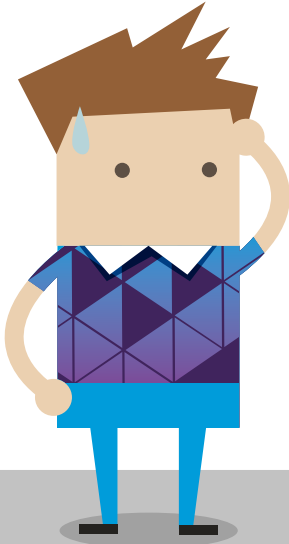




MONEY AND
MENTAL HEALTH
POLICY INSTITUTE



MIND THE INCOME GAP

How work and social security shape the incomes of people with mental health problems

Nikki Bond and Conor D'Arcy

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Executive summary

Earlier this year, the first report for the Mental Health and Income Commission revealed that people with mental health problems were entering the pandemic with lower average incomes and higher financial fragility. In this second report, we take a longer-term look at the labour market and social security system, to understand how outcomes in each drive the mental health income gap and the challenges people with mental health problems can face.

The incomes of people with mental health problems are significantly lower than average

- The income gap faced by people with mental health problems is significant. Annual median income for people with common mental disorders like anxiety or depression is just over two-thirds (68%) that of people without those conditions, equivalent to a gap of £8,400.

Low employment rates

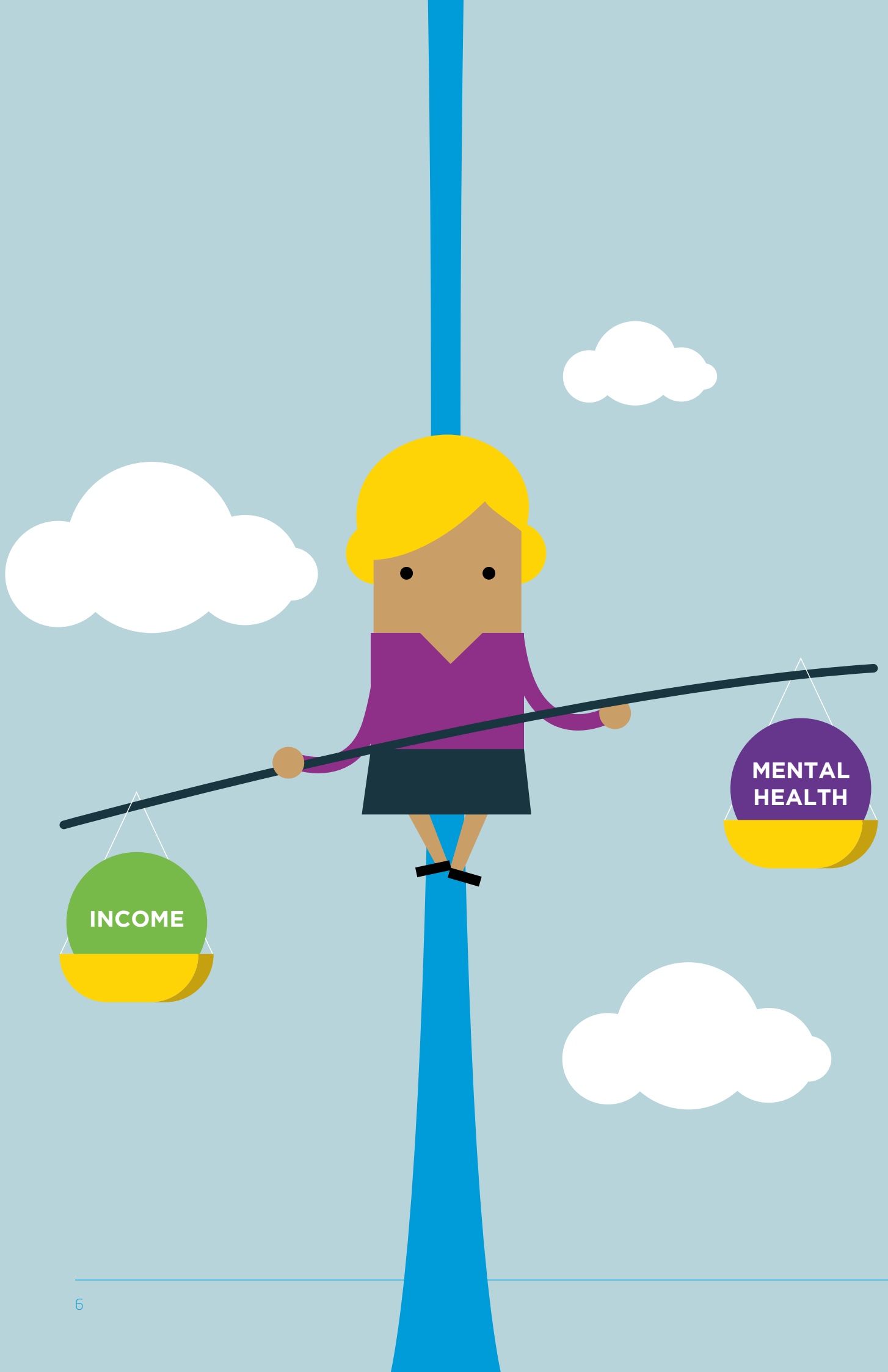
- There is a large and sustained employment gap between people with mental health problems and those without. The size of this gap varies by condition: people with mild anxiety or depression had an employment rate 6 percentage points lower than the overall population in 2014, rising to 28 percentage points for those with severe anxiety and depression.
- People who have experienced mental health problems who would like to find and stay in suitable work told us how biased recruitment practices and inflexible employers had made that more challenging.

