

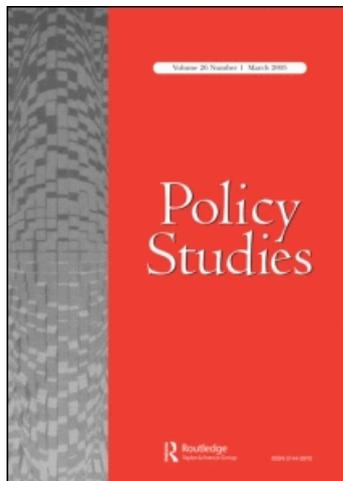
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## RESEARCH ARTICLE

### Falling Incapacity Benefit claims in a former industrial city: policy impacts or labour market improvement?

David Webster<sup>a,b\*</sup>, James Arnott<sup>b</sup>, Judith Brown<sup>c</sup>, Ivan Turok<sup>a</sup>,  
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This article provides an in-depth study of Incapacity Benefit (IB) claims in a major city and of the factors behind their changing level. It relates to the regime prior to the introduction of the Employment and Support Allowance (ESA) in 2008. Glasgow has had one of the highest levels of IB in Britain with a peak of almost one fifth of the working age population on IB or Severe Disablement Allowance (SDA). However, over the past decade the number of IB claimants in Glasgow, as in other high claiming areas, has fallen at a faster rate than elsewhere, and Glasgow now has twice the national proportion of working-age people on IB/SDA rather than its peak of three times. The rise in IB in Glasgow can be attributed primarily to deindustrialisation; between 1971 and 1991, over 100,000 manufacturing jobs were lost in the city. Policy response was belated. Lack of local statistics on IB led to a lengthy delay in official recognition of the scale of the issue, and targeted programmes to divert or return IB claimants to work did not begin on any scale until around 2004. Evidence presented in the article suggests that the reduction in claims, which has mainly occurred since about 2003, has been due more to a strengthening labour market than to national policy changes or local programmes. This gives strong support to the view that excess IB claims are a form of disguised unemployment. Further detailed evaluation of ongoing programmes is required to develop the evidence base for this complex area. However, the study casts some doubt on the need for the post-2006 round of IB reforms in high-claim areas, since rapid decline in the number of claimants was already occurring in these areas. The article also indicates the importance of close joint working between national and local agencies, and further development of local level statistics on IB claimants.

**Keywords:** Incapacity Benefit; unemployment; disguised unemployment; deindustrialisation; labour market statistics; Glasgow

#### Introduction

It is well known that Incapacity Benefit (IB) claims have been concentrated in particular places, and that these are almost exclusively former industrial or mining areas. Less well-known is that all of the areas with high levels of claim have seen large falls in their stock of claimants in the most recent half decade. The purpose of this article, which relates to the regime prior to the introduction of the Employment and

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Support Allowance (ESA) in 2008, is to provide an in-depth study of the trajectory of IB claims in one such area – the city of Glasgow – and to try to disentangle the effects of policies, programmes and changes in the labour market on claim levels. Glasgow is a good area to study as it has had (and continues to have) more IB claimants than any other local authority area. It is large enough for the Department for Work and Pensions (DWP) 5% sample data and other national sample-based data sources to provide a reliable picture of trends over time. Also, since 2002 it has had local programmes specifically aimed at getting IB claimants into work or moving them towards the labour market.

The article aims to throw light on the questions set out in the editors' introduction to this special issue: what are the main causes of the long-term rise in the number of people claiming IB? What will reduce the number of claimants? What is likely to deliver policy effectively and efficiently? It begins by describing the rise and fall of the stock of IB claimants in Glasgow, insofar as this can be done from the available data, and briefly considers the reasons for the rise. It then shows how the scale of movement onto IB by people who potentially could hold jobs was only belatedly recognised by central and local agencies, largely because of deficiencies in official statistics and in their interpretation. The next section traces the development in Glasgow of programmes to promote employment among IB claimants, showing that it was not until 2003 that there was convergence in the views on the issue of the three relevant levels of government, and not until 2004 that IB claimants were the prime target of any major programme. The article then moves on to consider the reasons for the fall in the stock of claimants since 2001 and especially since 2003. The way in which the total stock has fallen, in terms of inflows and outflows, age, sex and previous labour market status, is first outlined, using data for 2000–2007 inclusive specially provided to the authors by the DWP. Then the role of four different types of factors is considered: improvements in health; national changes in the IB regime; strengthening of the labour market; and local programmes. The article ends by drawing some conclusions.

### **The rise and fall of Incapacity Benefit claims in Glasgow**

Data on long-term sickness benefit claims in Glasgow are available only from May 1995, just after IB replaced Invalidity Benefit in April 1995. By this time, the number of working-age claimants in the city within the DWP's 'sick and disabled client group', which includes claimants of Severe Disablement Allowance (SDA) and Disability Living Allowance (DLA) as well as IB, had reached 76,300. This equated to one-fifth (20.5%) of the working-age population (Figure 1), and was almost three times the Great Britain level. In relation to IB and SDA alone, the available figures suggest that total claimants in Glasgow peaked at about 19.4% of the working-age population in early 1996. There was then a small fall until early 1998, followed by a plateau until early 2001, when a steady decline resumed, accelerating after mid-2003. By August 2008, IB/SDA claims had fallen to 12.7% of the working-age population, two-thirds of their peak level, although this was still about double the national rate. Like Manchester, Glasgow has a tight boundary which excludes some of its affluent suburbs, and this is one of the reasons for the city's high scores on various deprivation-related measures including IB claims.

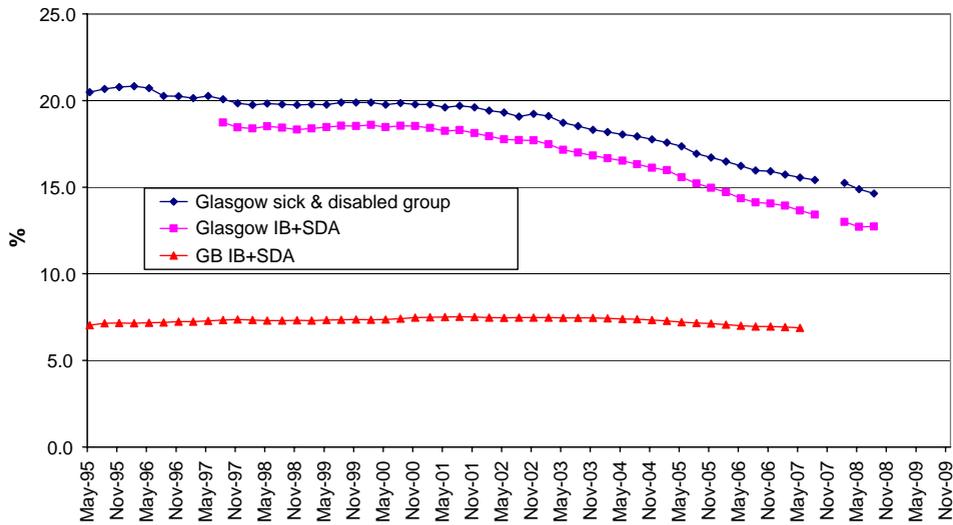


Figure 1. Glasgow and Great Britain: working-age sick and disabled claimants as percentage of working-age population.

Source: DWP 5% sample statistics (online Tabulation Tool).

The time-path of Glasgow's IB/SDA claims since 1995 has been quite different from that of Great Britain as a whole. Nationally there has been little change in the proportion of the working-age population claiming IB/SDA over this period, with a shallow peak of 7.5% being reached in 2000–2003 and only a slight decline of half a percentage point since then, to 6.9% (Figure 1). However, all areas with high levels of claim have had large falls over the last decade. Across British local authorities, there is a strong relationship between the level of claims in 1999 and the proportionate fall since then (Figure 2). Glasgow's fall is more or less exactly what would be expected from this general relationship. While convergence of IB claim rates has already been noted in the literature at the regional level (McVicar 2006, Figure 6), the scale and uniformity of the decline in high-claim areas has not.

