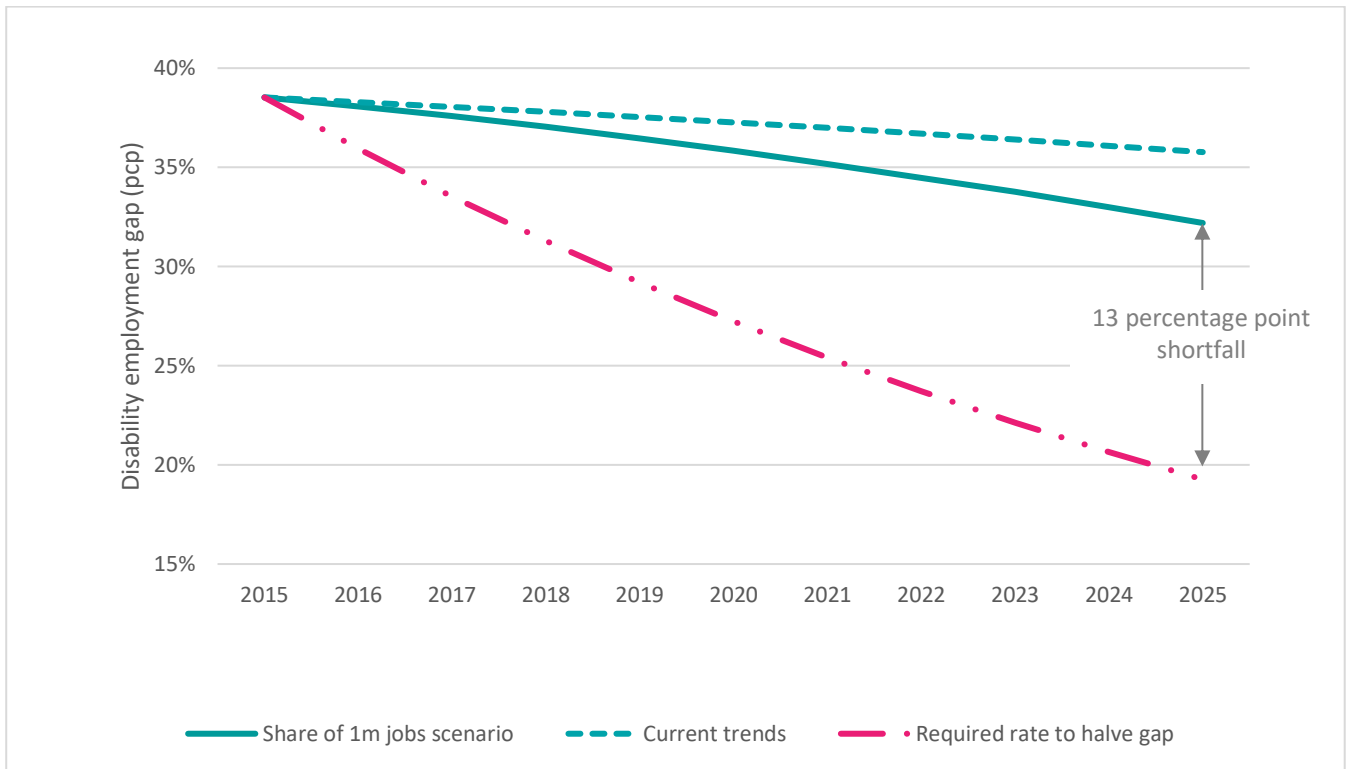
This means that, under the scenario where the Government's one million target was hit, the disability employment rate gap in London in 2025 would still stand at 32 percentage points.

Figure 11 demonstrates that this represents a shortfall of some 13 percentage points from the previous ambition of halving the disability employment rate gap. In tangible terms, to halve the disability employment rate gap, our modelling suggests that disability employment in the Capital would need to rise by close to 200,000. If London only increased its level of disability employment in line with the new national ambition, the number of disabled people employed in the Capital would be 90,000 lower than would have been the case if the gap had been halved.

As well as the obvious impacts on outcomes including experience of poverty, poor health and wellbeing of these individuals and their families, this shortfall would result in significant extra spending for the Exchequer. Based on

DWP analysis, we estimate that this shortfall could have an Exchequer impact of around £1 billion a year in the Capital alone.<sup>4</sup> The economy would also be smaller and overall wellbeing and living standards lower.

**Figure 11: Shortfall in current ambition compared to halving the gap**



Source: SMF modelling using Annual Population Survey & GLA population projections

Conversely, if London were to achieve the ambition of halving the disability employment rate gap, these would all be tangible benefits that could be enjoyed by the Capital.