Low wages

- People with mental health problems who are in employment are overrepresented in roles that are more likely to be low-paying.
- Over 2018 and 2019, 37% of people who had experienced mental health problems and were in work did so on a part-time basis, compared to 24% of the total population.
- People with mental health problems are more likely to be in lower-paying jobs, with 37% working in the three lowest-paying occupation groups, versus 26% of those who haven't had mental health problems.
- Efforts to raise wages often faltered due to a limited pool of quality part-time positions, and the elevated risks of taking a new role for people with mental health problems.

Low benefits

- People with mental health problems are more likely than the rest of the population to be in receipt of a benefit. A 2014 snapshot found that one in five people who have post-traumatic stress disorder (22%) or bipolar disorder (21%) were receiving Employment and Support Allowance (ESA).
- The value of benefits is often low, with ESA being set at just 12.5% of the typical weekly wage. Most working-age benefits have not kept pace with rising prices or earnings over the recent past, with ESA worth 6% less in real terms in 2019 than in 2007.
- For those unable to work, whether long-term or temporarily, research participants told us the low level at which benefits are set can make it difficult to stay mentally healthy and in control of your finances.



Introduction

Lower incomes and higher financial fragility

Earlier this year, the Mental Health and Income Commission was established. Its members, drawn from business, unions, charities, think tanks and politics, will work across 2020 to examine the incomes of people with mental health problems.¹ With our initial research pointing to a large income gap, the Commissioners' role will be to consider how to achieve better outcomes for those of us who experience mental health problems.

Our first report for the Commission explored this living standards question in light of the pandemic.² Drawing on evidence up to May 2020, it found that while two in five (38%) people with mental health problems had faced an income drop, this group didn't appear to be significantly worse hit than the rest of the population. However, people with mental health problems entered the crisis in a more financially precarious position, as a result of their lower average incomes. Strikingly, three in ten (29%) people with experience of mental health problems reported that they couldn't make ends meet for longer than a month if they lost their main source of household income, double the proportion among those who had never experienced a mental health problem (14%).³

In this report, we explore how and why those differences in incomes and financial security exist, examining data from 2007 up to 2020. We focus on the two main sources of income for working-age people: the labour market and social security. Developing this picture will allow the Commission to pinpoint which elements of the UK's employment and benefits landscape are failing to deliver for people with mental health problems.

While the pandemic has brought much hardship and disruption, it has also presented us with the collective opportunity to rethink how society serves the needs of different groups, including those of us with mental health problems. The third and final report for the Commission will set out what needs to change in order to help people with mental health problems enjoy improved living standards and financial security.

Data

This report combines quantitative and qualitative data. It relies on two main sources of quantitative data: the Adult Psychiatric Morbidity Survey (APMS) and the Labour Force Survey (LFS). New analysis of the APMS carried out by NatCen for this report allows us to explore in depth the mental health of the English population, whether in or out of work. The majority of the analysis has been conducted for three different, though overlapping, groups:

- People currently experiencing symptoms of common mental disorders (CMD) such as anxiety or depression
- Those with long-term conditions that can constitute more severe mental illness (SMI), such as bipolar or psychotic disorders as well as eating disorders and addiction
- People who have considered or made an attempt to end their own life or who have self-harmed in the previous year.

1. For a full list of the Commissioners, see <https://www.moneyandmentalhealth.org/income-commission/>.

2. Bond N and D'Arcy C. Income in crisis: How the pandemic has affected the living standards of people with mental health problems. Money and Mental Health Policy Institute. 2020.

3. For full details of polling and bases for relevant questions, see Bond N and D'Arcy C. Income in crisis: How the pandemic has affected the living standards of people with mental health problems. Money and Mental Health Policy Institute. 2020.

The primary limitation of the APMS is its infrequency, with data only available for 2007 and 2014. Given the changes in both the benefits system and the world of work over the past six years, even before the current crisis, we use the LFS to capture more recent developments. It offers detailed information on the UK's population (rather than just England as with the APMS), with our analysis focusing on 2018 and 2019. Compared to the APMS, however, its questions regarding the mental health of respondents are weaker, leading to a smaller proportion being considered to have a mental health problem. Those respondents are likely to be those living with more severe health issues.

The other important data source for this report is the Money and Mental Health Research Community, a group of 5,000 people with lived experience of mental health problems, who are at the heart of everything we do. We asked 10 of its members to provide us with insights into their life histories, focusing on their careers and interactions with the benefit system up to August 2020. A number of these are presented here as case studies, with the names of respondents changed. Their experiences illustrate how the issues discussed in this report intertwine: people move in and out of work, in and out of the benefits system, with many people relying on both at once.

