



## Disability Policy Research Brief

Center for  
Studying  
**DISABILITY POLICY**



Number 08-02 • September 2008

# The United Kingdom Pathways to Work Program: A Path to Employment?

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**T**oday, the idea of people with disabilities working is becoming the expectation and goal of public policy in the United States (Stapleton et al. 2006) as well as in many countries throughout the world (OECD 2003). When it comes to existing workers who experience disability onset, experts often argue that early intervention—before a worker becomes detached from the labor force—is the best way to help ensure return to work and self-sufficiency. In the U.S., however, such workers are not likely to receive early return-to-work services unless their illness or injury is work-related or they are among the minority with private disability insurance coverage. The focus of federal efforts to improve outcomes for workers with disabilities has been to help those who have been receiving Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) benefits return-to-work, but these individuals have been separated from the labor force, often for years, before they are offered assistance. So far, little progress has been made.

There is a growing chorus of calls for tests of early interventions in the U.S. (e.g., MacDonald and O'Neil 2006; National Council on Disability 2005; Social Security Advisory Board 2006; Ticket to Work and Work Incentives Advisory Panel 2007; Council of State Administrators of Vocational Rehabilitation 2008). The United Kingdom has already pilot tested a program, Pathways to Work (Pathways), that offers employment supports and other services to applicants for Incapacity Benefits (IB), the U.K.'s largest disability income support program. The findings from the first 18 months of operation (Bewley et al. 2007) offer some lessons for U.S. policymakers as they pursue development of an early intervention policy.

Employment support and cash assistance programs for people with disabilities in the U.S. lack the integration of programs in the U.K. The primary U.S. cash disability benefit programs—DI and SSI—require that a person, in essence, be unable to work to qualify for benefits, which limits return-to-work outcomes and, in part, explains why few people leave these programs' rolls. In contrast, the U.K.'s disability support system integrates employment support with cash assistance, especially for people claiming IB. The Pathways program illustrates this more integrated approach by providing a series of mandatory supports geared to promote employment.

### Why Pathways?

U.K. policymakers cite several reasons for initiating Pathways (Daly 2007), including the need to move disability policy into line with other 21st century integration and self-sufficiency goals and the desire to increase the employment rate across the entire working-age population to 80 percent. There are financial reasons as well: 2.7 million individuals

Preparation of this brief was supported by the National Institute on Disability and Rehabilitation Research of the U.S. Department of Education, through its Rehabilitation Research and Training Center on Employment Policy grant to Cornell University (No. H133B040012). Mathematica Policy Research is a subcontractor under this grant. The contents of this paper do not necessarily represent the policy of the Department of Education or any other federal agency, and you should not assume endorsement by the federal government (Edgar, 75.620 (b)). The authors are solely responsible for all views expressed.

in the U.K. receive IB at an annual cost of £12 billion (Fox 2007), over \$22 billion in U.S. dollars.<sup>1</sup> The proportion of the working-age population receiving IB increased from around 3 percent in the 1960s to more than 7 percent in 2006. Over half of claimants are under age 50 and therefore likely to receive benefits well into the future. The goal of Pathways, along with other reforms the government is making to IB, is to increase claimant return to work and reduce the number receiving benefits by 1 million.

### Early Intervention Services

Pathways is the first attempt to require return-to-work efforts for IB claimants. Initially implemented as a pilot project in late 2007 and then rolled out nationally in 2008 for new IB claimants, it has gradually expanded to include those already in the system who had made a claim between two and six years prior to the pilot's start-up (Nice et al. 2008).