## CHAPTER 4: THE SCALE OF THE CHALLENGE IN LONDON

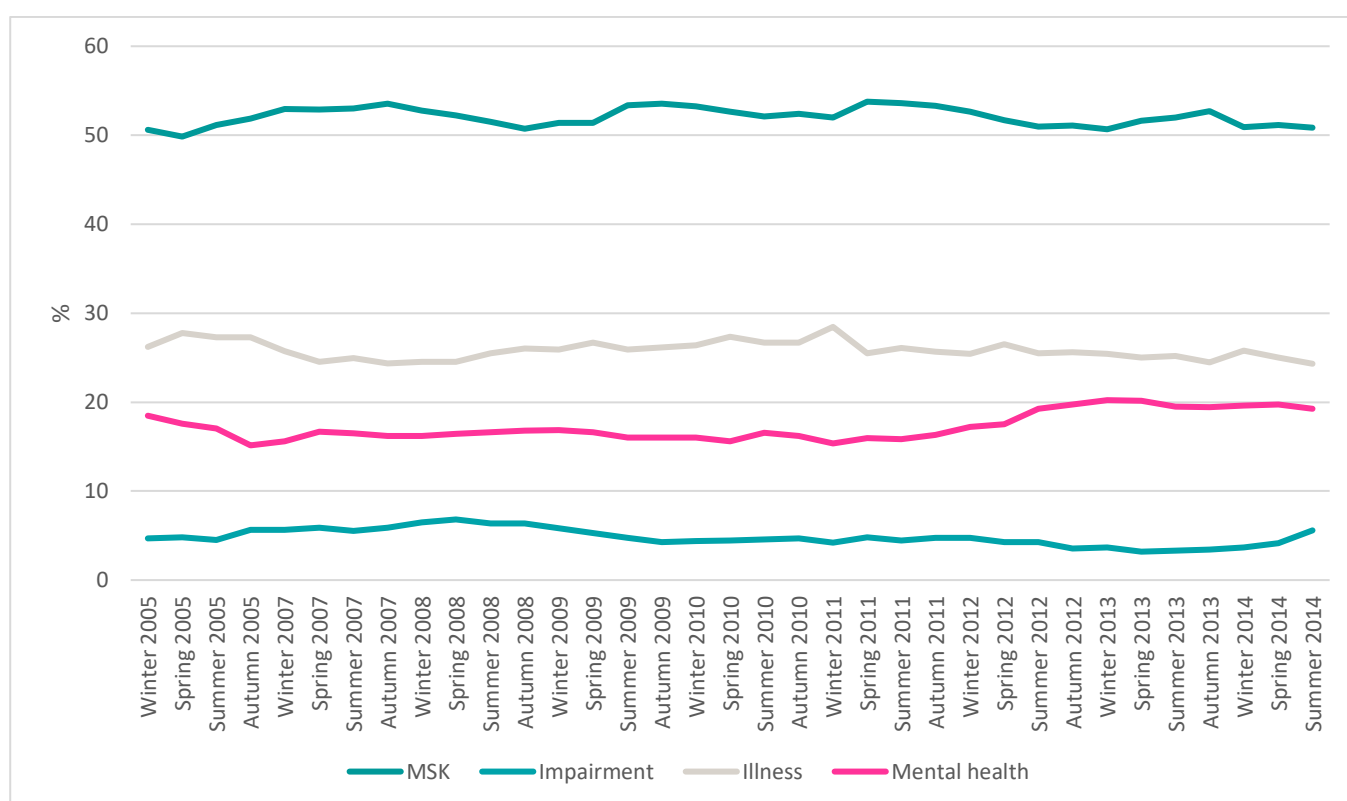
To understand the extent to which significant improvements in the disability employment rate (and reductions in the gap) might be possible, it is important to understand the nature of both disability and disability employment in London.

### Breakdown of disability by condition

The first consideration is the type of disability or health condition that out-of-work disabled Londoners have.

Figure 12 shows results for the first condition reported by disabled people. It demonstrates both that the most commonly first-reported issues are musculoskeletal (MSK) and that over the last ten years, the proportions of people reporting each of the conditions has remained relatively stable; the only discernible trend is a slight increase in the proportion of people reporting mental health conditions in the last five years (although noting that the proportion is now similar to what it was 10 years ago, after falling in the early 2000s).

**Figure 12: Breakdown of disability by condition type (first reported condition), for those working age disabled Londoners not in work**

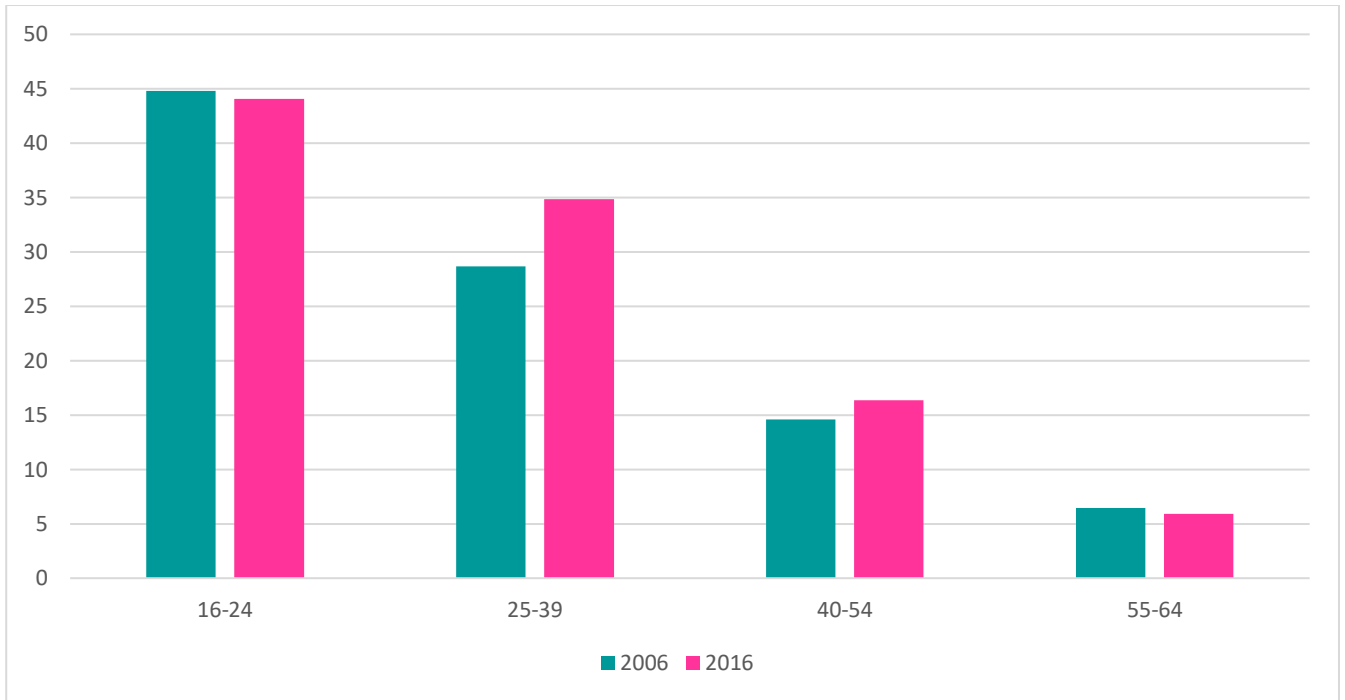


Source: SMF analysis of Annual Population Survey

However, these headlines across all ages mask significant differences in how the incidence of mental health conditions has evolved for different age groups. Figure 13 shows that there has been a significant increase in 25-39-year-olds who report mental health problems first when asked.