Although the precise time-path of Glasgow's long-term sickness benefit claims before 1995 cannot be tracked, it is clear that the city's high rate emerged after the 1970s. In the 1981 Census, the proportion of the city's over-16 non-retired population whose economic status was 'permanently sick' was relatively low at 3.6%, but it had risen to 11.2% in 1991.<sup>1,2</sup> The rise in limiting long-term illness from 18.7% of the whole population in 1981 to 26.2% in 1991 was proportionally smaller.

The main reason for the huge growth in sickness benefit claims was the city's rapid de-industrialisation. The number of jobs in the city fell from 462,545 to 336,649 between 1971 and 1991, but within this, manufacturing jobs fell from 152,684 in 1971 to 48,911 in 1991. The city's loss of 51,190 manual jobs (as indicated by socio-economic group) between 1981 and 1991 was greater than that in the whole of the rest of Scotland (Webster 2000, pp. 37–38). These changes in employment were due to a combination of the de-industrialisation affecting the national economy, together with specifically Scottish policies dating from the time of the Tothill Report of 1961 which moved manufacturing jobs out of Glasgow and steered inward manufacturing investment away from the city, particularly to the New Towns.

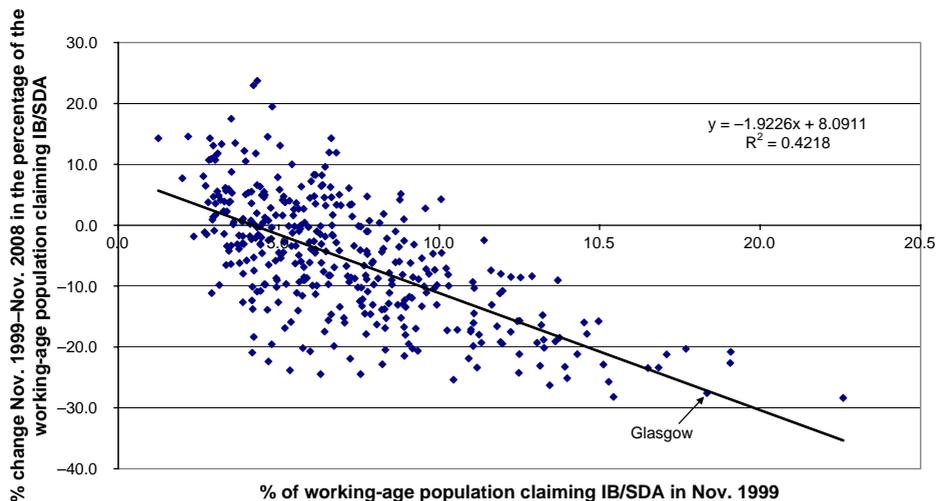


Figure 2. GB local authorities: percentage change 1999–2008 in the percentage of working-age population claiming IB/SDA by percentage claiming IB/SDA in 1999.

Source: NOMIS.

Labour market accounts for the city for 1981–1991 have shown how employment loss led largely to increased economic inactivity, including sickness, rather than to overt unemployment (Turok and Edge 1999, Turok and Bailey 2004).

Another factor also seems to have been significant. The efforts made by national agencies to move unemployed people with an entitlement on to Invalidation Benefit have been documented elsewhere (NAO 1989). In Glasgow, precisely because the employment position was so bad, a desire to maximise local incomes, coupled with the view that there was little prospect of improved employment, led to similar efforts by local agencies, in particular the then Strathclyde Regional Council (SRC). The Council's *Social strategy for the eighties* (SRC 1984, pp. 30, 37) commented: 'The Council has attached a high priority to creating a Welfare Rights Service . . . The development of a Welfare Rights Service must now be augmented with a wider range of action on the protection and enhancement of incomes . . .'. This made sense at the time. The Council's later *Social strategy for the nineties* (SRC 1993, Topic Sheet 4) commented: 'It has been shown . . . that the work of the Council's welfare rights staff brings millions of pounds of extra benefits into the Region, almost all of which is spent locally helping to create, or sustain, a great many jobs'. Examination of contemporary SRC committee reports relating to the welfare rights service<sup>3</sup> indicates that Invalidation Benefits were by no means the main target for welfare rights activity, but this did include disability benefits campaigns, for example, in 1991–1992.

The reasons for the decline in claims since 1996 are the subject of this article.

### The development of local awareness of the issue

Before considering the development of local policy responses to the rise in sickness benefit claims, it is important to realise that awareness of the scale of the issue developed only gradually. The then Department of Social Security published local

statistics on the 'sick and disabled client group' and on IB/SDA claims for the first time only in 1999, starting with figures from November 1998 onwards. This was after the Glasgow peak was already past. Only in April 2002 were the figures extended back to 1995. They cannot be taken back further due to lack of postcoding in the original data.

The first statistical indication of the seriousness of the issue came during 1993, with publication of the results of the 1991 Census. The huge increase in economic inactivity due to sickness compared to 1981 was picked up by some analysts. Green (1994) highlighted the fact that in relation to inactivity among those aged 20–59, Glasgow had moved up from 208th to 10th among British local authorities between 1981 and 1991. By contrast, although Glasgow's Census unemployment rate was very high at 19.08%, the city's rank had worsened only from seventh to sixth. Anticipating Beatty and Fothergill's analysis (see below), a paper by one of the present authors written in 1994 commented: 'Taking into account the increase in permanently sick, true unemployment in Glasgow was about 29% overall in 1991' (Webster 1994, p. 7). Whereas the 1993–1996 Strategy of the local Glasgow Development Agency (Glasgow Development Agency 1993) had mentioned only unemployment, its 1995–1998 Strategic Plan commented (Glasgow Development Agency 1995, p. 13): 'In the regeneration areas (of Glasgow) unemployment rates of 25% are not uncommon *and there have been unwelcome increases in rates of economic inactivity*' (emphasis added).

The Royal Statistical Society's inquiry into the measurement of unemployment (Bartholomew *et al.* 1995) led to a switch in focus of the British official statistics from the claimant count to the broader International Labour Organization (ILO) unemployment measure, but it overlooked the issue of unemployment disguised as sickness. The key milestone was publication in 1997 of the first 'real unemployment' estimates (Beatty *et al.* 1997) by the team at Sheffield Hallam University who went on to develop a systematic theory that excess sickness claims represented a form of disguised unemployment (Beatty *et al.* 2000). This is referred to here as the 'Beatty–Fothergill thesis' or 'Beatty–Fothergill work'.

These 'real unemployment' estimates gave independent support to those within the city who were already trying to highlight the issue. These authors had gained access to Department of Social Security (DSS) local statistics, which enabled them to make a firm estimate of Glasgow's real unemployment (for the pre-1996 boundary) at 30.6%, ranking the city seventh out of the 409 British local authorities, and a little below Liverpool at 32.0%. They subsequently produced two further sets of estimates, in 2002 and 2007. By 2007, their estimate of the city's 'real' unemployment had fallen to 14%, although they still ranked Glasgow seventh in Great Britain.

In the 1990s, quangos dominated the local scene, but for the first time in 1998, the Glasgow Development Agency (the local branch of Scottish Enterprise) and the City Council set out to develop a joint economic strategy. The report of the initial conference held in July 1998 highlighted the issue of Glasgow's very low rates of economic activity but did not specifically mention IB (Glasgow City Council and Glasgow Development Agency 1998). The following month, however, a paper written for the Glasgow Alliance Social Inclusion Inquiry (McGregor 1998, pp. 2, 6, 11) commented: 'the male non-employment rate has trebled (8% to 25%) between 1979 and 1994. This is reflected in the massive growth of working age adults on sickness and incapacity benefit ... there is a major unemployed client group "hidden" on sickness and incapacity benefit ... For everyone registered for

Jobseeker's Allowance (JSA) in Glasgow there is roughly *at least* another one of working age on sickness or incapacity benefit' (emphasis in original). At this point regular local statistics were not yet available, and we now know that the situation was far worse than this, with 67,000 working-age claimants of IB/SDA in Glasgow at August 1998 compared to 27,063 on JSA – a ratio of almost 2.5 to one rather than one to one. In spite of this analysis, the Glasgow Alliance Strategy *Creating tomorrow's Glasgow*, published in 1999, did not make any mention of the issue of economic inactivity or IB claims.