The structure of this report

This report is structured as follows:

- **Section one** sets out the size of the income gap between people with experience of mental health problems and those without, considering its variation for different groups
- **Section two** explores how the labour market contributes to that income gap, highlighting the part played by lower employment rates and lower wages
- **Section three** considers the difficulties people with mental health problems experience in trying to find or remain in work, or in increasing their earnings
- **Section four** looks at how the social security system influences the income gap, focusing on the low value of many key benefits
- **Section five** delves into the experiences of people with mental health problems in the social security system and the challenges they face in staying healthy and in control of their finances while receiving benefits
- **Section six** concludes the report and sets out the next steps for the Mental Health and Income Commission.



Section one: The mental health income gap

1.1 The size of the income gap

The first report for the Mental Health and Income Commission provided an initial estimate of the incomes of those with and without mental health problems.⁴ Polling for that paper asked 2,000 people for their annual, pre-tax household income. Respondents who had ever experienced a mental health problem reported incomes that were, on average, £5,700 below that of people who had never experienced a mental health problem. This equates to people with mental health problems having an average household income of just 84% that of people without mental health problems.⁵

The APMS allows us to explore that gap in more depth, including how it varies by condition. In reporting the gap, here we focus on the individual incomes of people with mental health problems. While analysing a household's total income offers important information on living standards and the resources that can be drawn on, to understand the specific circumstances and experiences of people with mental health problems, an individual perspective is key.

Because the most recent APMS data is from 2014, the relative differences – that is, the earnings of people with mental health problems as a percentage of those without – provide an important insight into the size of the gap. We also provide pound figures updated to July 2020 prices.

Turning first to people with anxiety and depression, the typical (median) individual income of this group was just two-thirds (68%) of that of people without those conditions.⁶ As Figure 1 shows, in 2020 prices that is an annual difference of £8,400, or £18,200 versus £26,600.⁷ The relative gap was consistent across people with other conditions.

For those with a long-term condition, their typical individual income was 75% of that of those without an SMI, or a gap of £6,500 (£19,400 compared to £25,900). The income gap was 71% for those who had experienced suicidality in the previous year, standing at £7,300, with typical individual incomes of £18,200 compared to £25,500 for those who had not faced similar difficulties.

1.2 The consequences of the income gap

This gulf means the average person with a mental health problem is having to make ends meet on a much lower income than the average person who hasn't experienced such problems. That leads to lower living standards on a day-to-day basis – the sorts of goods and activities a person can afford – but also how well-equipped they are to deal with a shock.

Members of our Research Community have spelled out how difficult life can be when dealing with an unexpected or unaffordable expense, or a sudden drop in income. That difficulty can be compounded by the symptoms of mental health problems, which can make it harder to adjust, manage money or reach out for help.

"I lost my job due to ill health. Now I'm living on benefits. Effectively I have lost £1,000 per month that in no way can be made up to help with bills etc. I cannot budget. I'm always bouncing direct debits. When I run out of money I feel stupid, a failure; then there's a choice between bills or food some weeks. My life seems to be over, it's the same thing month after month, and I am not coping at all."

Expert by experience

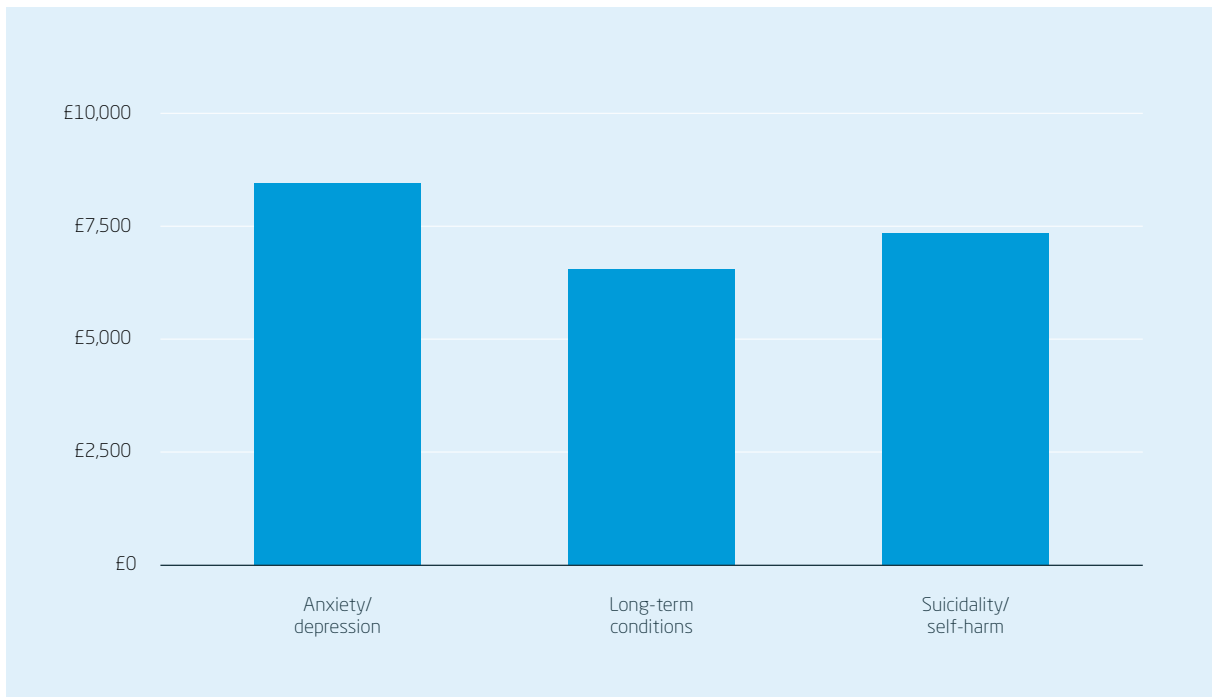
4. Ibid.