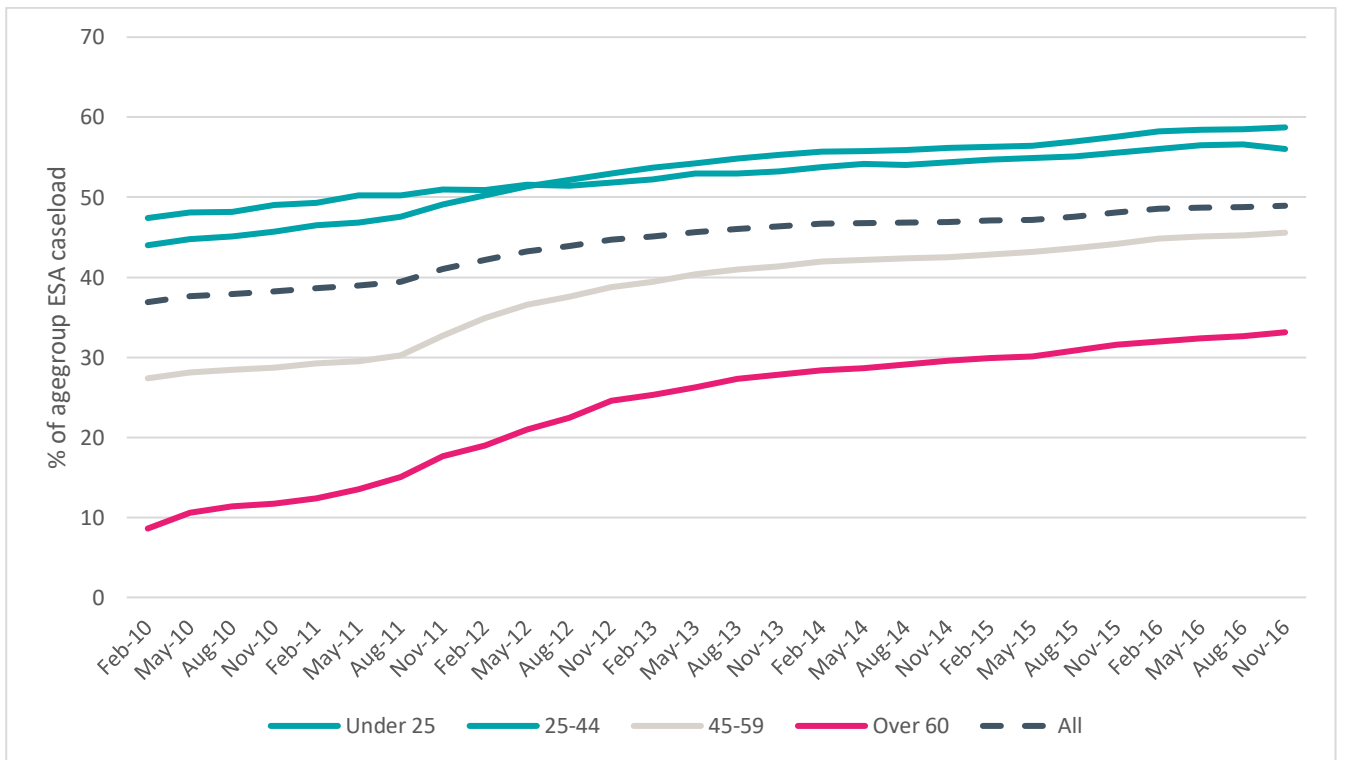
These trends can also be seen in data on the reason for claiming Employment and Support Allowance. Figure 14 shows both that over half of those aged under 45 are claiming for mental health and behavioural disorders and that the proportion of all claims that are for these disorders has risen steadily since 2010 (when the measure began).

**Figure 13: Prevalence of mental health conditions as first reported work-limiting condition, by age group of out-of-work disabled Londoners**