The first publication to highlight the extent of Glasgow's IB claims to a mass audience was an early report from the ESRC 'Cities' Programme (Bailey *et al.* 1999). This drew attention to the scale of the disparity in prosperity between Glasgow and Edinburgh. It received blanket coverage in the Scottish media, but was given a generally hostile reception by both central government and local agencies, who felt it gave insufficient emphasis to the improvement which had been achieved. Although it reported that over one-fifth of Glasgow's working-age men were on IB, the response by the chief executive of the Glasgow Development Agency referred once again only to long-term unemployment (*The Herald* [Glasgow], 9 December 1999).

However, by the time of the second joint city economic strategy in 2003, *Glasgow's continuing prosperity*, the reality of Glasgow's worklessness was well understood and the issue had moved to the foreground. 'The proportion of Glasgow's adult population who are workless ... is equal to over 120,000 people. Of this, approximately 17% are on Job Seekers Allowance ... with the rest on various forms of health related benefits ... or economically inactive. This degree of worklessness is a significant drag on the city's competitiveness and contributes directly to the economic and social exclusion of many local communities' (Glasgow Economic Forum 2003, p. 4).

Use of the Labour Force Survey (LFS; now Annual Population Survey) to identify the proportion of the economically inactive population wanting to work was a significant step forward. Information at local authority level became routinely available in 2000, for 1999 onwards. An important study (McGregor *et al.* 2003), commissioned by a group of Glasgow agencies, provided the first local assessment of the proportion of Glasgow sickness claimants who might be brought into the labour market. Its conclusions were similar to those of the LFS. Of the non-JSA workless working-age population of just over 90,000, comprising the sick and disabled client group in the DWP statistics plus 17,000 lone parents and a few others, it estimated that there were at least 10,000 people with an active approach to the labour market who felt it would be relatively easy to find work, and around another 25,000 interested in working but who felt it would be hard to find a job. This study benefited from interviews with workless people, but it had the disadvantage of being based on a relatively small sample (296) whose representativeness could not be established with certainty because it was recruited via local organisations working with jobless people.

It was not until publication of the present authors' work (Brown *et al.* 2007, 2008) that a full profile of the stock, on-flow and off-flow of Glasgow's IB/SDA claimants by age, sex, medical condition, length of claim and claimant status became available. Funded by the Glasgow Centre for Population Health, their papers were able to draw on statistics specially provided by the DWP. A further paper (Brown *et al.* 2009) provided a similar analysis for the most rapidly increasing category of claimant, those with 'mental and behavioural disorders'. Without data of this type

it is difficult to target programmes effectively, and impossible to evaluate their effectiveness. Perhaps the most striking finding from these papers was how little the profile of Glasgow IB claimants differs from that of Scotland as a whole. For the most part, there are simply more claimants in every category. The most notable difference is that Glasgow has a higher proportion of ‘credits only’ claimants, who are not receiving any payment because they do not have the necessary National Insurance contribution record. This probably reflects Glasgow’s worse employment history (Brown *et al.* 2008). Glasgow also has a higher proportion of claimants aged over 50, of people claiming for more than two years, and of claims on account of ‘mental and behavioural disorders’. Within this category, the main reason for the excess in Glasgow compared to Scotland was ‘other neurotic disorders’ (Brown *et al.* 2009). In February 2007, whereas Glasgow had 1.8 times the Scottish proportion of working-age population claiming due to mental and behavioural disorders, the ratio for ‘other neurotic disorders’ was 3.6 times, with 2.7% of the city’s working-age population claiming for this reason.

### Development of the local policy response

Policy response to the rise of IB claims in Glasgow involved three levels of government: the UK government (social security and employment policy); the Scottish Executive (from 1999) and before it the Scottish Office (economic development and training); and local agencies (Glasgow City Council and local branches of organisations such as Scottish Enterprise). It took the best part of a decade from first recognition of the problem for a unified approach to emerge.

The employment policies of the Labour government which came into office in May 1997 election had been worked out in opposition, in the absence of any awareness of the heavy geographical concentrations of IB claimants (the Beatty–Fothergill work was first published a mere two months before the 1997 election). The focus of the new government’s UK-wide New Deal was primarily on young people aged 18–24 who were claimant unemployed over 6 months, for whom it was mandatory, and to a lesser extent on lone parents. It also included the long-term sick as a target group, but they attracted only a small share of the funding. There was an awareness of the geographical concentration of overt unemployment, and reflecting this, in December 1997 a Glasgow Employment Zone was launched, aimed at over-25s on JSA for over 12 months. A further Glasgow Zone was launched in June 2000, with a slightly wider remit for over-25s unemployed for over 18 months. By January 2002, the Glasgow Employment Zone had helped 1730 people into sustained employment, and there were 776 current participants (Hansard, 10 May 2002, cols. 366W, 367W). Also in 2000, four Action Teams for Jobs were established in Glasgow. Once again, their main focus was on JSA claimants, although they were also able to take on other categories of workless people. From April 2004, the Glasgow Employment Zone led on to two small Working Neighbourhoods pilots, in Parkhead and Hutchesontown. These moved somewhat beyond the traditional JSA group to include some IB claimants.

Meanwhile, recognition of the IB issue had been growing in DWP. Pathways to Work, aimed at encouraging employment among new IB claimants, was launched in three pilot Jobcentre Plus districts in October 2003. Glasgow was included in this programme for the first time in October 2005, with the launch of one of the

'Expansions Phase 1' Pathways to Work pilots. This involved an intensive package of interviews, assessments, advice and support, including the Condition Management Programme run by the National Health Service and the Return to Work Credit (a tax-free pay supplement specifically for low-income people previously on sickness or disability benefits).

Like Whitehall, the Edinburgh-based Scottish Office and post-devolution Scottish Executive were slow to recognise the scale of the movement onto IB. Prior to the election of 1997, their focus was entirely on claimant unemployment, and especially on the long-term unemployed. Reflecting this, the efforts of the local branch of Scottish Enterprise, the Glasgow Development Agency, went into 'Glasgow Works'.<sup>4</sup> This was an Intermediate Labour Market (ILM) programme aimed specifically at the long-term unemployed, with a structured programme of activity based around work, training and personal development and using social economy organisations such as the Wise Group and a network of eight Local Economic Development Companies. As late as September 2000, after devolution, Scottish ministers were still talking exclusively about the claimant unemployment count or ILO unemployment (e.g. *Glasgow Evening Times*, 11 September 2000). In a debate on Glasgow in the Scottish Parliament on 17 May 2000 (col. 711), the Scottish National Party (SNP) opposition spokesman focused on the issue of economic inactivity, but without eliciting any agreement on its importance from the ministerial bench.

However, one significant exception to the general focus on JSA claimants was the Scottish New Futures Fund (NFF). Launched in May 1998, this was aimed at the people who were most seriously disadvantaged in the labour market and were a long way from employment, including homeless people, those with drug or alcohol addictions, offenders, chaotic young people, those with mental illness, disabilities or learning difficulties, and multiply disadvantaged people from minority ethnic groups. Many of these people, perhaps most, are IB claimants, although IB claims were not the focus of the programme. The aim was a positive outcome though not necessarily a job. In its launch phase, the NFF encountered serious difficulties in handling the interface with the New Deal, which was introduced in a rigid standardised form and did not cater for the flexible approach needed for people with serious personal issues. Negotiations had to take place with the DSS at Sheffield to resolve these.<sup>5</sup> Scotland-wide, by March 2002, 3030 people had moved on from the programme, of whom over 14% had got jobs. Of the projects in being at August 2002, over a quarter (19 out of 71) were in Glasgow. After successive extensions, in 2006, management of the NFF was transferred to local Community Planning Partnerships and in Glasgow it was finally wound up in 2008. NFF strongly exemplified a 'bottom-up' approach to provision: projects were chosen and funded by Scottish Enterprise on a Scotland-wide basis, but they were conceived, developed and bid for by individual organisations working to only the loosest of briefs.