5. Ibid.

6. NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

7. All pound figures in this section are updated to July 2020 prices using CPI. See methods note for more detail.

Figure 1: Size of the mental health income gap by condition



Source: NatGen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

Notes: Income gap figures are displayed in July 2020 prices. For further information on calculation see methods note.

Section one summary

- The typical person with a mental health problem has an individual income that is thousands of pounds less per year than that of people without such conditions.
- The size of the gap varies slightly by condition, with those with anxiety and/or depression having typical incomes of just 68% of those without those disorders, while people with a long-lasting condition have typical incomes that are 75% of those without such conditions.
- Life on a lower income can bring major challenges, which can be compounded by common symptoms of mental health problems, such as difficulties with effective budgeting or seeking help.



Section two: The labour market's role in the income gap

Having established the size and consequences of the mental health income gap, we now turn to how it arises. The most important contributor to that gap is outcomes in the labour market.

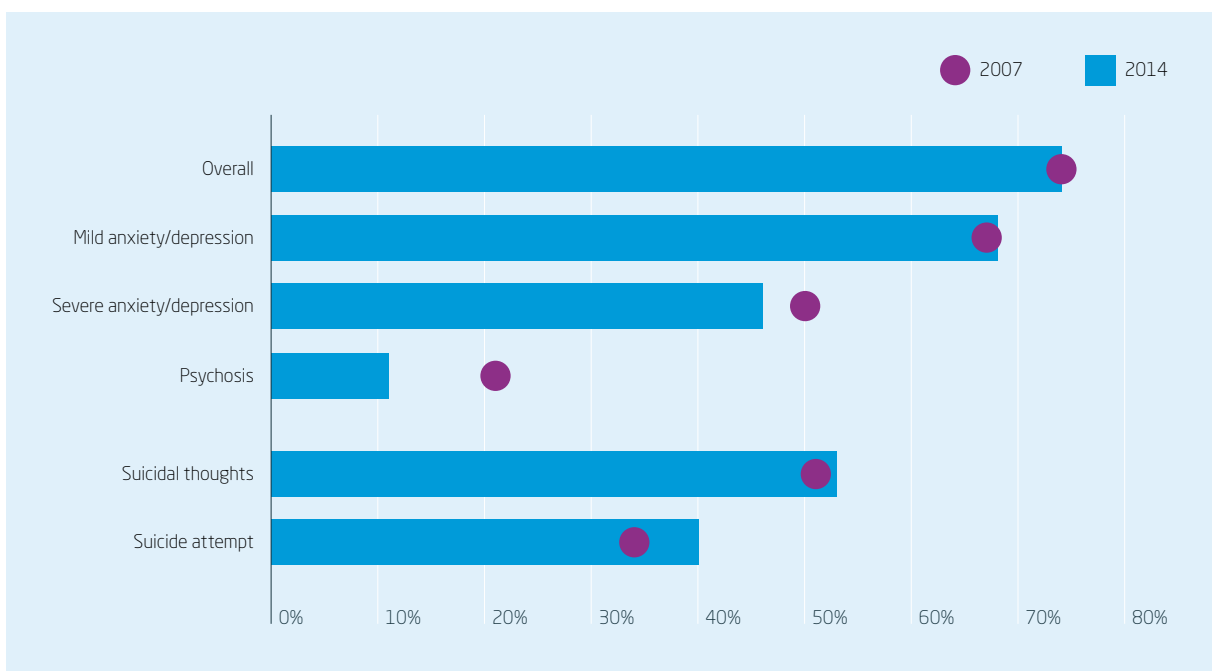
2.1 The employment gap

People with mental health problems are less likely to be in employment. While the data sources we draw on in this report provide varying answers to the question of exactly how wide that gap is, analysis of each confirms a large and persistent difference.

Figure 2 illustrates that, across a range of mental health problems and experiences, each group was less likely to be in work than the overall population. This is true for both 2007 and 2014, with relatively small changes for the specific groups over that time period.⁸

Employment rates vary by mental health problem, with those with milder symptoms more likely to be in work than those with more severe conditions. Those with mild anxiety or depression, for example, were more likely to be in employment than those with severe anxiety or depression (68% and 46% respectively in 2014, compared to 74% among the population as a whole).

Figure 2: Employment rates by mental health condition



Source: NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2007 and 2014. Covers England only.

Notes: The data for the "Overall" group includes all those in the survey, regardless of mental health.

8. While the employment rate of people with psychosis appears to have worsened over this period, the relatively small size of the group means the variation may be driven by statistical factors rather than a meaningful change in the experiences of the group. Nonetheless, in both 2007 and 2014, those who experience psychosis have much lower employment rates than people with other conditions.

The group with the lowest likelihood of being in work were those who experienced psychosis, with just 11% of this group in employment in 2014.

