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@TheIFS

# Rise in health conditions and disability benefits



Economic  
and Social  
Research Council

- Increasing focus on how health and disability shape labour market trends
  - Led to the recent policy announcements
  
- Today:
  - Examine evidence on changing health among working-age adults
  - Trends in disability benefit receipt
  - How these factors interact with labour market outcomes

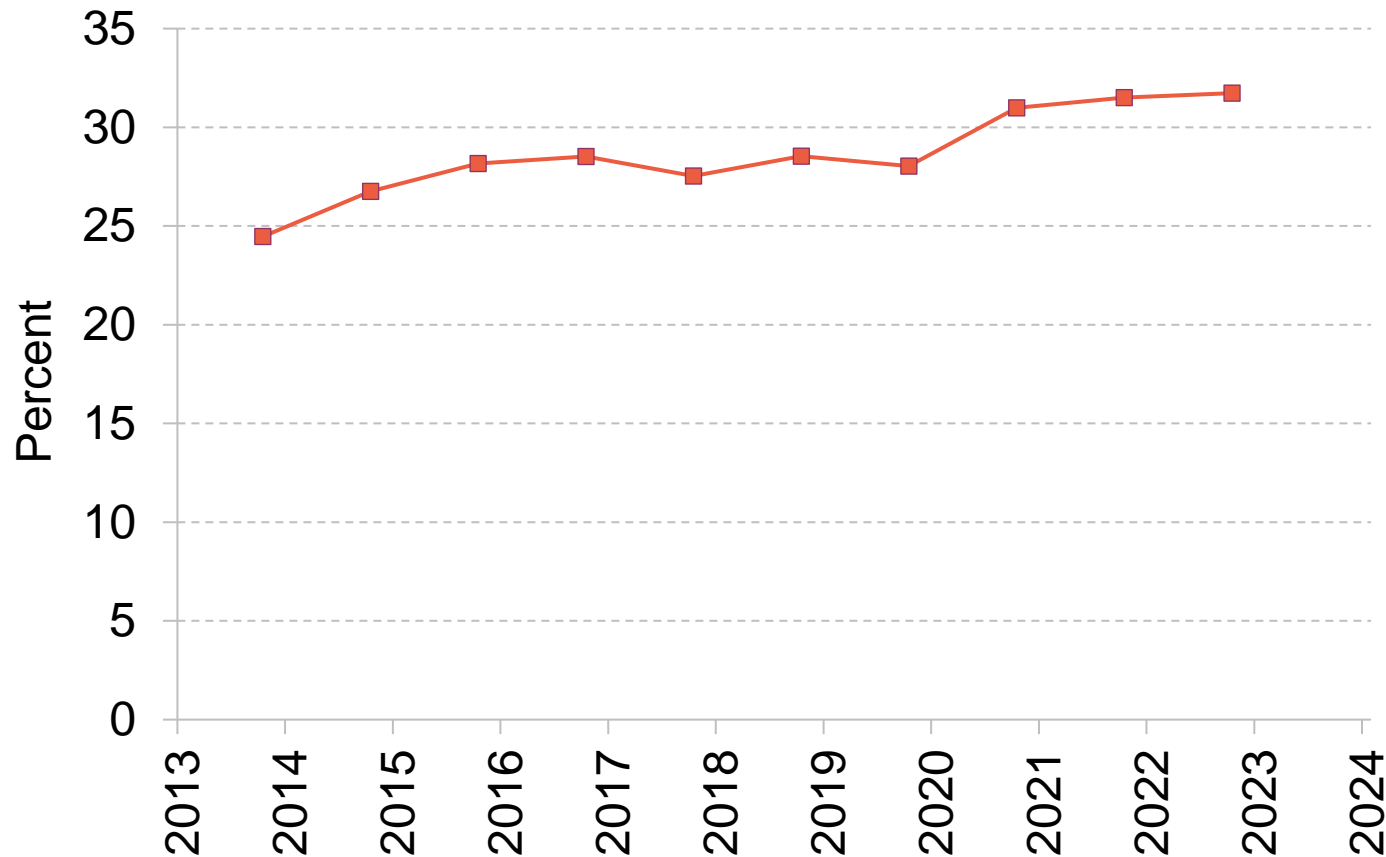
# Why are these trends worrying?