The key Pathways elements are a series of compulsory work-focused interviews (WFI) and a range of optional services and financial supports known as the Choices Package (Daly 2007). (See box for more details.) Pathways requires new IB claimants between the ages of 18 and 60 to attend up to six WFIs, conducted by a specially trained IB personal advisor. Monthly interviews are scheduled approximately eight weeks after an individual has filed a claim, with benefit sanctions imposed on those who do not attend. Existing IB beneficiaries must attend three of these interviews. The advisor and claimant discuss work goals, barriers to work and how to overcome them, and an action plan for return to work (Nice et al. 2008). Participation is voluntary for those judged likely, based upon a screening tool, to return to work within the next 12 months without additional help and those with particularly severe medical conditions (Bewley et al. 2007). The U.K. government is also implementing changes to further expand employment services to people with disabilities starting in October 2008, with the phasing in of the Employment and Support Allowance (ESA), which will replace the IB program. The differences in the two programs include changes in eligibility requirements that emphasize a person's *ability* rather than his or her *inability* to work

(Department of Work and Pensions 2008). (See box for highlights of the differences.)

### Pathways Evaluation Finds Large Employment Gains and Modest Reduction in Caseloads<sup>2</sup>

After 18 months of program operation, the evaluation found a very substantial increase in employment and a modest reduction in caseload size (Bewley et al. 2007). Pathways increased the probability of being in paid work by 7 percentage points—a 25 percent increase over the comparison group.<sup>3</sup> The impact appeared largest among those who worked 16 or fewer hours per week, which likely reflects IB benefit loss when a beneficiary works more than 16 hours per week. Pathways had substantially stronger impacts on employment for young claimants, females, claimants with dependent children, and those whose primary condition is not mental illness than for others. The program reduced the IB caseload, but just by an estimated 2 percent. It also reduced by 11 percentage points the likelihood that claimants report a health condition that significantly limits their ability to carry out daily activities.

It is likely that the structure of the IB benefit also has a direct bearing on the size of the impact of Pathways on IB exits. Almost all of the employment impact was on jobs of 16 hours or less per week—the threshold above which benefits are terminated. Perhaps the effect on employment at more hours per week would have been considerably larger if a partial benefit were available to claimants working more than 16 hours. Also, Pathways may have had unmeasured effects on employment and IB claims that are potentially more important than those measured in the evaluation. Specifically, the introduction of mandatory interviews might have decreased claims and encouraged potential claimants to return to work on their own.

### Applying Pathways to the U.S.

The U.S. does not have a program that, like Pathways, sends an early message to DI or SSI applicants that they are expected to work and exit the benefit rolls as soon as they are capable. The Pathways program provides a potential model for such a program—a model that mandates participation in work preparation through

<sup>1</sup> This figure was derived using the calculator at <http://www.x-rates.com/calculator.html>, accessed August 25, 2008.

<sup>2</sup> The impact analysis from the evaluation of the first 18 months of the pilot program used administrative and survey data on individuals who inquired about IB in the pilot sites and in comparison areas. A rigorous technique was used to compare changes in outcomes in the pilot sites to contemporaneous changes in outcomes in the comparison sites (Bewley et al. 2007). The evaluation follows a “difference-in-differences” approach, which involves comparing the change in an outcome of interest among individuals in pilot areas before and after the introduction of Pathways with the corresponding change among individuals in a set of similar-looking comparison areas. The difference between the two before and after differences provides an estimate of the effect of Pathways. Estimation is performed using regression techniques to control for the effects of observed characteristics on outcomes, ensuring that individuals in Pathways areas are implicitly compared with similar individuals in the comparison areas.

<sup>3</sup> The employment rate of the comparison group was 29.7 percent.

interviews for most claimants and offers a series of rehabilitation options, supports, and incentives to help claimants return to work.

The size of the estimated impacts of Pathways on employment and IB benefit receipt are small relative to the number who do not work and receive benefits, but impacts of this size in the U.S. context would be considered major progress. U.S. interventions that have targeted DI and SSI beneficiaries have had mixed success in increasing employment and earnings, and none have led to a substantial reduction in the caseload (Rangarajan et al. 2008). In all initiatives, the impact on long-term benefit receipt has been minimal. These

findings underscore the challenges of moving beneficiaries off long-term benefits and into self-sufficiency, particularly given that most beneficiaries have been separated from the labor force for many years.