The NFF did not indicate a general recognition of the IB problem by the Scottish Executive. On its launch in 2002, the Executive's anti-poverty strategy, *Closing the opportunity gap*, made no mention of IB claimants, setting a target only for unemployment. But in December 2004 the strategy was refreshed with the launching of ten targets, of which the first now was to reduce the number of workless people dependent on DWP benefits in Glasgow and some other areas by 2007 and further by 2010 (Scottish Parliament Written Answer S2W-12888, 7 December 2004).

This no doubt reflected the change of stance by the DWP indicated by the launch of Pathways to Work in October 2003.

Perhaps it is not surprising that, being closest to the problem, it was local government – Glasgow City Council – that took the earliest action clearly focused on IB claimants. This was the Full Employment Areas Initiative (FEAI), established in April 2002 to run for three years to 2005, with funding of around £0.5 million per year. It was aimed at three small disadvantaged areas in Rosehill (Pollok), Wellhouse (Easterhouse) and Roystonhill (North Glasgow), each of around 500 households, where it sought to engage economically inactive people through outreach using ‘community animators’ and family and social networks, and refer them to other services. The target group were mainly IB claimants, but also included carers, lone parents, disaffected young people and ex-offenders. The Initiative received funding from Glasgow City Council, the Scottish Executive and the European Social Fund, and was managed by Community Enterprise in Strathclyde, a social economy organisation. By the end of Phase 1 in December 2004, out of 1100 initial contacts, 160 people had been moved into employment and 120 into training. A Phase 2 was launched in 2005, to run to 2008. This involved extension to neighbouring areas, in Nitshill/Priesthill (Pollok), Barlanark (Easterhouse) and Royston and Germiston (Glasgow North), bringing in an additional 3988 households. In September 2006, it was extended on a pilot basis to Possilpark and Hamiltonhill in the North and in January 2007 to Govanhill on the south side, targeting ethnic minority households; together these areas brought in a further 2677 households. Three-quarters of the people engaged with in Phase 2 were not on JSA. By November 2007, there had been 604 outcomes in the two phases together, just over half (54%) being employment. A citywide extension to the FEAI, starting in February 2008 and planned to run to March 2010, with funding of £0.132 million, was aimed at assisting visually impaired people into work. There are an estimated 1325 people in this category in Glasgow, with only one-quarter thought ever to have been in employment.

More ambitious in scope was the Council’s Equal Access to Employment programme. This was designed as a citywide framework which would link together existing resources and providers to bring about a stronger focus on helping people with particular health and social care needs to move into the labour market, and to support them in jobs once obtained. It was particularly aimed at addressing the gap – essentially an inheritance of the national policy focus on JSA claimants – between existing intermediate and active labour market programmes, and those run by Social Work and Health services for economically inactive people with labour market disadvantages. It was essentially a re-orientation of the established labour market programmes away from the now much diminished group of long-term unemployed, towards IB claimants and other inactive people. Equal Access can be seen as representing a key shift in city strategy resulting from the fact that continuing job growth had raised concern about labour supply shortage (Turok 2007), and the recognition by advocates for the disadvantaged that this represented an opportunity to gain more attention for them.

A consultation document on Equal Access was issued in June 2003 (Glasgow City Council Social Work Services 2003), and the programme was launched in May 2004. It was envisaged that realignment of programmes would be complete by 2008/2009. The Consultation Document itself was primarily addressed to the health and social care audience who had direct access to the target groups. Equal Access took an area-based

approach, aiming to link agencies that could identify people potentially able to move into employment, with organisations that could provide assistance towards an employability pathway, and eventually a job. A key first step was a mapping exercise, which identified over 330 relevant projects in the city being delivered by some 130 organisations (Glass *et al.* 2004). This showed that just over a third (36%) of clients of the organisations were on JSA, suggesting a considerable shift of resources to non-JSA inactive people by this date. It also highlighted problems of co-ordination, with a quarter of the services having a waiting list while at least a third had spare capacity, and strongly recommended creation of a shared client tracking system.

From this review it is clear that convergence of views between the three levels of government on the importance of the IB issue occurred around 2003. This was reflected in the launch of a Glasgow Welfare to Work Forum in that year, with a well-known local businessman, Jim McColl, as chair and Jobcentre Plus as a key participant. The Forum drew up an Action Plan, which included implementation of Equal Access. Following publication of the White Paper *A new deal for welfare* (DWP 2006), the DWP in May 2006 invited cities to register expressions of interest in becoming a 'Pathfinder for the Green Paper Cities Strategy'. The Welfare to Work Forum helped to co-ordinate Glasgow's successful bid, which led eventually to a considerable degree of rationalisation of the various Glasgow worklessness programmes. A consortium was established to develop a City Strategy Business Plan, which was completed in March 2007. Jim McColl continued as chair, and the consortium brought together the Welfare to Work Forum, the Glasgow Employer Coalition, and the Equal Access to Employment Partnership under the banner of 'Glasgow Works' (not to be confused with the pre-1997 version). Glasgow Works also represents the local employability policy component of the Scottish Executive's *Workforce plus* Employability Framework and Strategy for NEETs (young people not in employment, education or training) *More choices, more chances* (both June 2006).

Glasgow Works has ambitious targets to reduce levels of worklessness in Glasgow by 17,200 from April 2007 to June 2010. It is aimed at hard-to-reach groups, with IB claimants the first priority, and lone parents, black and minority ethnic (BME) communities, over-50s and NEETs also targeted, and its contracts feature additional premiums for helping particularly disadvantaged people. Its funding includes £17.1 million from the European Social Fund, £4.0 million from the European Regional Development Fund, and £5.8 million from the new DWP Deprived Area Fund. Glasgow Works does not itself fund movement into work, but provides for the identification of suitable clients who are then served by existing programmes provided by local regeneration agencies or social economy organisations. Glasgow Works is also seeking to rationalise these organisations. Strong emphasis is put on the use of common reporting and client tracking processes (in line with recommendations McGregor *et al.* had made in 2003), on in-work career progression and support, and on helping employers to keep in work more staff who become sick while in a job. Contracts for Phase 1 projects were awarded in January 2008 and over 1000 clients were involved by June 2008.

The story of the development of labour market programmes in Glasgow is of adaptation to the reality that the JSA group, who attracted almost exclusive attention in the mid-1990s, underwent a decline as the economy recovered, leaving the economically inactive as the obviously problematic group. Turok (2007) points out that there are two alternative models of provision of employability services: a

'bottom-up' approach characterised by initiative and experimentation by individual organisations, and a more planned 'top-down' approach. The movement in Glasgow has clearly been generally from the former towards the latter. At the same time, and with lengthy delay, the perspectives and programmes of central government and local agencies have come to be better co-ordinated.

Policies towards the demand side of the labour market matter at least as much as those aiming at the supply side. Here again, there has been a considerable gap between the perceptions of the different levels of government. The Glasgow agencies were always unanimous that the key requirement was local employment growth. However, during the relevant period, UK government has tended to emphasise the supply side. For the early part of the period reviewed here, Scottish Office/Scottish Executive policy continued to be strongly influenced by the Tothill-inspired policies of the 1960s, although it did become more favourable towards economic development in Glasgow from around 1996 onwards. Only around 2003, following the Cities Review, did the Scottish Executive (now the Scottish Government) become positively enthusiastic about economic development in Glasgow. This was about the same time as the convergence of views on the IB issue, and could be seen as completing the harmonisation of policy.

### **How has Glasgow's stock of Incapacity Benefit/Severe Disablement Allowance claimants fallen?**

Before attempting to investigate the factors behind the fall in the numbers of Glasgow's IB/SDA claimants, it is necessary to examine exactly *how* the total has fallen. For this purpose, it is possible to draw on the detailed data for Glasgow provided by the DWP.

As noted in the authors' earlier papers, the main reason for the fall has been a substantial reduction in both the absolute on-flow, and the rate of on-flow as a proportion of the working-age population. Absolute off-flow has barely changed, although measured as a rate against a declining stock, it has risen significantly (Figure 3). Within the on-flow, the rate has fallen much more for men than for women, in both absolute and proportional terms; within the off-flow, the rate has risen a little more for women. Rates of on-flow have fallen for all age groups, with the largest absolute falls among claimants in their 50s and those aged 16–17 and 20–24. Rates of off-flow have risen most in absolute terms among the younger age groups, with little change among the over-50s. Overall, the stock of claimants has fallen in every age group, leaving the age profile very similar in 2007 to what it was in 2000, although at a lower level.