- Longer working lives can benefit both the individual and public finances
  - Reduced capacity to work before the state pension age undermines the effectiveness of policies to lengthen working lives
- This is immediately concerning for those near state pension age
  - → But also important to consider how disability at younger ages may limit working potential well before traditional retirement ages

# Survey data shows worse health among working-age people over time



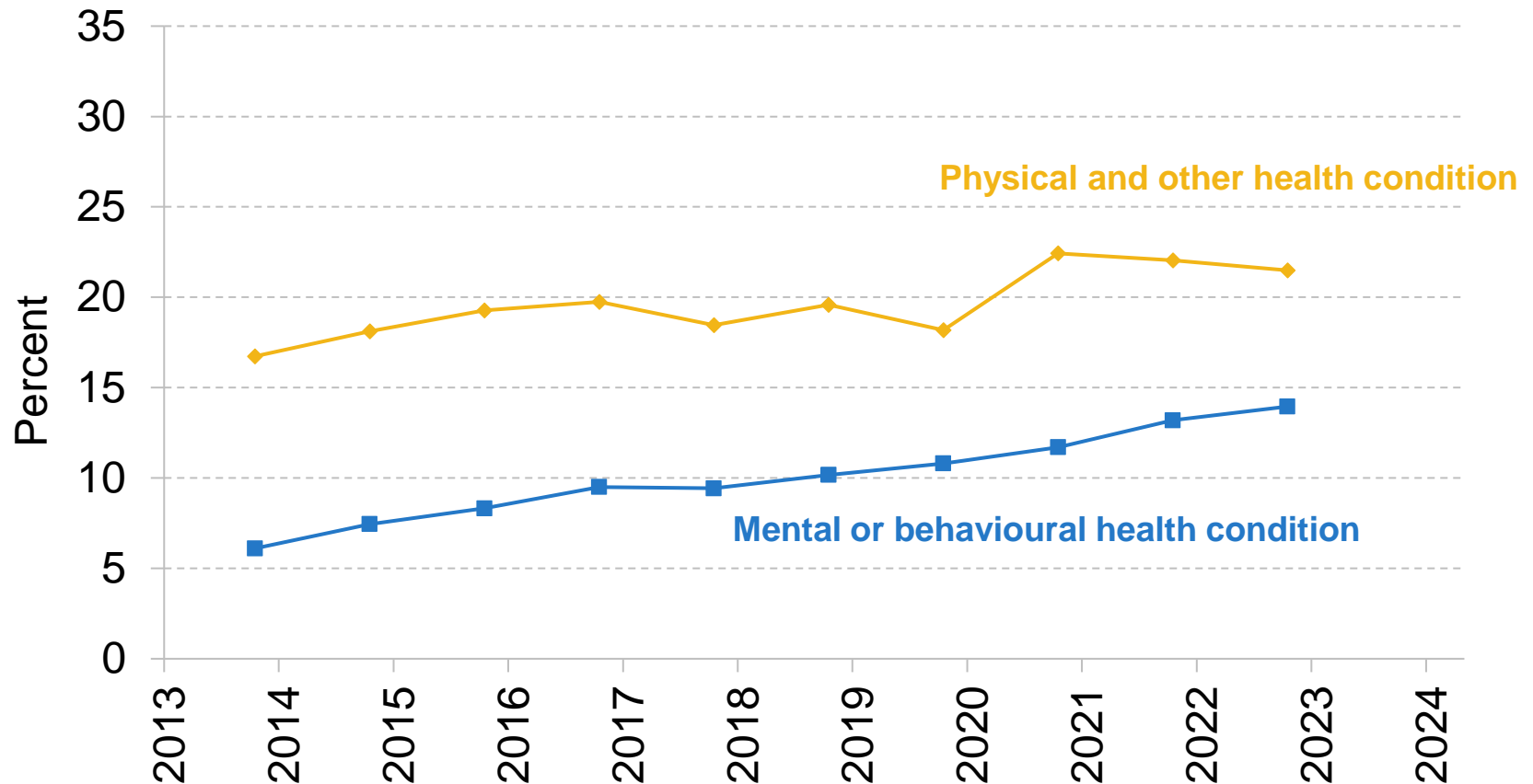
Percent of 16-64-year-olds with long-term health conditions



Source: Family Resources Survey, adapted from Figure 1, Latimer, Ray-Chaudhuri and Waters, 2025.