Source: SMF analysis of Annual Population Survey

**Figure 14: Proportion of ESA claimants in London claiming for mental and behavioural disorders, by age group**

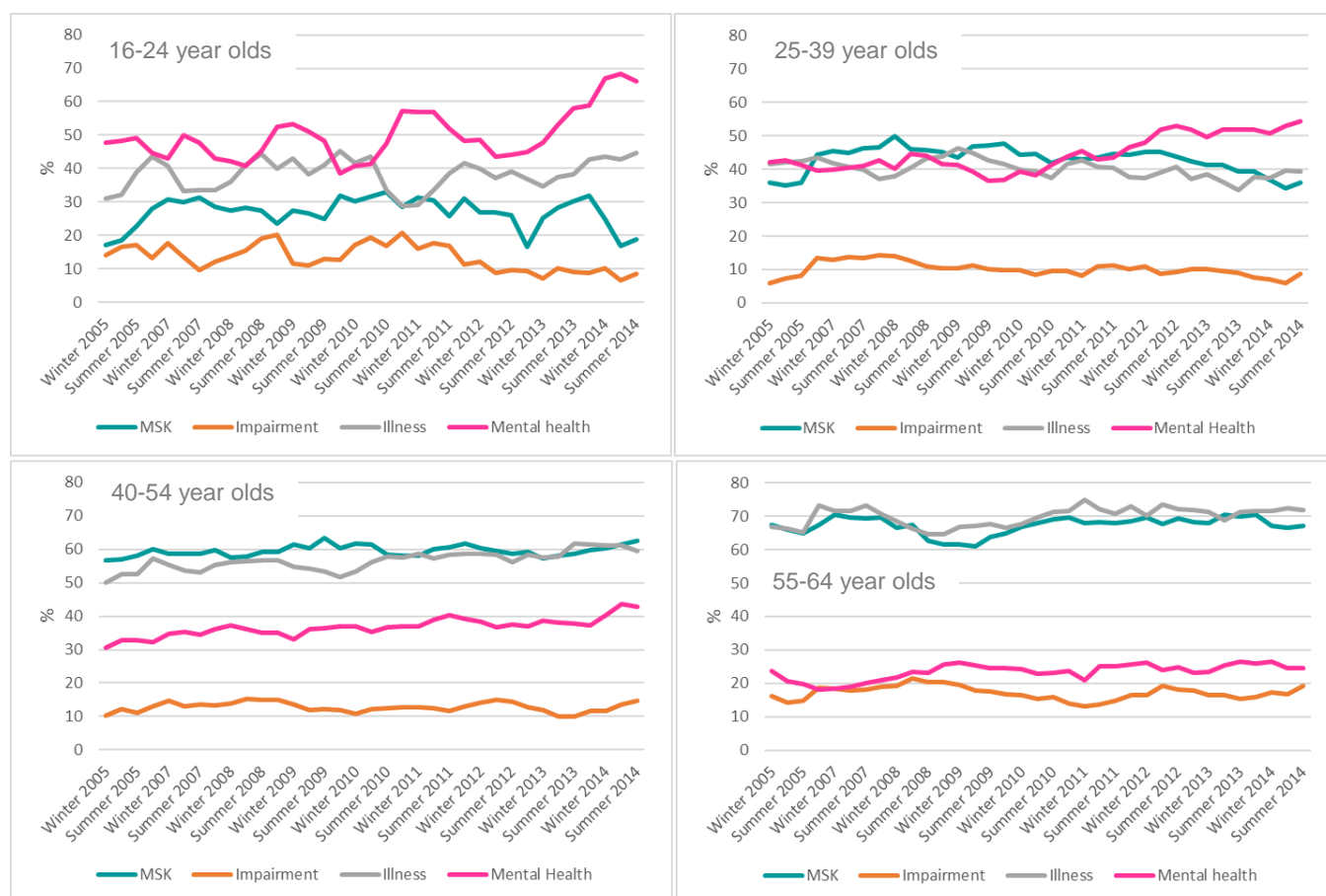


Source: DWP, Stat-Xplore

The differences by age group are also clear when considering all reported conditions. Figure 15 uses data from the Annual Population Survey to show the proportions of each age group who report having each of the work limiting conditions (regardless of which they reported first). It highlights large increases in the incidence of mental health conditions for out-of-work disabled people over the last ten years, of all ages apart from those aged over 55.

The increases are particularly large for out-of-work 16-24-year-old Londoners with a disability or health condition; 64% of this group now report having a mental health problem (up from 48% in 2006).

**Figure 15: Proportion of disabled Londoners out of work and reporting each condition (any, not first condition), by age group**



Source: SMF analysis of Annual Population Survey

A similar trend can be seen when looking at the whole work-limited population in London (including those who are in work); in 2006, 24% of Londoners with a work-limiting condition reported having a mental health condition. In 2015, the equivalent stood at 32%.

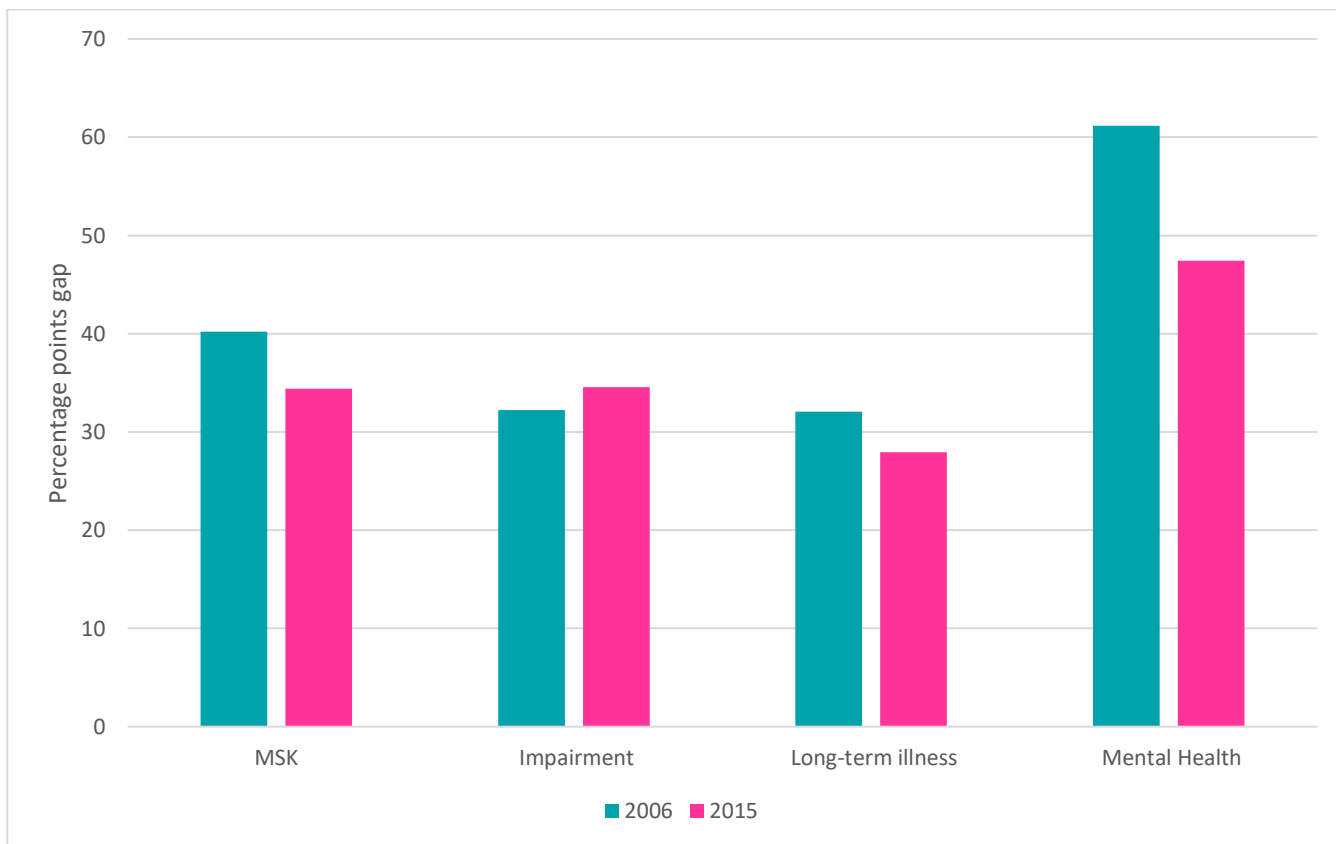
The reasons behind this trend are likely to be twofold; an increased in the prevalence of mental health conditions as workplaces and society has changed and an increase in awareness and reporting of mental health conditions.