Figure 4 shows the quarterly figures from August 1999 to February 2008 for the conditions of people coming on to IB in Glasgow. All the major conditions have fallen, although 'mental and behavioural disorders' rose until about 2003 before falling, and the minor category of 'diseases of the nervous system' has remained static.

The most striking change in Glasgow over the period has been in the balance in the on-flow between those already on Income Support (IS) or DLA, and those on no benefit (Figure 5). The numbers on IS or DLA have remained unchanged at around 1300 per quarter, whereas the number on no benefit has fallen steadily from 2500 to 1500 per quarter. The meaning of this appears to be that the number of people moving onto IB who are in circumstances which are themselves a barrier to employment, including a particularly serious disability, or being a lone parent or a

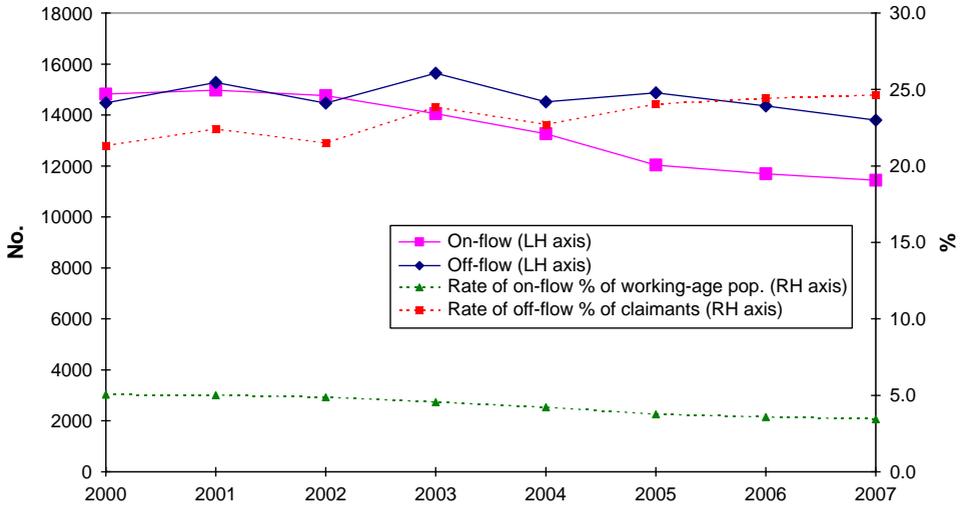


Figure 3. Glasgow: IB/SDA on-flows and off-flows.

Source: DWP.

carer, has not changed. The fall in on-flow has been among those who do not have these particular barriers and are to this extent closer to the labour market.

### Attempting to explain the fall in Incapacity Benefit/Severe Disablement Allowance claimants

The fall in the numbers of IB claimants in Glasgow is not due to change in the age structure of the working-age population. The age groups 40–59, in which the rates

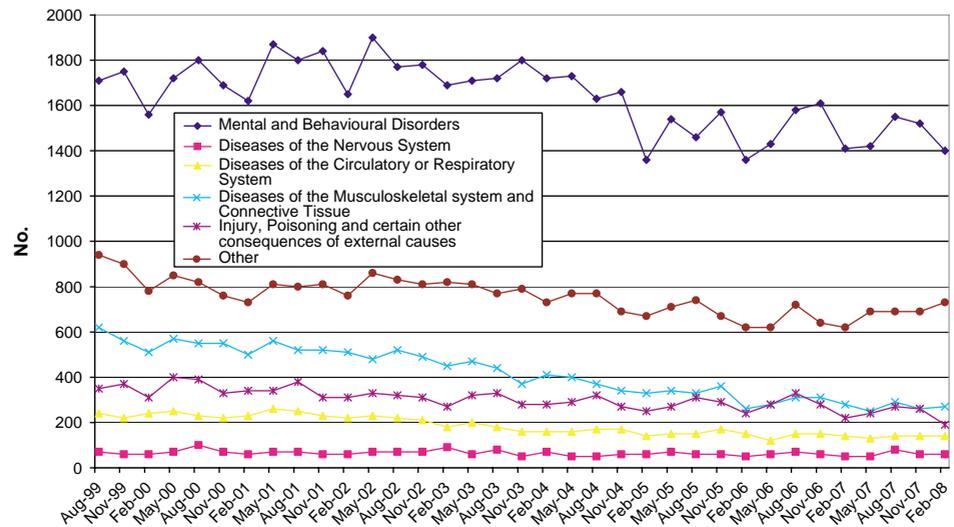


Figure 4. Glasgow: new IB claimants by condition.

Source: DWP.

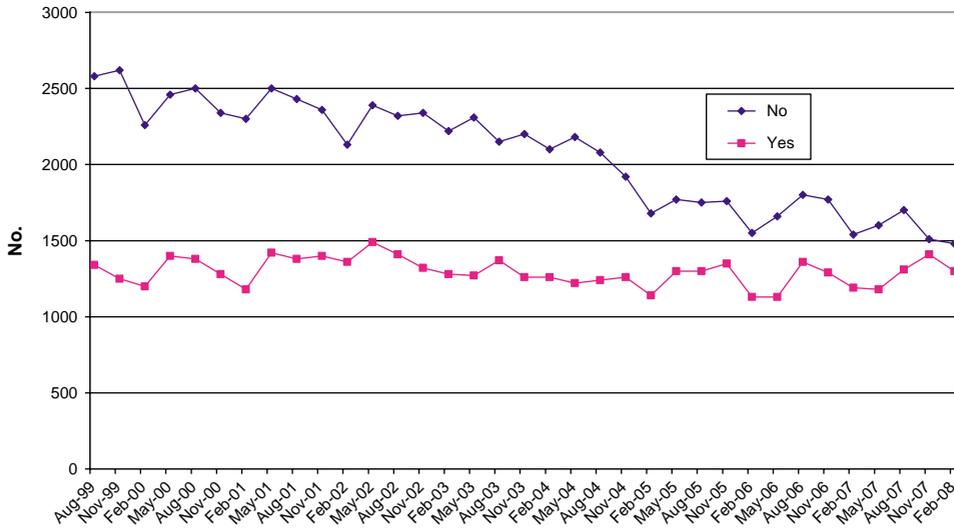


Figure 5. Glasgow: new IB claimants (on-flow): whether existing benefit claimant.  
Source: DWP.

of claim are highest, all increased their share of the total between 2000 and 2008. Setting this aside, there are in principle four broad factors which might explain the fall, particularly after 2003: improvements in health; national changes in the IB regime including claimants' qualifying conditions and the way they are handled administratively; a strengthening labour market; and local programmes to get claimants into work (including local pilots or demonstrations of national programmes, in particular Pathways to Work).

The available evidence on underlying changes in health is slight. Mortality figures are readily available but are not a good proxy for morbidity in the present context as they tend to respond to changing health only after a lengthy lag. However there is some evidence suggesting that the fall in on-flow in one category, diseases of the circulatory and respiratory system, may be due to a real improvement in health. In 2004–2008, emergency admissions for heart attack in the Greater Glasgow and Clyde Health Board area (which is dominated by Glasgow), fell by 26.6%, compared with a fall in the rest of Scotland of only 14.8% (figures obtained from the Scottish Government by the Liberal Democrat health spokesman Ross Finnie and reported in *The Herald* [Glasgow], 7 May 2009). These falls may be understated due to improvements in diagnosis. However, this effect, if real, would only account for a very small part of the reduction in IB claims, since all diseases of the circulatory or respiratory system – a much larger group – accounted for only 10.5% of Glasgow IB/SDA claimants in 2000, falling to 7.2% in 2007.