# Driven largely by rising prevalence of mental health issues

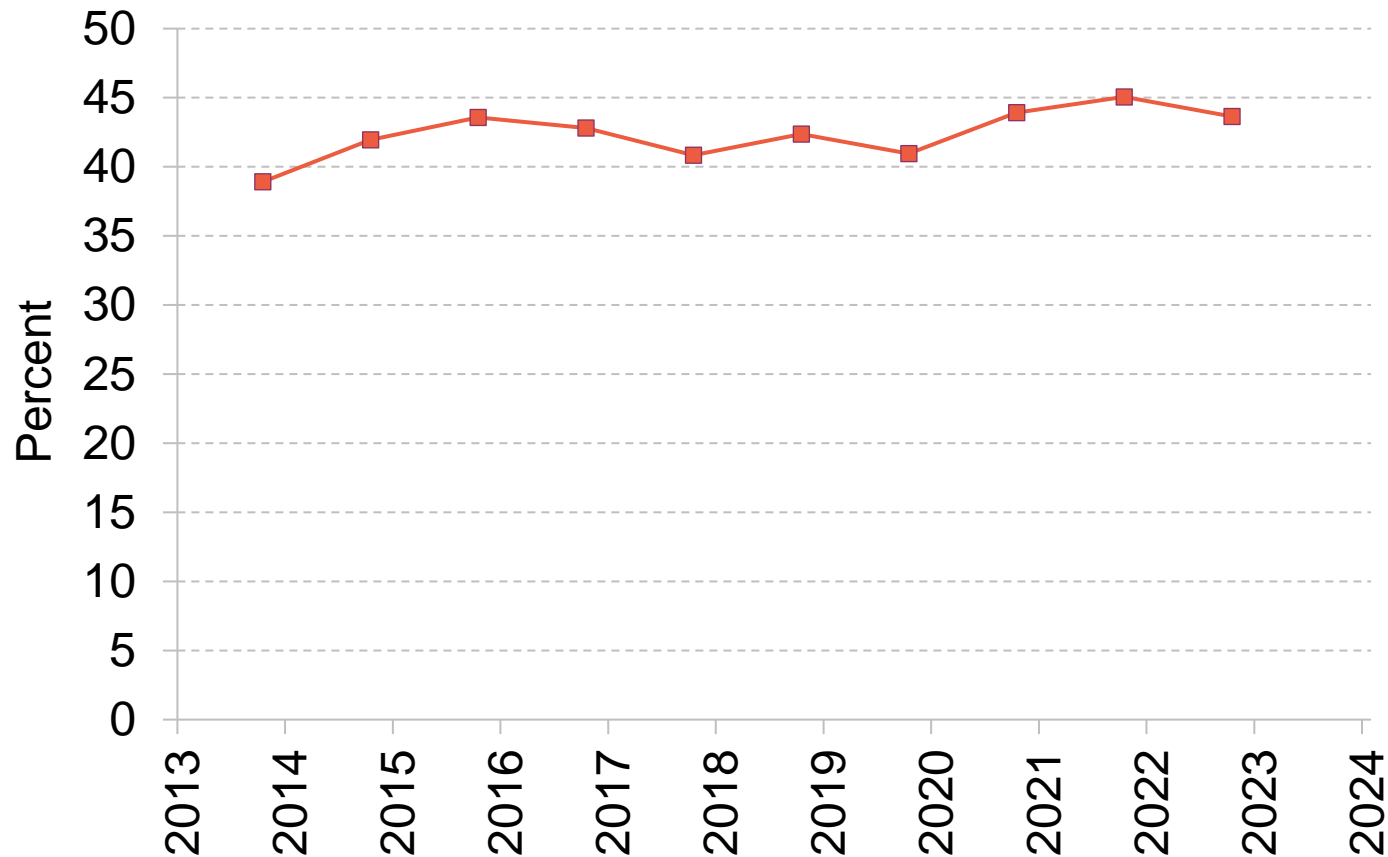
Percent of 16-64-year-olds with a long-term mental or behavioural health condition



Source: Family Resources Survey, adapted from Figure 5, Latimer, Ray-Chaudhuri and Waters, 2025.