From 2014, and up to early 2020 when COVID-19 began to spread, UK employment rates frequently hit new record highs. Analysis of the LFS, up to the final quarter of 2019, suggests that the strength of the labour market may also have benefitted people with mental health problems. Nonetheless, taking the data for 2018 and 2019 as a whole, just under half (48%) of people with a mental health problem were in employment – either employed or self-employed – compared to four in five (79%) of those without mental health problems.⁹

While employment rates for people with mental health problems, particularly those with severe and long-lasting conditions, are always likely to be lower than average, this 31 percentage point difference at a time of record employment is nonetheless vast. To illustrate the size of this gap, if it was to halve, that is for the employment rate of people with mental health problems to rise to 64%, that would mean 300,000 people with mental health problems moving from unemployment or inactivity into employment.¹⁰

2.2 Employment and self-employment

Along with record employment rates, another notable development in the UK's labour market, particularly since 2014, has been the growth of self-employment. This trend has been less evident for people with mental health problems, however. For 2018/19 and considering only those in work, the proportion of people with mental health problems who were self-employed was 12%, slightly lower than the 14% of people without mental health problems.¹¹

2.3 Part-time work

For those in employment, the number of hours' worked is a major determinant of their incomes. People with mental health problems are more likely to work part-time. Using 2018/19 data from the LFS, we find that 37% of people with mental health problems who were in work did so in a part-time role. That is more than 50% higher than the rate among people who have not had a mental health problem (24%).¹²

Exploring this difference further, the gap was even larger among the self-employed. Among employees, those working part-time account for 35% of those with a mental health problem who are in work, compared to 23% of those without a mental health problem.¹³ Among the self-employed, however, we find that 45% of people with a mental health problem work on a part-time basis, compared to 25% of those without a mental health problem.¹⁴

9. Money and Mental Health analysis of Office for National Statistics (ONS), Labour Force Survey, Q1 2018-Q4 2019.

10. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019. For further details see methods note.

11. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019.

12. Ibid.

13. Ibid.

14. Ibid.

While part-time roles can be valuable to those seeking a sustainable balance between work and their mental health, they can also present challenges. Fundamentally, working fewer hours means earning a lower wage than someone working full-time in a similar position, thereby contributing to the income gap. While good quality part-time employment should be accessible, if 60,000 people with mental health problems who currently work part-time were supported to move into full-time employment, that would halve the part-time gap.¹⁵

2.4 Flexible working and zero-hours contracts

Another much-discussed labour market trend in recent years has been zero-hours contracts. While they can offer flexibility, particularly for those who have other sources of income, the inherent insecurity they can bring can also present challenges for people's living standards.

Because of the small share of the workforce that they represent, drawing firm conclusions about the prevalence of zero-hours contracts among people with mental health problems is difficult. That said, for 2018/19, 4% of employees with mental health problems were employed on a zero-hours contract, compared to 2% of other employees.¹⁶ While unlikely to be a significant factor in the overall income gap, for those depending on zero-hours contracts, the uncertainty and potential steep drop in earnings can add to already challenging circumstances.

2.5 The occupations of people with mental health problems

The type of job people have – their occupation – is a crucial element in their income. Figure 3 examines the nine main occupational groups, starting from elementary occupations that have the lowest typical wages, down to professional occupations which have the highest pay. It shows that people with mental health problems are overrepresented in lower-paying roles. More than one in three (37%) of those in work who have a mental health problem are in the three lowest-paid occupations, each of which had a typical hourly wage of less than £10 in April 2019. That is compared to just over one in four (26%) of those who have not had mental health problems.¹⁷

People with mental health problems are also underrepresented in the best-paying occupations. Focusing on the two highest-paying groups, which each had a typical hourly wage of over £20, one in four (25%) people with mental health problems who were in work were in these roles, versus one in three (32%) of those without similar conditions.

The picture on occupations has not been static. Over time, as the structure of the economy has shifted, a larger share of the workforce has been employed in professional and managerial roles. And while that trend has applied to people with mental health problems too, the occupational gap persists. To illustrate the size of the gap, if people with mental health problems were as likely as the rest of the workforce to be in the three lowest-paid occupations, approximately 220,000 people with mental health problems would move into typically better-paid roles.¹⁸