There have been some significant changes in the national IB regime. Perhaps the most important was the introduction in 2001 of a deduction of 50 p for every £1 of occupational pension received over a certain level. For people with significant income from a personal or company pension, this had the effect of reducing the incentive to claim IB, especially for some particular groups such as those in rented accommodation where it created an entitlement to Housing Benefit, which takes IB

into account and has a high withdrawal ‘taper’. Roll-out of Jobcentre Plus in 2002 provided a more comprehensive employment service, and since October 2006 a two-year ‘linking period’ has enabled people coming off IB to take a job to go back to their previous benefit position if the job does not work out, without having to re-apply or wait. Glasgow’s greater fall in on-flows among the over-50s would fit with an effect from the introduction of means-testing in relation to occupational pensions, since it is this group that will most often have occupational pensions. This change made in 2001 would also more or less fit with the timing of the downward trend in IB claimants in Glasgow and in other areas where they have fallen (Figures 1, 3 and 10). However, it is difficult to see these changes as a major factor. There was no particularly marked change in on-flows among over-50s around the time of the change in 2001, and younger people’s on-flows have fallen steadily in Glasgow as well. Moreover, most areas in the country have seen little fall in IB over the period, while many have seen a rise (Figure 2).

The evidence for the role of increasing labour demand is very much stronger. Glasgow has had an increase in jobs which overall is slightly better than that of Great Britain, especially in relation to the working-age population (Figure 6). The city’s employment rate has risen much more and its ILO unemployment has fallen much more (Figure 7). Like other parts of the country, Glasgow has seen an inflow of migrant workers in the past few years, and this could both be partly responsible for the improvement in employment rates and have reduced the job opportunities of existing local residents. However, Glasgow’s in-migration has been relatively modest compared to other areas (Bauere *et al.* 2007).

There is specific evidence that people with relatively severe disabilities have been moving into work. There is a fairly stable difference between the numbers on IB and the numbers in the ‘sick and disabled client group’ (Figure 1), which is accounted for by claimants who are either on SDA or on DLA alone. SDA was stopped for new

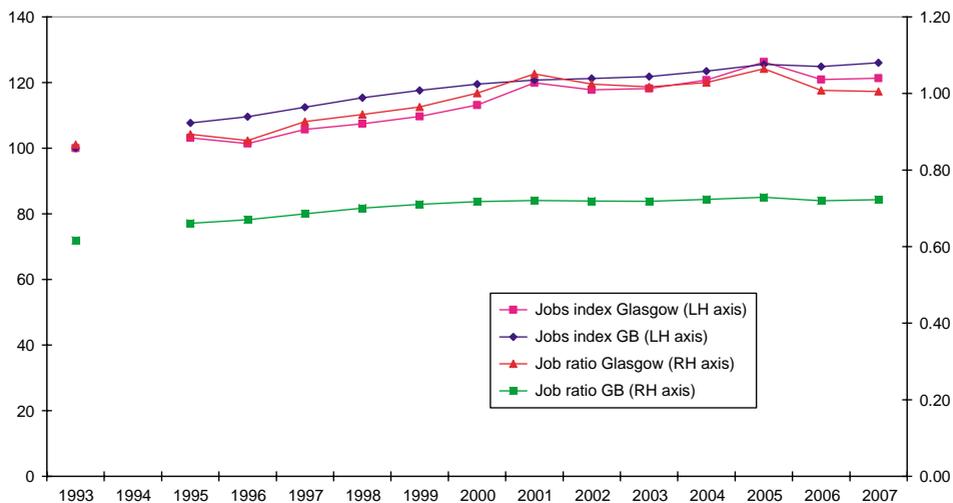


Figure 6. Glasgow and Great Britain: jobs index (1993 = 100) and ratio of jobs to working-age population, 1993–2007.

Source: NOMIS.

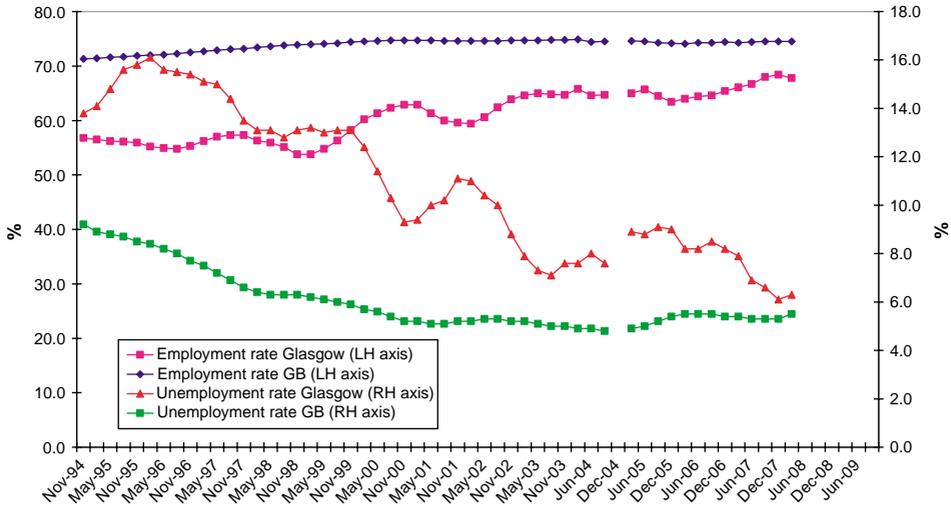


Figure 7. Glasgow and Great Britain: working-age employment and unemployment rates (LFS/APS).  
Source: NOMIS.

claimants in 2000 and has been reducing. Therefore the ‘DLA alone’ group has been increasing. These are likely to be people in work. Figure 8 shows a significant increase in these people since about 2001 – by about 1% of the working-age population. This could merely mean that disabled people already in work have started to get DLA – this would be consistent with the fact, shown in the chart, that DLA has been increasing generally. However, the final two quarters of the ‘DLA alone’ data

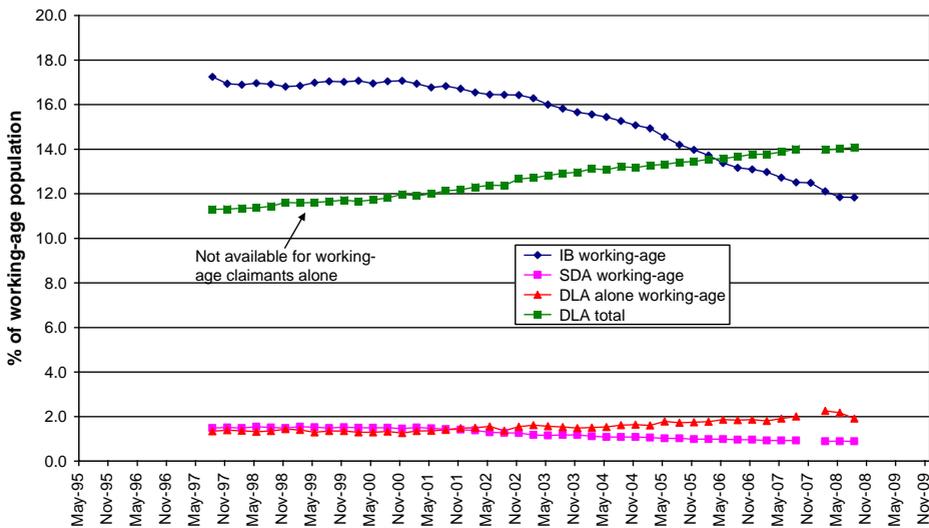


Figure 8. Glasgow: claimants of Incapacity Benefit, SDA and DLA as percentage of the working-age population.  
Source: DWP 5% sample statistics (online Tabulation Tool).

show a downturn with the onset of the recession, as would be expected if people in work were losing their jobs. There is no similar downturn in total DLA. Therefore it appears that a significant number of people disabled enough to get DLA have probably moved into work in Glasgow over the past few years. This would have been helped by the introduction of the more generous Disabled Person's Tax Credit in 1999, and is corroborated on an anecdotal level by the Glasgow Centre for Inclusive Living.

The circumstance that the fall in IB claims has taken place after ILO unemployment had fallen to relatively low levels also suggests labour demand as a key factor. A continuously strengthening labour market will tend to draw in first those who are available and looking for work (the definition of the ILO unemployed), and only later pull in those who are not. The observation noted earlier, that the fall in on-flows in Glasgow has been entirely among those not already on a benefit suggesting particular labour market barriers, supports this view. This view is also compatible with another observation, that there has been a fall in Glasgow in the number of people inactive by reason of long-term sickness who want to work (Figure 9). Although it cannot be proved, this could very well be because many of them are now working.