# Smaller increases among older working-age people

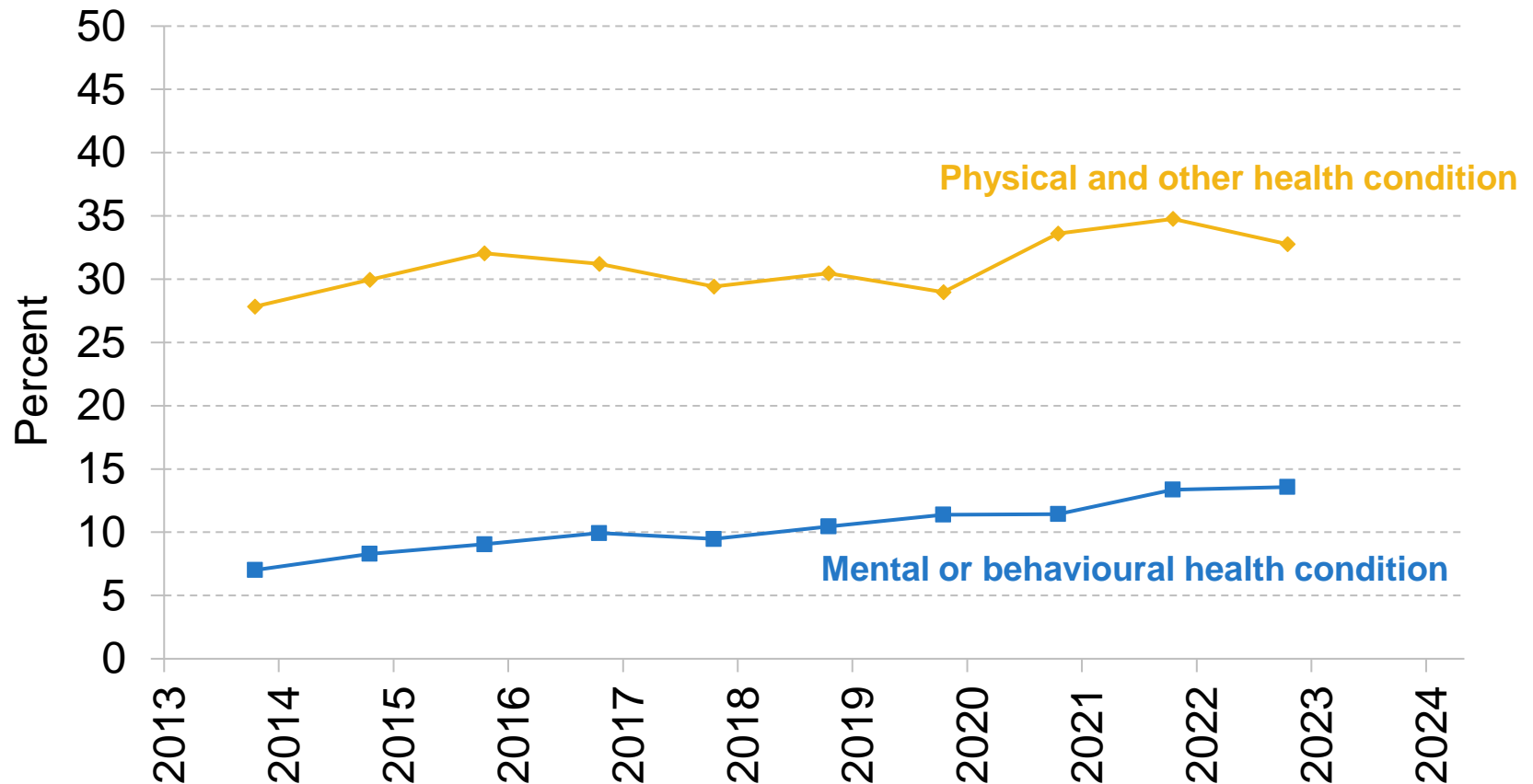
Percent of 50-64-year-olds with long-term health conditions



Source: Family Resources Survey, adapted from Figure 1, Latimer, Ray-Chaudhuri and Waters, 2025.

# Mental health conditions rising also among this age group

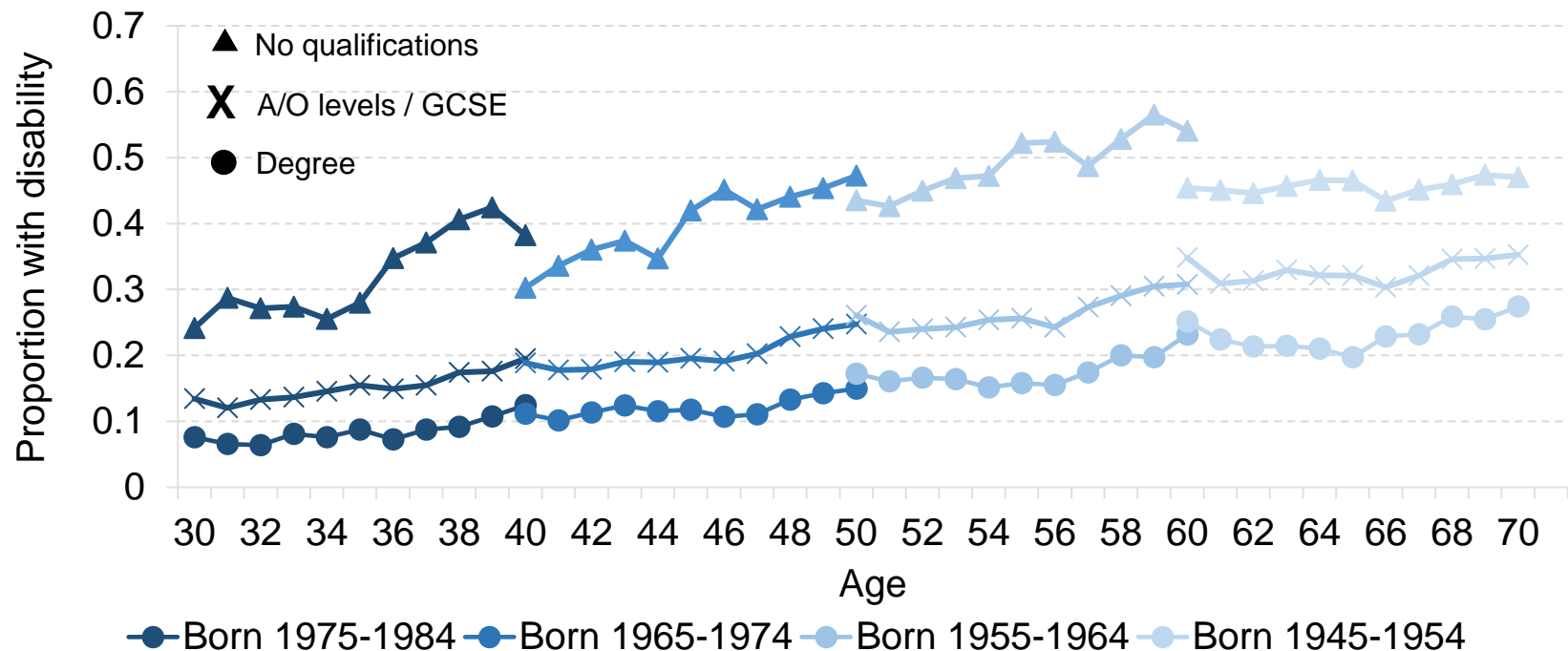
Percent of 50-64-year-olds with a long-term mental or behavioural health condition