Whatever the driver, this increasing prevalence of mental health conditions for work-limited Londoners is important because the chances of finding employment varies by condition type. Previous SMF work demonstrated that those with mental health conditions are 30% less likely to find work within a year than those with other conditions. As such, it should be no surprise that the disability employment gap also varies significantly by the type of disability or health condition that people have and that it is particularly high for people with a mental health condition.

Figure 16 shows the disability employment rate gap for London, by condition type (using the first condition type reported by the individual). While London's overall employment rate gap stands at 38.5 percentage points, and has

fallen significantly since 2006, for those with a mental health condition, it still stands at 47.5 percentage points. This reflects the fact that less than one in three people (32.7%) with a work limiting mental health condition in London are currently employed. Figure 16 also shows that, for most conditions, disability employment rate gaps fell between 2006 and 2015. There is a particularly large fall in the employment gap for those reporting mental health as their primary condition, however the gap is still significantly higher for this group than for each of the other condition types.

**Figure 16: Disability employment rate gap by first reported condition**



Source: SMF analysis of Annual Population Survey

### Labour market activity of disabled people in London

Previous SMF work highlighted the importance of understanding the nature of labour market activity for disabled people who are out of work (i.e. whether they want work and / or are looking for work). The report highlighted research which demonstrated the likelihood of disabled people moving into work, conditional on their labour market activity. It showed that close to 30% of disabled people who were already looking for work found work within a year, compared to less than 3% of those who did not want work.

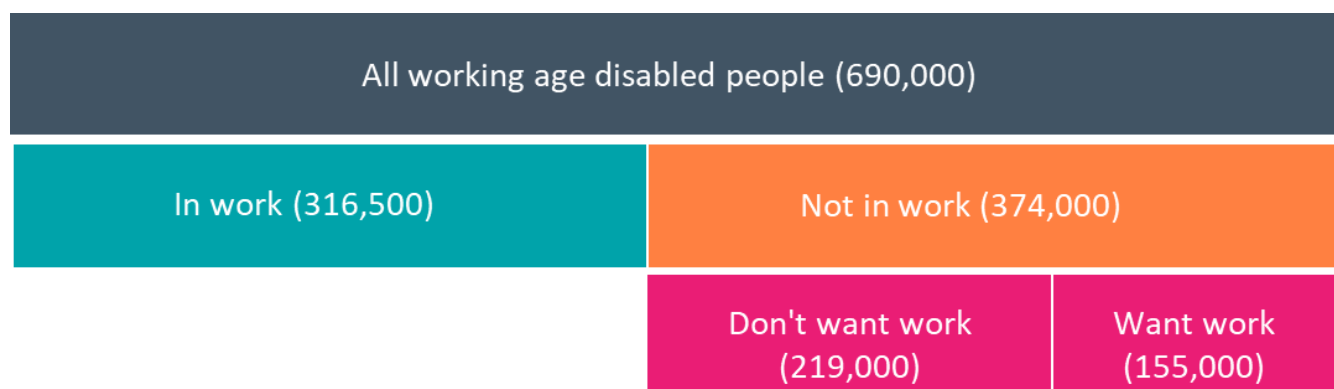
In many respects, the findings from this analysis are unsurprising; for many of those who do not want work, the severity of their health condition or disability will make it extremely unlikely that work is a viable or attractive short (or even long)-term option.

However, while unsurprising, it does have significant implications for the likelihood of achieving any given increase in the disability employment rate. It suggests that, where a large proportion of the out-of-work disabled population want and are already seeking work, increasing the employment rate is likely to be comparatively easy. Policy interventions may include increasing access to personalised and targeted employment support or working with employers to overcome barriers to disability employment.

Conversely, where a large proportion of the out-of-work disabled population does not want work, increasing the disability employment rate is likely to be difficult. At the very least, it will take longer and will require a far broader range of policy interventions than those simply targeted at labour market engagement and employment support.

In the context of London potentially needing to help 200,000 more disabled people into work to halve the disability employment gap (including the impact on population growth and employment rate growth), this presents a real challenge. Figure 17 shows that, of the 374,000 out-of-work disabled Londoners, less than half (of 155,000) actually want work.

**Figure 17: Labour market activity of disabled people in London (2015)**



Source: SMF analysis of Annual Population Survey

This means that to halve London's disability employment rate gap, as well as helping all of those who are not in work, but want it, to find employment, many of those who do not currently want work would need to be supported to find and stay in work.

### Characteristics

The challenge that this represents is demonstrated by figure 18 which shows characteristics of disabled Londoners by their labour market activity. It demonstrates that, the groups not seeking or wanting work have characteristics associated with greater difficulty in finding work. For example, nearly three in four disabled people who are not seeking work have either low (less than GCSE) or no formal qualifications. This puts them at a significant disadvantage in finding work.

Another example is that, as previous SMF research has shown, compared to those whose last job was less than three months ago, those whose last job was over five years ago or who had never had a job were over 90% less likely to find work in the next year. Figure 18 demonstrates that, for both groups of disabled people that are not seeking work, over 70% have spent at least five years out of work. This figure is even about half of the group of disabled Londoners who want work and are seeking it.