The relative generosity of U.S. benefit levels, the stringency of eligibility criteria, and other policy environment differences might mean that employment and DI/SSI benefit receipt would be less responsive to the introduction of a program like Pathways. It would also be difficult to implement on top of DI/SSI because those programs restrict eligibility to individuals unable to work. Many applicants for DI/SSI might, however, be willing to suspend their applications in exchange for

### **The Choices Package**

The Choices Package is composed of several services tailored to the beneficiary's individual needs:

- The New Deal for Disabled People offers various types of work-focused support, including skills assessment, assistance with job searches, training, work placements, and financial advice. The New Deal is delivered by a national network of job brokers, including public, private, and voluntary providers.
- Work Preparation is a 6- to 13-week program that helps individuals prepare for returning to work by identifying suitable kinds of work, providing on-the-job training, and helping beneficiaries learn or update skills.
- Work-Based Learning for Adults is a training program for individuals aged 25 to 64 who have been out of work for at least six months and receive IB or other benefits. It consists of four training elements: soft skills, key skills, information technology training, and job search.
- The Condition Management Program was developed jointly between Jobcentre Plus and the National Health Service to help individuals understand and manage their disability or health condition.
- The Job Preparation Premium, a payment of £20 per week, is paid to existing IB beneficiaries to assist with actual costs incurred in moving toward work.
- Financial assistance in the form of the Return to Work Credit and the Advisor Discretionary Fund is also available.

### **Differences Between the U.K. and U.S. Programs**

The contributions-based component of IB is similar to DI in that eligibility is dependent on having made sufficient past contributions to the program through payroll taxes. IB has three benefit levels: base benefit, an increase after 28 weeks, and another increase 24 weeks after that. DI benefits are substantially more generous, even at the highest IB level. IB also has a component that is similar to SSI in that it is means tested and not contribution based. An IB claimant may work and continue to receive benefits for one year if working less than 16 hours per week and for two years if entitled to the disabled person's tax credit (Daly 2007). DI beneficiaries may earn an unlimited amount for up to 12 months and earn up to \$940 per month in subsequent years without losing benefits. SSI beneficiaries lose \$1 of SSI for each \$2 of earnings after subtracting disability-related work expenses.

In contrast to SSI/DI eligibility, which focuses upon work limitations, eligibility for IB is based upon a work capability assessment that emphasizes a person's work abilities. IB claimants receive benefits during the determination process, whereas DI/SSI claimants receive benefits only retroactively and only if they receive an award.

Almost half of IB entrants leave the program within five years (Purdon et al. 2006) compared to only a small percentage of DI/SSI beneficiaries, most likely due to these program differences. These program differences also mean that the typical IB entrant has more capacity to work than the typical DI or SSI entrant; IB claimants who remain on the IB rolls after several years are likely to be more similar to DI/SSI claimants (Rangarajan et al. 2008). Other program differences include universal health care available in the U.K., return-to-work tax credit for all low-paid workers, and jobseekers' allowance for IB claimants who work less than 16 hours per week and are seeking to increase their hours.

temporary benefits and return-to-work services, and perhaps some should be required to do so. Applicants who are denied benefits under current policy might gain the most; their employment rates after denial are very low (von Wachter et al. 2008).

Another option is to implement a program like Pathways for individuals deemed to be at risk of receiving DI/SSI before they apply, such as recipients of Temporary Assistance for Needy Families with disabilities or individuals with high medical expenses who are at

risk of leaving employment. Pathways seems especially promising with regard to its impact on employment and the extent to which applicants report that health conditions greatly limit daily activities.

Evaluation results suggest that the approach taken by Pathways has considerable promise. The program is a work in progress from which U.S. policymakers can learn. We are not testing any similar program in the U.S., but perhaps we should.

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