Source: Family Resources Survey, adapted from Figure 5, Latimer, Ray-Chaudhuri and Waters, 2025.

# Inequality in disability over life cycle IFS

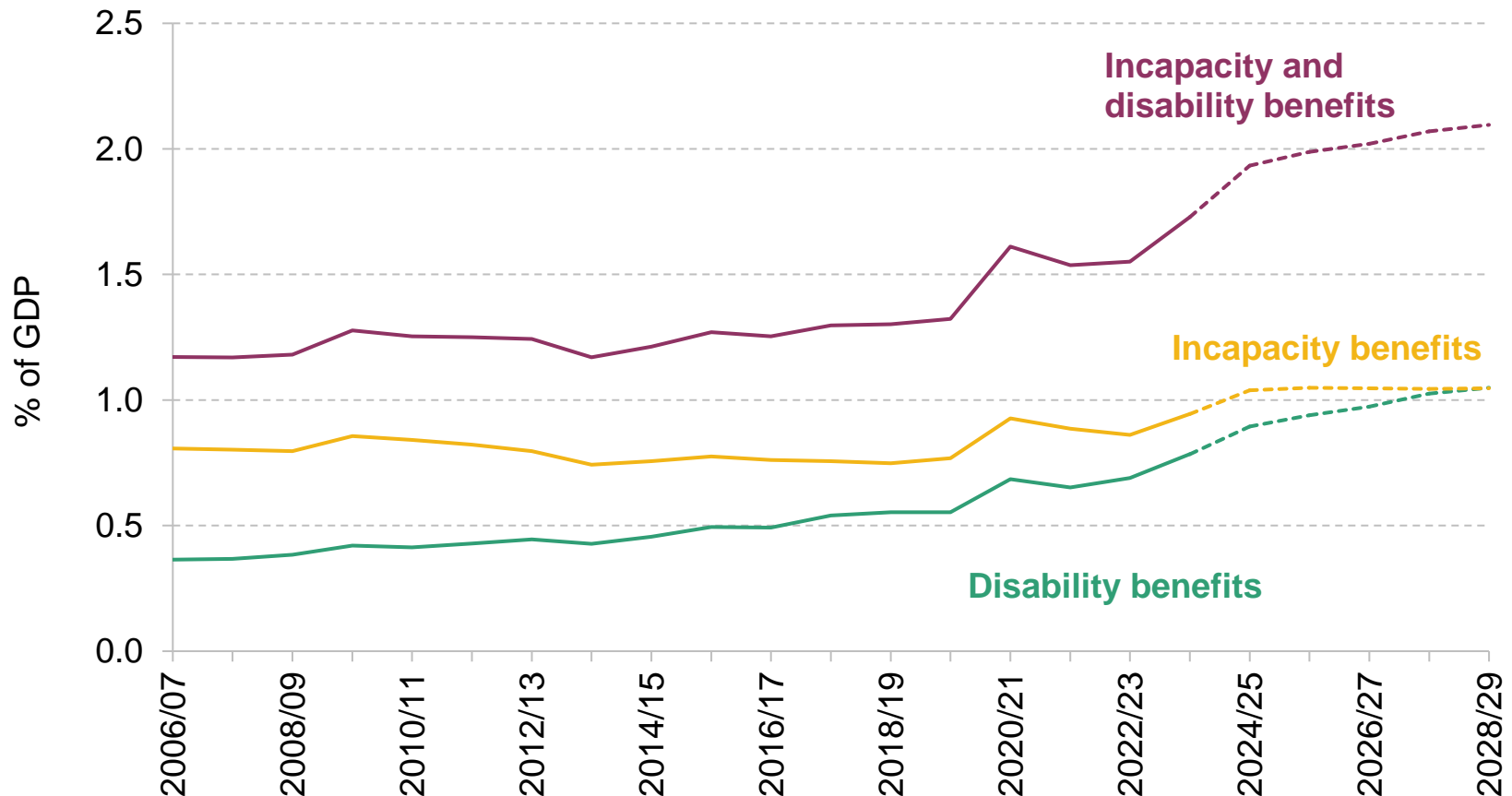
## Long-standing and limiting disability



Source: Figure 3, 'Inequalities in disability', James Banks, Heidi Karjalainen and Tom Waters, IFS Deaton Review of Inequalities commentary.