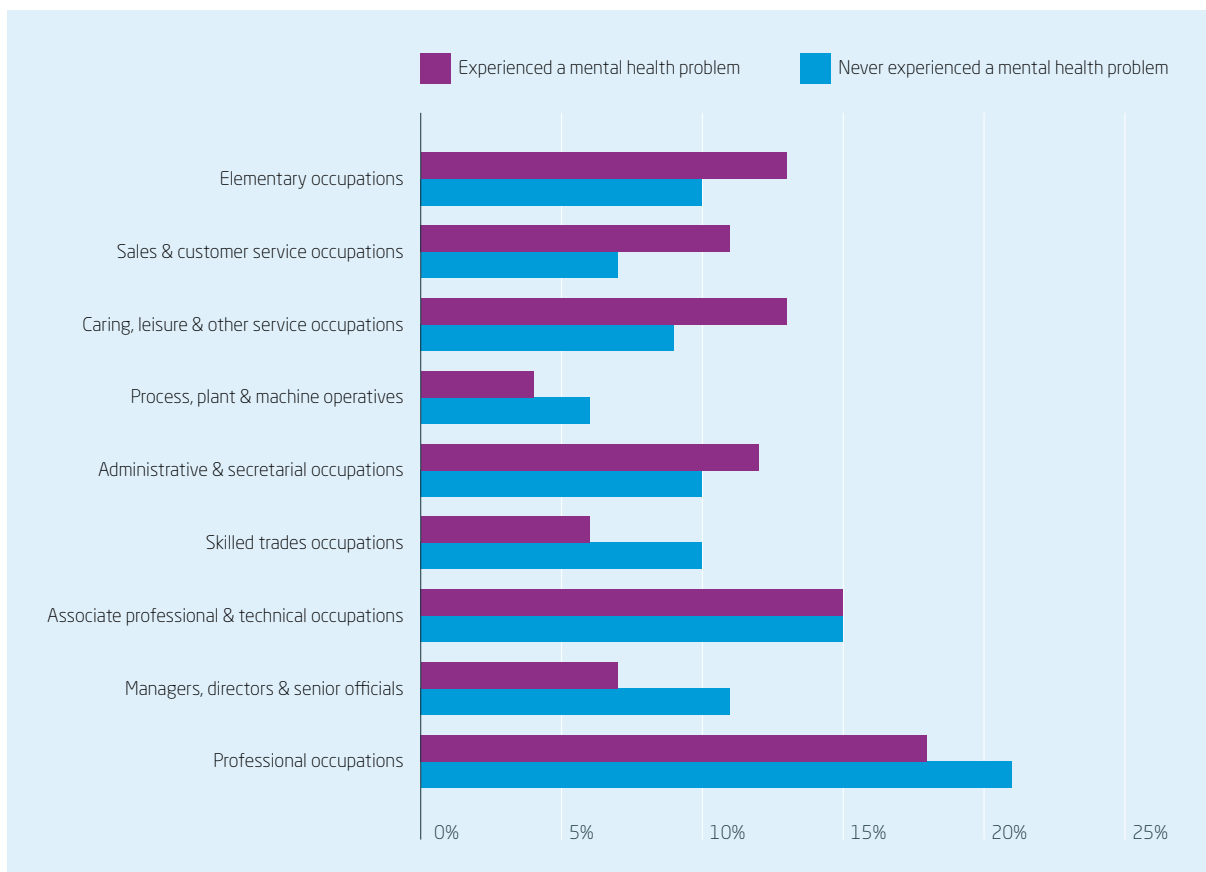
15. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019. For further details see methods note.

16. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019; ONS. Annual Survey of Hours and Earnings. 2019.

17. Ibid.

18. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019. For further details see methods note.

Figure 3: Occupation by mental health status, from lowest paid to highest

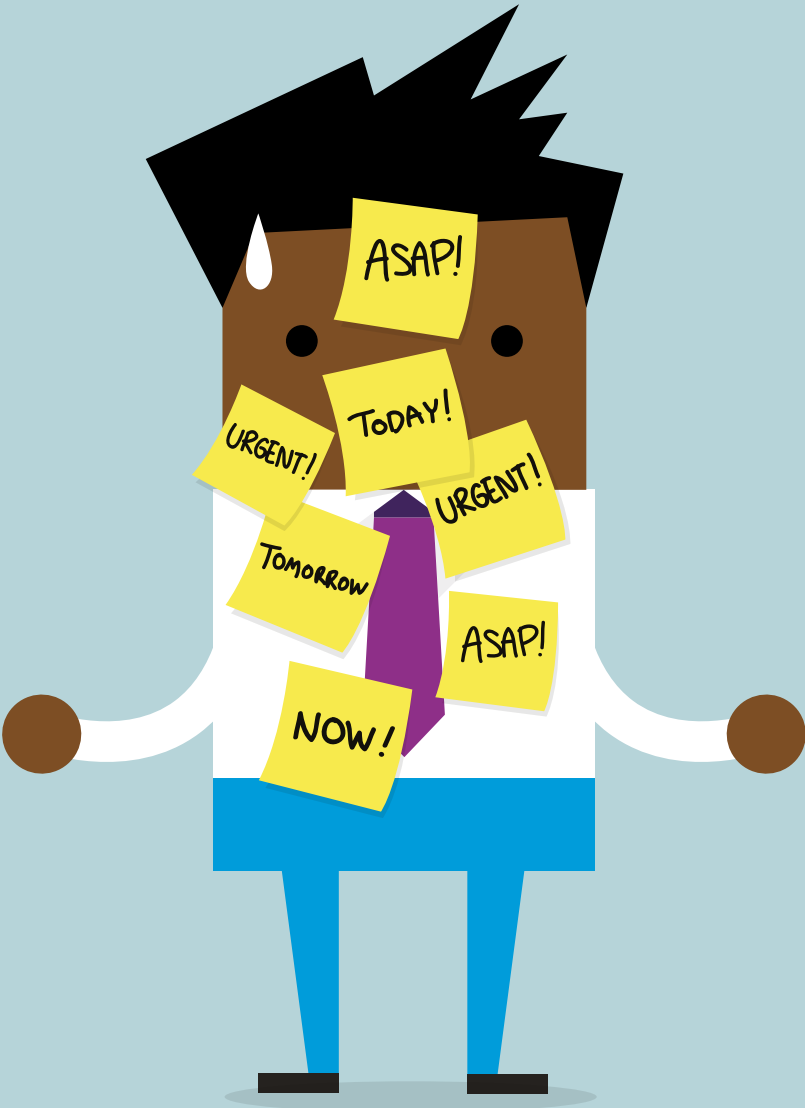


Source: Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018 – Q4 2019; ONS, Annual Survey of Hours and Earnings, 2019.