The fact that *all* local authority areas with high rates of IB/SDA claim have seen large reductions in levels of claim (Figure 2) also points to labour market strengthening as the main reason for the fall in claims. Evidence in support of the Beatty-Fothergill thesis that excess levels of IB are disguised unemployment is already strong. The present authors themselves quoted some specific evidence on this (Brown *et al.* 2007, p. 16): for Glasgow, the ratio of IB/SDA claimants at May 2001 to working-age people with a Limiting Long-Term Illness in the Census of April 2001 was 0.861, compared to a ratio of only 0.693 for Scotland, suggesting that the higher level of IB claims in Glasgow has to a large extent a labour market and not a health explanation. What we see here is excess levels of IB right across Britain

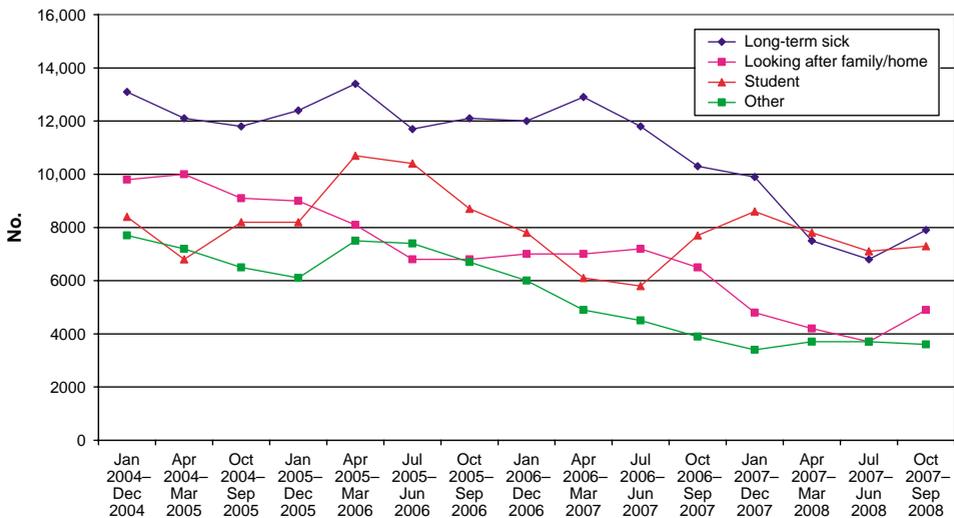


Figure 9. Glasgow: inactive people wanting work by reason why not looking (LFS/APS). Source: NOMIS.

behaving exactly as unemployment does during a boom: it falls more in areas with high unemployment, in other words there is *unemployment convergence* between areas.

In assessing the role of labour market strength, it would be helpful to have information on the destinations of people leaving IB. Have they being going into employment, or simply on to other or no benefits? Even if this information was available, it would not help in assessing the fall in on-flows – since the people involved are those who might have moved on to IB but did not, no information can be obtained about their employment status.

The largest programme which has varied locally has been Pathways to Work. It has now been rolled out to the whole of Britain, with commencement dates ranging over a five-year period October 2003–April 2008. To a moderate extent it has been rolled out earliest in the areas with the highest IB claim levels; across local authorities, the correlation between length of time in the programme and initial claim level is 0.385 (Appendix 1). Pathways to Work has been shown to have an effect on claim levels (Blyth 2006, Bewley *et al.* 2007, 2008), and therefore must be partly responsible for the greater fall in high-claim areas. However, the timing shows that Pathways to Work cannot be the main factor. Figure 3 shows that in Glasgow, the on-flow rate fell and the off-flow rate rose well before the roll-out of Pathways to Work in October 2005. A similar conclusion is implied by Figure 10, which shows the year-by-year trajectory of the fall in IB/SDA claimants for the top 20 local authorities in 1999, among which Glasgow was fourth. In all cases, a downward trend in the stock of IB claimants began before the local roll-out of Pathways.

What has been the role of other local programmes in helping to reduce the level of IB claims? A great deal of anecdotal information is available locally (for instance

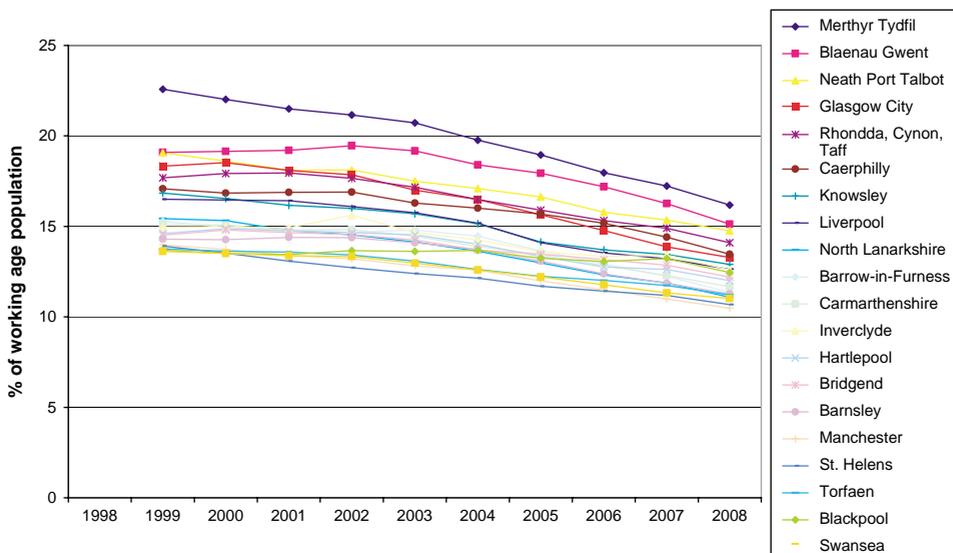


Figure 10. Fall in IB/SDA claimants 1999–2008: top 20 GB local authorities in 1999. Source: NOMIS.

in the Glasgow *Evening Times*) testifying to the reality of the barriers which many IB claimants face in accessing the labour market, and the value which individuals have obtained from programmes they have participated in. It is harder to find statistical evidence of their impact; such programmes are innately difficult to evaluate in a quantitative way. However, the fragmentary available information on the throughput of these programmes quoted earlier suggests that they cannot have had a major impact in Glasgow in relation to IB/SDA on-flows and off-flows which were running respectively at 14,810 and 14,470 in 2000, and 11,430 and 13,800 in 2007. The big change in Glasgow has in any case been in on-flow rates, and local programmes tend not to be focused on these (although they have been to some extent). The main effect of local programmes should be seen in off-flow rates, but as we have seen while these have increased they have done so only to a relatively small extent.

The evidence of Figure 2 for local authority areas generally tends to suggest a rather limited role for local programmes. It could be argued that all or at least most areas with high rates of IB claim will have had local programmes targeted at IB claimants, and that these could therefore explain why areas with high rates have had such large reductions in claims. But local programmes are bound to have varied in scope and effectiveness, whereas in relation to higher levels of claim, Figure 2 exhibits a strikingly regular pattern. Local programmes, along with differences in local employment change, could perhaps explain some of the difference in the timing of the changes in the highest claim areas shown in Figure 10, but the overall outcomes have been very similar. A limitation of the present analysis is that examination of local programmes in other places is not within the scope of this article, and this question therefore remains open.

In an attempt to separate out the influence of different factors on the change in level of IB/SDA claims between 1999 and 2008, an exploratory regression analysis has been carried out using data for the 380 British local authorities. Details are in Appendix 1. It is evident from Figure 2 that the convergence effect – greater fall in areas with higher initial claims – is important, and one explanatory variable is therefore the initial claim level. The other explanatory variables were the change in the number of jobs in the area 1998–2007, and the number of months the area was in Pathways to Work prior to November 2008. All three variables proved to have statistically significant effects, with the initial level of claims much the most important, and Pathways to Work the least. The Pathways to Work variable is mildly correlated with the initial claim level, and this makes the estimate of its effect unreliable. However, it is clear that initial claim level has had more effect than Pathways to Work. This regression therefore supports the view that excess rates of IB/SDA claims are mainly a form of disguised unemployment, since both job change and to a large extent the initial level of claims are in effect employment variables. The job change variable will understate the true importance of job change because it is derived from workplace-based employment data and as a result of commuting across local authority boundaries cannot fully capture the relevant local change in employment. Conversely, the Pathways to Work variable does not measure what the eventual full effect of the programme will be on the stock of claimants.