# Rise in health benefit spending over time

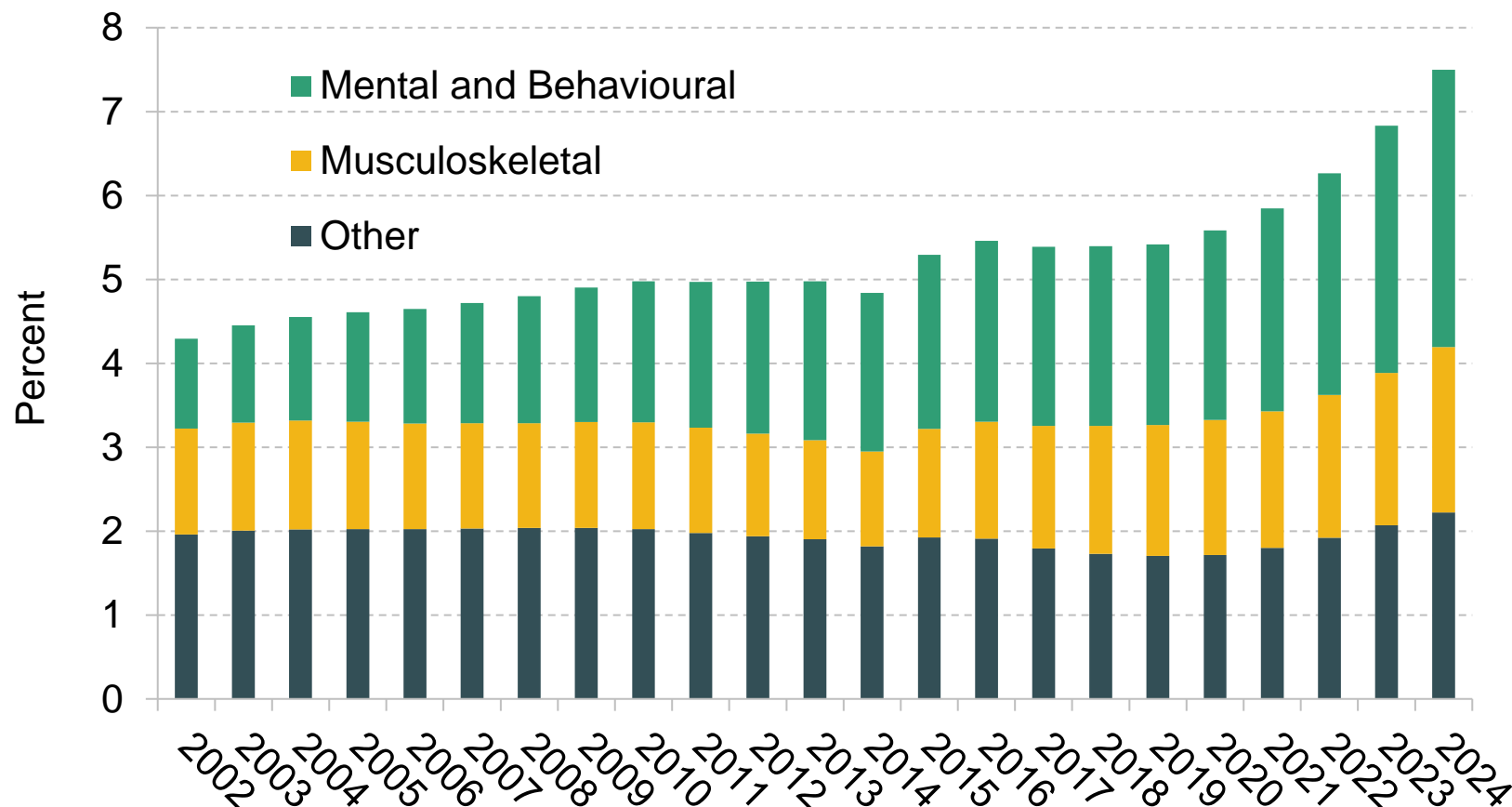


Note: Spending only for Great Britain compared with GDP for the United Kingdom.

Source: Figure 1 in Health-related benefit claims post-pandemic: UK trends and global context by Eduin Latimer, Freddie Pflanz, and Tom Waters, IFS (September 2024).