Notes: Proportions in each occupation are drawn from the Labour Force Survey while the ranking of occupations is based on the median hourly wage in the occupation in April 2019, from the Annual Survey of Hours and Earnings.

Section two summary

- The labour market plays a crucial role in creating the mental health income gap.
- People with mental health problems are less likely to be in work, including those with more mild symptoms as well as those with more severe conditions.
- Among those in employment, people with mental health problems are more likely than other workers to be part-time (37% vs 24%) and in lower-paying occupations (37% vs 26%), both of which contribute to the income gap.



Section three: Challenges in the labour market

People with mental health problems are less likely to be in work and are overrepresented in lower-paying roles, both of which contribute to the mental health income gap. In this section, we explore why these differences arise.

3.1 The impact of mental health problems

Mental health problems can have a profound impact on a person's ability to function day to day. Common symptoms, such as fatigue, impaired attention and trouble concentrating, can make tasks which are simple and straightforward when a person is well become overwhelming when unwell.

Table 2 sets out some of the cognitive and psychological effects of many mental health problems.

People experiencing such symptoms can come up against serious barriers in the labour market. Depending on the severity of a person's symptoms, being in employment may be impossible. But for many people with mental health problems, the challenges they face in the labour market are not inevitable, but come about as a result of actions or inaction from employers. To understand these difficulties, we draw on the experiences of people with mental health problems, identifying common issues they told us arise when trying to find and keep employment or increase their wages.

Table 1: Difficulties faced by people experiencing mental health problems

What is the problem?	What is the impact on a person's ability to perform tasks?
Difficulty understanding and processing information	People can take longer to understand or process information as clarity of thought can be impaired.
Social anxieties and communication difficulties	Communication with others can become fraught with anxiety and fear. Processing thoughts and articulating yourself can be challenging.
Short-term memory problems	Recalling information can be tricky.
Reduced concentration	Difficulties concentrating for prolonged periods of time.
Impaired planning and problem-solving skills	Faced with a difficult problem, people can struggle to think clearly and plan what actions they should take to resolve it.
Depleted energy levels and motivation	Low motivation can make it hard to complete basic tasks.

Source: Money and Mental Health Policy Institute

3.2 Low employment rates

Finding suitable work

For those with severe conditions, regular employment may be inappropriate for their health needs. But with such a large employment gap, there are many people with mental health problems who would like to be in work but face barriers getting into a suitable role. Members of our Research Community highlighted the difficulties that having been in and out of work, due to their health, can present when applying for a new job.

“The biggest worry for me, when it came to applying for jobs, was the gap in my employment history that I had as a result of being unwell for such a long time. There needs to be better support and awareness of this impact because the prospect of having to explain that gap is quite overwhelming.”

Expert by experience

Particularly in roles that receive many applications, highlighting gaps in employment history can be an ‘easy’ way to whittle down a field of candidates. The unfair impact this can have on, among other groups, people with mental health problems is, however, clear.

In some instances, employers may actively harbour discriminatory attitudes to those who disclose they have a mental health problem. A survey by Rethink found that 83% of hiring managers would worry that someone living with a severe mental illness wouldn’t be able to cope with the demands of the job, while 68% would worry that person wouldn’t fit in with the team.¹⁹ Such views are likely to be a contributory factor to the employment gap.

The way jobs are described in adverts was another obstacle raised by our Research Community. They highlighted that, in many sectors, vacancies were not advertised as being adaptable for people with mental health problems. Adjustments like working from home or flexible working patterns may be offered once a person is in a job. Often, though, these adjustments are not made available to new applicants, or not stated clearly on an advert. This may dissuade potential applicants with mental health problems from applying.

Research Community case study

Adi first experienced severe anxiety and depression as a final year student at university. This impacted his confidence and ability to seek employment. After some time, his mental health began to improve, to the point he could manage to work a small number of hours on a part-time, self-employed basis. Being self-employed allowed him to manage his workload and balance it with his mental health needs.

Adi would like to find a new job and the security of income that an employment contract offers. He is concerned about applying for jobs, particularly how future employers will perceive the gaps in his career history from periods when he was unwell. To keep healthy, he needs a role with flexible hours and the ability to work from home occasionally. But Adi struggles to find employers that advertise vacancies with this level of flexibility. Adi is fearful too that disclosing his mental health problems as a reason for needing such flexibility ahead of securing the role may result in discrimination.

19. Rethink Mental Illness. The Schizophrenia Commission Progress report: five years on. 2017.

Staying in work

For those already in work, retaining that employment can be difficult. The Thriving at Work Review highlighted the high rate of exit out of employment by people with mental health problems.²⁰ One reason for this raised by many of our research participants is that traditional working hours and work patterns often do not gel with their health needs. In previous research, two-thirds (64%) of Research Community members we surveyed said that they had ever asked for a 'reasonable adjustment' at work to help manage their mental health problems.²¹ The variation in responses from employers, between those willing to meaningfully consider adjustments and those who reject adjustment requests, is stark.