In pointing to the importance of employment change, this regression points to a similar conclusion to that of the analogous regression analysis by Beatty *et al.* (2009, pp. 60–66).

## Conclusions

It is clear that diagnosis, policy and programmes in Glasgow have had difficulty and delay in catching up with what is a major issue of a large section of the working-age population stuck on IB. On a sanguine view, this has not mattered much. It could be argued that the labour market in Glasgow could not have absorbed significant numbers of IB claimants until around the time that central and local agencies re-orientated themselves towards them, because it had first to absorb a large stock of JSA unemployed. On this view, there has been a 'muddling through' and policy has been, not good, but good enough. But against this, there must surely have been many individual claimants left to themselves who would have benefited enormously from the kind of support that they would receive now. And central government, at both Scottish and UK level, should surely have accepted the scale of disguised unemployment and had a much stronger focus on economic development in places like Glasgow from much earlier on. The DWP's strenuously held view that 'The problem is not a lack of jobs' (DWP 2006, p. 18) does not look realistic in the light of the evidence in this article.

The article suggests that in order to deliver policy effectively and quickly there is a need for much closer working between central government and local agencies. In this case, an accurate perception of the problem arose first at local rather than national level (and it should be borne in mind that the Beatty–Fothergill work, which played a vital role in Glasgow, also arose from local study, in the English coalfields). Local perceptions need to be taken seriously by national government, and interventions should be delivered within the context of an overall strategy drawn up locally. This is now the approach in Glasgow, but it took a long time to reach this point.

Nevertheless, the history set out in this article shows that central and local agencies are both dependent upon promptly available statistics for local areas. Absence of local figures on IB/SDA claimants until 1999 was perhaps the most serious obstacle to understanding of the situation at all levels. A number of further improvements in these local statistics are essential in order to improve design and targeting of programmes.<sup>6</sup>

This article vindicates the analyses such as the Beatty–Fothergill thesis which have seen high IB claims as a form of disguised unemployment. But their analyses (e.g. Beatty *et al.* 2007) have to date not picked up the fall in IB claims in high-claim areas. This article, amplifying the finding of McVicar (2006) for the regional level, has shown that IB claims in high-claim areas have behaved during the boom just as they would have done if they were indeed disguised unemployment. However, this conclusion cannot necessarily be applied to the behaviour of IB claims in other parts of the country, where both the level and the time-path of IB claims are quite different.

The article suggests that what will most reduce the number of claimants in places like Glasgow is continuing local economic growth providing increasing job opportunities. It cannot be emphasised too strongly that although the reduction in Glasgow's level of claims from three times the national average to twice in around six years is remarkable, the sheer volume of excess claims remains very great at some 8–10% of the city's working-age population. Unfortunately, the analysis here suggests that should the current recession be prolonged, it will either be difficult to make

further progress in reducing IB claims, or that if they are reduced, many of those not on IB will find themselves without a job and more disadvantaged through the loss of the higher level of benefits they might have had. There is also a danger of waste of resources through high levels of intervention if the necessary job opportunities are not there, particularly if the focus is too narrowly on job search rather than on broader personal development.

The article confirms that Pathways to Work has had an effect in reducing IB claims, and its findings are compatible with the view that other changes in the national IB regime may also have had an effect. However, the findings cast some doubt on the necessity, in high claiming areas, for the further round of reforms following the 2006 Green Paper, including the switch to ESA, since a strong downward trend in IB was already established. However, this article does not enable conclusions to be drawn on the value of these reforms in other types of area. The reforms may be more relevant to areas with low levels of claim, where claims have often been continuing to rise.

### Acknowledgements

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### Notes

1. The figures quoted in this paragraph are for the former Glasgow city boundary. It changed on 1 April 1996 to exclude Rutherglen and Cambuslang, which had about 7% of the city's population at that date. All figures in the charts are for the post-1996 boundary; occasional use of the pre-1996 boundary in the text is not highlighted because the boundary change makes no significant difference to the conclusions.
2. For the April 2001 Census for Glasgow, the proportion of working-age people recorded as permanently sick and disabled can be calculated exactly as 12.5%. This is well below the 18.2% claiming IB or SDA in May 2001 according to the DWP statistics, presumably for two reasons: some people on IB are short-term rather than permanently sick or disabled, and people with a sickness or disability could record themselves in the Census as being in other statuses such as looking after home/family, or student.
3. Archives and Special Collections, Mitchell Library, Glasgow.
4. Details of local programmes within Glasgow are taken from various local reports. On account of their large number, these are referenced here only if they contain analyses or opinions which are significant in their own right.
5. Information provided to the corresponding author at the time.
6. These desirable improvements include:
  - Destinations of the off-flow of IB claimants. This includes both whether people move into work, what type of job they get and how long they sustain it.
  - Changes in presentation of the Annual Population Survey data on NOMIS to allow more information to be squeezed out. In particular, key figures based on small samples, such as those on the numbers wanting work by reason for inactivity, should not be suppressed when sample numbers fall below acceptable thresholds. Instead, the data should be merged and published for longer time periods.
  - Working-age tabulations from the Census should be published as standard. It is unacceptable, for instance, that key information on the relationship between limiting long-term illness and economic status for the working-age population should have to

be requested as special tabulations when all the relevant agencies (including most of all the DWP) should be accessing it routinely.

- Useful local level analyses of the IB data are currently available for local authority areas on the DWP website only for the 5% sample data. This limits the practicability of analysis. Extension of these analyses to the 100% data would be a valuable improvement.

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### Appendix 1. Regression analysis

In order to investigate the relative importance of the various factors in the fall in IB/SDA claimants across British local authorities, a regression analysis was carried out. The variables used were as follows (see Table 1 for summary statistics)

- *IB/SDA level*: IB/SDA claimants in November 1999 as a percentage of the working-age population (as shown in Figure 2).
- *Change in IB/SDA level*: Percentage change between November 1999 and November 2008 in the percentage of the working-age population claiming IB/SDA (as shown in Figure 2).
- *Change in jobs*: The percentage change in employee jobs between 1998 and 2007 as shown by the Annual Business Inquiry.
- *Time in Pathways to Work*: No. of months between local roll-out of Pathways to Work and November 2008.

The source for the first three variables was NOMIS. Roll-out dates for Pathways to Work were kindly provided by Janet Allaker of DWP.

The dependent variable was *Change in IB/SDA level*. Regression was by ordinary least squares. *Time in Pathways to Work* is mildly but significantly correlated (0.385) with *IB/SDA level*. Otherwise the explanatory variables are uncorrelated.

The coefficient on initial *IB/SDA level* implies that a 1% point higher level in the IB/SDA claimant proportion in 1999 is associated with a 1.8% point greater fall in this proportion from 1999 to 2008. The coefficient on *Change in jobs* implies that a 1% increase in the number of employee jobs between 1998 and 2007 is associated with a reduction of 0.1% in the proportion of the working-age population claiming IB/SDA between 1999 and 2008. The coefficient on *Time in Pathways to Work* implies that a year longer within this programme results in a 0.6% point greater reduction in the proportion of the working-age population claiming IB/SDA. However, the correlation between the first and third of these variables affects the measurement of these effects. The measured effects could also be affected by omitted variables.

Table 1. Regression results. Dependent variable: *Change in IB/SDA level*.

Constant/independent variable	(1)	(2)	(3)
Constant	8.091** (0.908)	9.349** (0.966)	9.595** (0.971)
IB/SDA level	-1.923** (0.116)	-1.936** (0.114)	-1.843** (0.123)
Change in jobs		-0.117** (0.034)	-0.117** (0.034)
Time in Pathways to Work			-0.050* (0.026)
Adjusted $R^2$	0.420	0.437	0.441
No. of observations	380	380	380

Note: Numbers in brackets are standard errors. Significance: \*at 0.05; \*\*at 0.001.