# Disability benefit prevalence

% of 16-64-year-olds claiming disability benefits, by main condition



Source: Figure 7 in The role of changing health in rising health-related benefit claims by Eduin Latimer, Sam Ray-Chaudhuri, and Tom Waters, IFS (March 2025).

# Interaction between disability and work

- Local labour market conditions can magnify the impact of health conditions on ability or willingness to remain in paid work
- People are more likely to report that their disability limits their ability to work when they face worse labour markets (Banks et al., 2024)
  - e.g. men in their 50s and early 60s in the North of England; those with no qualifications
  - Highlights that economic opportunity interacts with health in determining labour market outcomes

# Upcoming changes to disability benefits

- Last week the government announced big changes to the current disability benefit system to come into effect from November 2026
  - PIP: tighten eligibility rules for less severe disabilities; more frequent reassessments
  - UC health top-ups: reduce generosity; eligibility based on PIP receipt; more employment support
- Aimed to strengthen incentives for work especially for those with milder conditions
- Effects somewhat uncertain
  - Tries to increase incentives for work for disabled people – many of whom may not be responsive
  - Previous attempts to tighten eligibility criteria saved much less than hoped
  - Strengthens incentive to apply for PIP

- Increasing evidence of disability and poor health rising in the working-age population in recent years
- Likely to be driving at least some of the rise in disability benefit claims
  - Although other explanations also likely to play a role (e.g. cost of living crisis, reductions in other working-age benefits, labour market conditions, etc.)
- Interaction between disability, disability benefit receipt and employment is important for determining people's outcomes
  - For the future, solutions to support people with mental health conditions to remain in paid work will be increasingly important



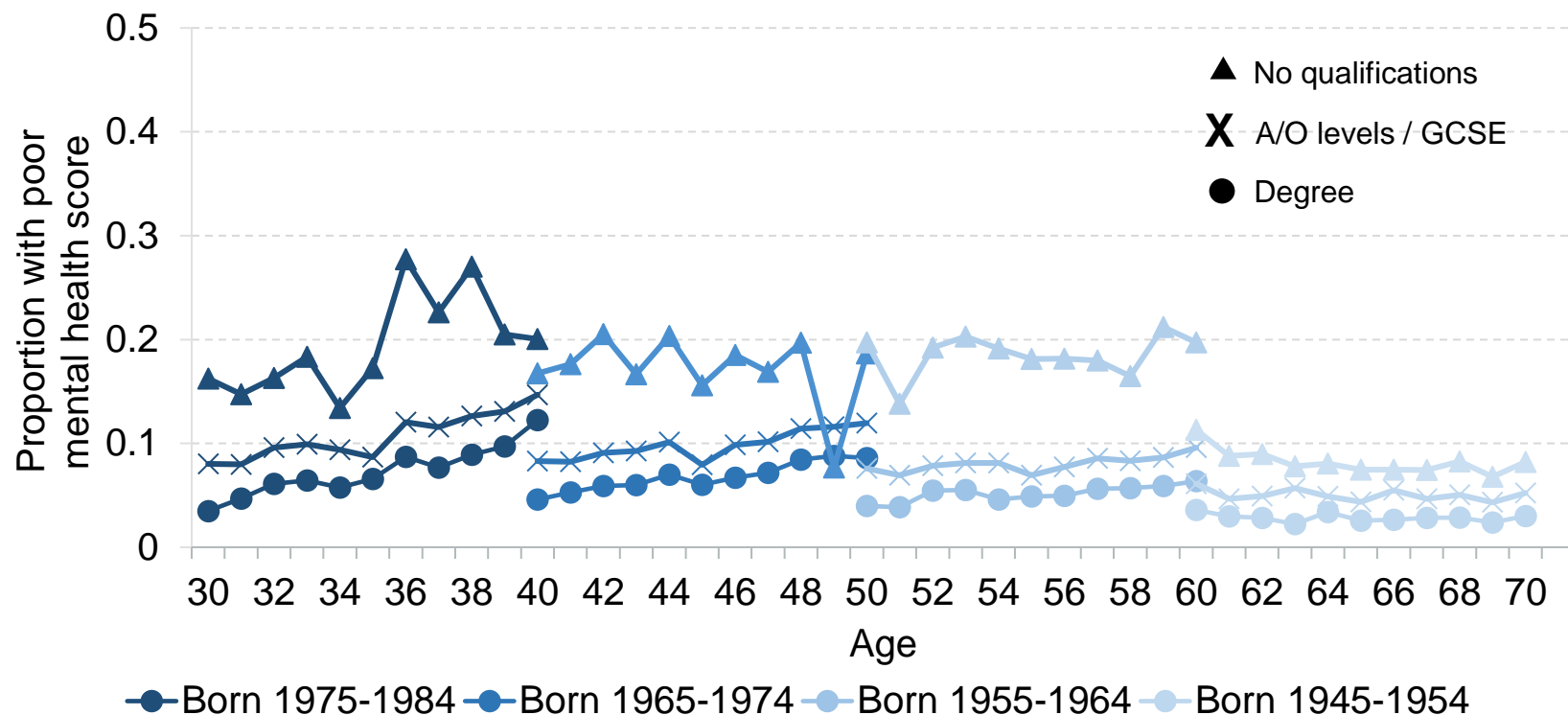
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# Appendix