**Figure 18: Characteristics of disabled Londoners, by labour market activity (2015)**

Group	Median age	Low or no qualifications (%)	Last job was over 5 years (or never had one) (%)	Able to start work within two weeks (%)
Disabled and employed	44	36.6	-	-
Disabled and seeking work	42	56.4	53.4	82.0
Disabled, not seeking work but would like it	49	68.1	71.4	21.0
Disabled and do not want work	50	74.1	80.8	-

Source: SMF analysis of Annual Population Survey

## More than just disability

Our analysis also suggests that improving disability employment and reducing the disability employment gap is about far more than just supporting individuals. A clear example of the reason for this is demonstrated in figure 19. The figure shows that both the rate of disability in the population and the disability employment rate vary significantly by Local Authority and both are clearly correlated with deprivation scores.<sup>5</sup> Local Authorities with higher deprivation scores have far higher rates of disability and much lower disability employment rates. For example, Local Authorities with the highest deprivation scores have disability employment rates that are around 50 percentage points below those of the Local Authorities with the lowest deprivation levels.

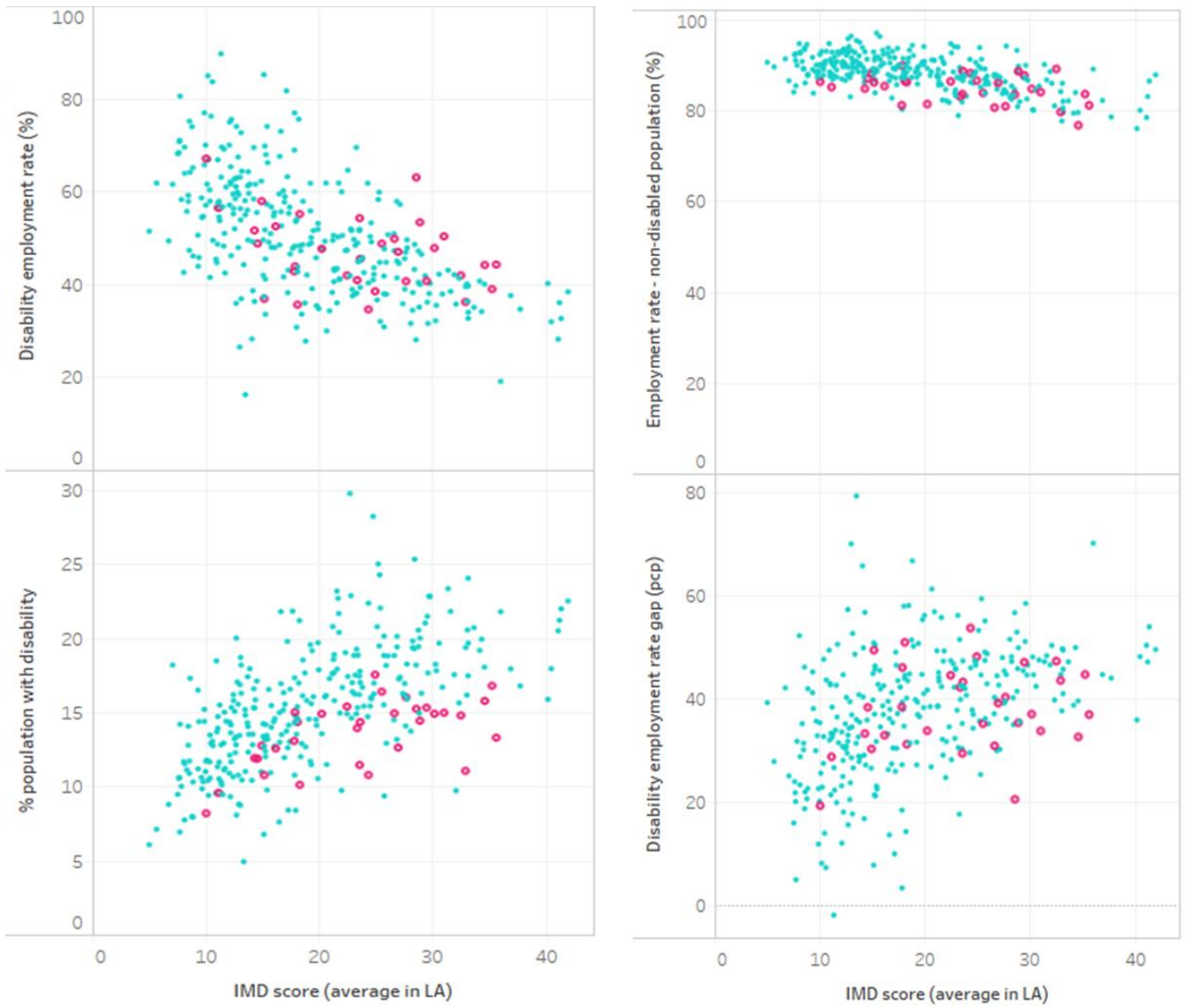
In contrast, the variation in the non-disabled employment rates is far smaller, with less than a fifteen-percentage point variation in employment rates between Local Authorities with the highest and lowest deprivation scores.

This means that, across all Local Authorities there is a strong correlation between the disability employment rate gap and deprivation scores; each 10-point increase in deprivation score is associated with an increase in the disability employment rate gap of over 6 percentage points.

The figure demonstrates that these relationships hold across all Local Authorities and for London boroughs (shaded in pink). However, it is interesting to note that the relationship between the disability employment rate gap and IMD scores is less strong in London boroughs; while in general, areas in London with a higher IMD score see higher disability employment rate gaps, there are some boroughs (e.g. Lewisham and Barking & Dagenham) who have a high IMD and relatively low disability employment rate gap. This demonstrates, that whilst an important contributory factor, the characteristics of local areas are not the only things driving different experiences of the disability employment rate gap.



Figure 19: Employment, disability and deprivation by Local Authority, 2015



Source: SMF analysis of Annual Population Survey. Note: London boroughs shaded in pink.

## CHAPTER 5: WHAT CAN LONDON DO?

### Why take action?

Over the last ten years, London has (on average) performed better than many other parts of the UK in terms of increasing the disability employment rate and reducing the disability employment rate gap. However, this report has shown that the disability employment rate gap in London is still sizeable. It currently stands at 38.5 percentage points, and some 374,000 disabled people across London are out of work.