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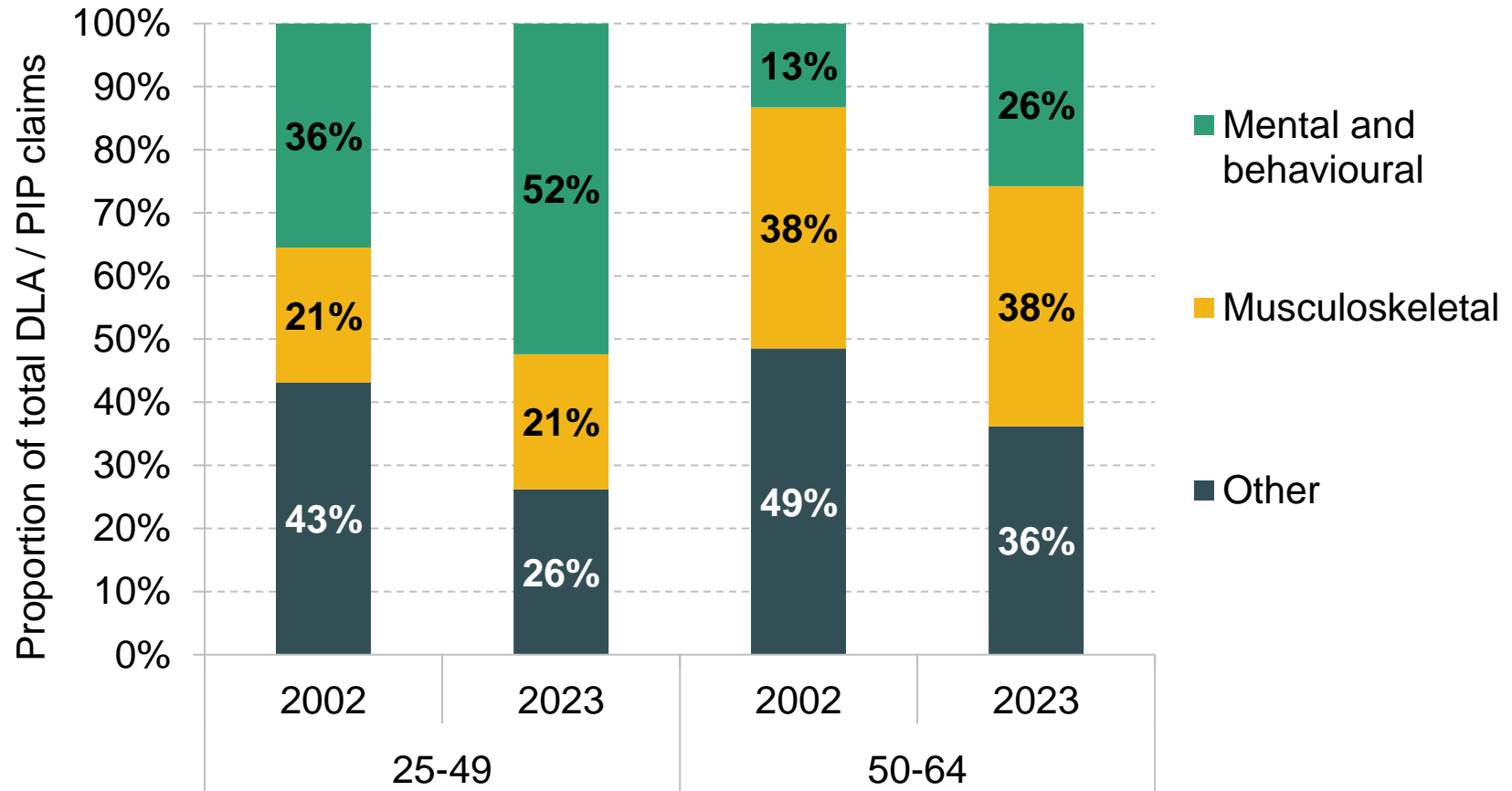
# Patterns driven by poor mental health IFS

## Poor mental health score



Source: Figure 5, 'Inequalities in disability', James Banks, Heidi Karjalainen and Tom Waters, IFS Deaton Review of Inequalities commentary.

# Benefits for mental health conditions increasingly prevalent at all ages



Source: Author's calculations using Stat Xplore (May 2023 figures).