There are also stark differences across London boroughs. Some have increased disability employment dramatically in the last 10 years, however, others have performed poorly, with the disability employment rate gap increasing.

Taking action both across the Capital and in individual boroughs to improve this situation is essential. Numerous reports, including previous research from the SMF have highlighted the huge personal, social and economic advantages to increasing disability employment. In a time of constrained public finances, other reports have shown the dramatic exchequer benefits to increasing disability employment.

### What is already happening?

To some extent these benefits have already been appreciated and a number of programmes are already underway. For example:

- A cross departmental team has been developed between the Department for Work and Pensions and the Department of Health and Social Care, and the Government has published its work, health and disability green paper in November 2016.
- As part of the 2014 London Growth Deal, Central London Forward (the organisation representing the eight “central” London boroughs) designed and rolled out a new employment support programme (Working Capital) to provide support to ESA claimants.
- Boroughs across London are piloting and rolling out programmes to support people with mental health conditions into work. For example, the Increasing Access to Psychological Therapies programme (IAPT) aims to provide support to people experiencing mild to moderate mental health difficulties. So far, across London, the scheme has supported 60,000 people and 2,300 people have moved off benefits or sick pay.<sup>6</sup> The Individual Placement and Support (IPS) model is also used by a number of boroughs focussed on supporting people recovering from mental health conditions and additions to gain and sustain employment.
- There are also a wide range of local services and programmes delivered by individual London boroughs and local charities.

Many of these programmes and approaches have had a positive impact and are likely to have contributed to the success that London has already had in increasing disability employment.

### Why more action is needed

However, on their own, these approaches will not be enough to meet the challenge of tackling the disability employment rate gap in London. There are a number of reasons for this:

- The 2016 Green Paper received a lukewarm reception and, arguably, lacked a clear vision for a fundamental change in the support and opportunities provided to disabled people. The subsequent 2017 response to the consultation exercise, outlined a range of helpful but incremental approaches. It also recognised that more significant reforms would be needed in the future if the ambition of increasing disability employment by one million people was to be achieved, and committed the Government to a programme of research and consultation to inform those future changes.
- Support provided locally in London needs to be seen in the context of national support programmes that are being scaled back. For example, the introduction of the Work and Health programme has signalled a dramatic shrinkage in the coverage of specialist employment support. Estimates from

2016, suggested that up to 45,000 fewer disabled people would have access to specialist employment support between now and 2022.<sup>7</sup>

- While London sub-regions have successfully navigated a route to co-commissioning of the new programme and, in some cases, may top up funding with any European Social Fund money committed before the UK leaves the EU, the scale of employment support for disabled people in the Capital is still likely to fall.
- Increased recognition of, and support for, people living with mental health conditions is a positive step forward, but with 170,000 out-of-work Londoners and 120,000 in-work Londoners reporting mental health conditions, it is clear that the scale of the existing support is just not going to meet potential demand.
- Other employment programmes, pilots and wider health, housing and social care policies may prove effective for relatively small numbers of people. But, again, the scale of the ambition will do little to meet the scale of the challenge.

This means that if the Capital is serious about tackling the disability employment rate gap and if the Mayor of London is serious about creating the “...fairer and more equal city” he promised in his manifesto, much more will need to be done.<sup>8</sup>

### What more is needed?

The challenge is that there are no easy answers. What is clear is that delivering large increases in disability employment rates will require significant change. It will require improvements both in the number of disabled people who enter and re-enter work after a spell out of work and in the proportion of those experiencing the onset of a new or fluctuating condition, who are able to remain in work.

The benefits system clearly has a role to play here. For example, the system of Statutory Sick Pay (SSP) currently does little to support those experiencing a period of sick leave to remain in contact with work, manage their condition or seek to re-enter work where possible. It has regularly been criticised as being a one-way-street to longer-term sickness benefits including Employment and Support Allowance.<sup>9</sup> The Government is likely to consult on the future of SSP in 2018, but with little legislative time outside of the requirements of Brexit, it seems unlikely that fundamental reform of either SSP or the wider system of benefits including ESA and Personal Independence Payment is likely to be forthcoming in the next few years.

With that in mind, there is a clear need to focus on responses that do not require statutory powers and that can be used to provide practical support to disabled people and employers to boost disability employment and retention. International evidence suggests that these responses will need to be based on multi-agency strategies, with personalised support centred around the needs of the individual. They will also need to ensure both buy-in and support from business leaders and changes in the attitudes of society as a whole and disabled people themselves. Importantly they will also need to be developed hand in hand with disabled people.

Given the failure of central Government to deliver a clear and ambitious strategy to do this, there is a clear role for this to be taken forward and led by local policymakers. It is also clear that, while good work has been undertaken in the joint health and work unit between the Department for Work and Pensions and the Department of Health and Social Care, such a coordinated and joined up approach is more likely to emerge from initiatives developed and closer to where services are delivered. Examples of this can already be seen in Greater Manchester and, indeed, in the Capital.

This suggests that this is an area where the Mayor of London could leverage his role in convening and coordinating pan-London work to deliver a fundamental shift in the approach to increasing disability employment.

The Mayor has already taken a strong step in this direction through his proposed compact with employers, the “Good Work Standard”.<sup>10</sup> The call for evidence for this new approach highlighted disabled people as one group for whom labour market inequalities still exist. It also set out a range of development goals that employers should aspire to, including embedding diversity and inclusion and strengthening their approach to workforce health and

wellbeing and the understanding of mental and physical health. On the latter, the London Healthy Workplace Charter already exists and has close to 200 employers signed up.<sup>11</sup>

### Joining up action through a Disability Employment Taskforce

To ensure that these new initiatives have the impact that they need to, it is essential to build on the work of wider national and local programmes, including IAPT, IPS and a range of support already provided by businesses and charities. To do this, the Mayor could learn from the approach towards homelessness that has already been adopted in London and Birmingham. These have developed Taskforces focussed on bringing together the range of parties needed to make a real difference to develop intervention strategies and ensure that approaches are effectively joined up.<sup>12</sup>

#### Recommendation 1:

The Mayor of London should constitute a Disability Employment Taskforce, with the sole aim of increasing disability employment in the Capital. The taskforce should be comprised of representatives from disability charities (including Deaf and Disabled People’s Organisations, which are run by and for deaf and disabled people), service providers, central and local government and disabled people themselves. Building on the approach taken for the homelessness taskforces, it should play a number of roles:

1. Agreeing on an ambitious but realistic ambition for an increase in disability employment in the Capital over the next five and ten years. This should be at least as ambitious as the national ambition.
2. Developing and publishing a joint strategy to meet this ambition. This should include building partnerships between employers and service providers and providing details of how services will be coordinated, as well as developing a range of pilots targeted at increasing job entry and retention for disabled people.
3. Developing a dashboard to capture and analyse data from across London to understand progress on the ambition. Results should be broken down by Borough, demographics and condition type and should be published yearly.

### Focusing investment on disabled people

While a more joined up and coordinated local approach, coupled with innovation, is likely to deliver significant benefits in terms of outcomes, there is also a challenge of how to fund innovative programmes that could be developed. One clear route to deliver more funding into this area would be to ensure that, (following Brexit) when the European Social Fund is replaced by the UK’s Shared Prosperity Fund, a significant proportion of this fund is targeted on programmes that support increases in disability employment. As these funds are likely to be devolved, the Mayor should commit to ensuring that part of London’s share of the fund is available to fund disability employment pilots.

#### Recommendation 2:

The Mayor of London should commit to allocating a share of the UK’s Shared Prosperity Fund to programmes that increase disability employment. The Mayor should ask the Disability Employment Taskforce to create a shortlist of innovative programmes, including both employers and services providers, that could increase disability employment and retention.

### Leveraging national support for local approaches

The national Government also has a clear role to play in supporting innovation. Given that the Exchequer will see large benefits from an increase in disability employment (through lower benefit spending and higher tax revenues) there is a clear argument that central Government should play a part in providing financial support for local action

to increase the disability employment rate. Central Government can also play a role in supporting evaluation and the sharing of best practice across the country.

#### Recommendation 3:

To support local action, the national Government should launch a ‘Financing Future Health’ fund. This would set aside £1 billion for pilots that aim to provide better social, health and employment support for people claiming ESA.

Across the country, this could provide support to 400,000 people with around 50,000 of these being in the Capital. Other research has demonstrated that if just one-in-five of this group were supported into work, the reductions in benefits and increase in tax take would more than offset the exchequer costs over the course of the Parliament.<sup>13</sup> The benefits in terms of reduced health and social care costs and improved health and wider outcomes would be larger still.

## Conclusion

This report has highlighted the scale of the disability employment challenge faced by the Capital. Around 374,000 working age Londoners are out-of-work and living with a health condition or disability that limits their capability to work. Many of these people want to work and the benefits for them, their families and London of supporting them into sustained work are significant.

But with the national Government focussed on Brexit and national programmes and ambition already being scaled down, the likelihood of success is low. This means that the Mayor of London must take action. He is ideally placed to use his convening and coordinating role to raise the profile of this issue, build a consensus on the way forward and take action that improves the lives of hundreds of thousands of the Capital’s citizens.

By creating and supporting a Taskforce to set out a bold vision and ambitious pan-London strategy, he can start to build a future London where disabled people truly have the same opportunities as everyone else.

## ENDNOTES

- <sup>1</sup> For example see <https://www.london.gov.uk/what-we-do/housing-and-land/homelessness/no-nights-sleeping-rough-taskforce> and <https://www.wmca.org.uk/who-we-are/meet-the-mayor/homelessness-task-force/> Accessed 18/01/18.
- <sup>2</sup> Oakley, M., (2016), *Striving for better: welfare and a labour market that work for disabled people*. SMF, London.
- <sup>3</sup> Oakley, M., (2016). *Closing the gap: Creating a framework for tackling the disability employment gap in the UK*. SMF, London.
- <sup>4</sup> See [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF) Accessed 25/01/18.
- <sup>5</sup> Note that health deprivation and disability is one of the dimensions of deprivation measured through average IMD scores. However, it is only one of seven dimensions and represents only one eighth of the weighting of the combined figure, so one would not expect these results to be driven only by the presence of this one dimension.
- <sup>6</sup> See <http://www.londonhp.nhs.uk/services/mental-health/improving-access-to-psychological-therapies-iapt/> Accessed 02/08/17.
- <sup>7</sup> Oakley, M., (2016), *More than words: rethinking employment support for disabled job seekers*. WPI Economics, London. Available here: <http://wpieconomics.com/publications/rethinking-employment-support-disabled-jobseekers-2/> Accessed 10/03/18.
- <sup>8</sup> See <http://www.sadiq.london/a-manifesto-for-all-londoners>, accessed 04/08/17.
- <sup>9</sup> For example see <http://www.ippr.org/read/working-well-a-plan-to-reduce-long-term-sickness-absence#> and [http://www.reform.uk/wp-content/uploads/2016/04/Bupa\\_Transcript\\_WEB.pdf](http://www.reform.uk/wp-content/uploads/2016/04/Bupa_Transcript_WEB.pdf) Accessed 18/01/18.
- <sup>10</sup> See <https://www.london.gov.uk/what-we-do/business-and-economy/making-london-best-city-world-work>. Accessed 15/01/18.
- <sup>11</sup> See <https://www.london.gov.uk/what-we-do/health/healthy-workplace-charter> . Accessed 18/01/18.
- <sup>12</sup><sup>12</sup> For example see <https://www.london.gov.uk/what-we-do/housing-and-land/homelessness/no-nights-sleeping-rough-taskforce> and <https://www.wmca.org.uk/who-we-are/meet-the-mayor/homelessness-task-force/> Accessed 18/01/18.
- <sup>13</sup> Oakley, M., (2016), *Striving for better :welfare and a labour market that work for disabled people*. SMF, London.