"A previous employer rejected my request to extend a phased return to work request stating that 'the policy' was that I had to be back full time within four weeks. I did so but I was not well enough to do so. My belief was that it prolonged that period of illness."

Expert by experience

"I was off with anxiety for four weeks... When I returned I asked to reduce my working hours and asked for an unusual working pattern of three weeks working and one week off. My employer agreed and I have been doing this for about two years and it has greatly helped."

Expert by experience

People spoke about a lack of employers who had an understanding of mental health problems and how they can affect a person's day-to-day functioning.

They found that, in many workplaces, there was a lack of mental health awareness and training for managers and co-workers to promote an inclusive environment.

"Employers should encourage and lift up their employees; make them feel appreciated rather than a cog that needs to be replaced when broken."

Expert by experience

For those who are unwell, sickness policies can be their only fallback. While 70% of employees have some contractual sick pay (CSP) coverage through their employer,²² people with mental health problems told us how such policies can often be limited in scope, duration or generosity. Once these have run out, or if CSP is not offered by an employer, Statutory Sick Pay (SSP) is the other avenue of support available. It is paid by employers for up to 28 weeks to eligible employees who are too unwell to work. The level at which SSP is set – currently £95.85 per week – as well as its coverage and adequacy – many low-paid employees miss out – has attracted attention during the pandemic.²³

"Receiving SSP was a lot lower than I was expecting, so with that in mind you have to return to work long before you are ready."

Expert by experience

For people with recurring mental health problems, who may experience repeated periods of sickness absence, periodically having to rely on such limited income support can erode their financial resilience as well as potentially worsening their health.

20. Farmer P and Stevenson D. Thriving at work: The Stevenson / Farmer review of mental health and employers. 2017.

21. Money and Mental Health survey. Base for this question: 277 who have needed to take time off work due to experiencing mental health problems.

22. Black C and Frost D. Health at work – an independent review of sickness absence. Department for Work and Pensions. 2011.

23. See for instance 'Time Out to Help Out' and 'Stuck' campaigns to reform SSP by increasing the generosity and scope of payments.

Research Community case study

Jo has long-standing and fluctuating mental health problems. After a period of sickness absence, she found herself having to return to work before she was well enough to do so, due to the insufficient income she was receiving on SSP.

Unwell and struggling to work, Jo's employer raised concerns about her ability to carry out her role, and she was threatened with her job being terminated on capability grounds. Jo resigned before her employer could dismiss her for fear of how this would appear on her CV.

"Employers need to be more open about salary scales and I need to feel that I am judged on my skills, results and competence rather than my hours worked, mental health issues and working patterns."

Expert by experience

As with entering work, gaps in work histories, stigma and conscious or unconscious discrimination against people with mental health problems can all mean that people with mental health problems are overlooked for jobs, training or promotion. Research on part-time workers has also highlighted their view that they are less likely to be considered for progression.²⁵

3.3 Low wages

Small pool of decent part-time roles

For those who struggle with full-time roles due to their mental health, part-time work can be ideal, allowing them to better manage their finances and health. This is likely to be an important reason behind the higher rates of part-time working among people with mental health problems.

But as our analysis of occupations shows, people with mental health problems are overrepresented in lower-paying roles. These issues are closely linked, with part-time positions more likely to be low-paying.²⁴ A negative cycle can be reinforced, as low pay leads to money problems, which can exacerbate mental health issues.

Promotions denied

People told us how they sought roles which allowed them not just to survive but to thrive too. They wanted opportunities to showcase their skills and abilities, but all too often outdated and traditional measures of what a good employee looks like got in the way.

The risks of seeking better wages

Other research participants explained the risks attached to switching employers. Changing employment involves huge uncertainty about attitudes to mental health by new employers. Despite a lack of satisfaction, flexibility or career progression, people often stayed put, for fear of discriminatory attitudes from new employers.

"I feel I'm in a position where I can't change my employer to a better job as I have job security with my current employer as I'm not penalised for any absences. By that I mean they don't take any disciplinary action as Occupation Health has stated that the time I've had off is in line with what they would expect someone with my issues to have off"

Expert by experience

Others remained in work they were over-qualified for, not optimising their skills or education, afraid of the impact any change might have on their mental health.

24. Costa Dias M, Joyce R and Parodi F. Wage progression and the gender wage gap: the causal impact of hours of work. Institute for Fiscal Studies. 2018.

25. D'Arcy C and Finch D. The Great Escape? Low pay and progression in the UK's labour market. Social Mobility Commission / Resolution Foundation. 2017.

"I currently feel unable to work in the career my degree makes me qualified for as it would involve working with others in unfamiliar locations, as well as applying for jobs I wouldn't always get, so I worry how the rejection would affect my mental health, and therefore don't want to risk it as yet."

Expert by experience

Research Community respondents were also often keenly aware of the steep drop in income they could face if a job move goes wrong. An unsuccessful change of job and falling out of employment can lead to serious financial consequences.

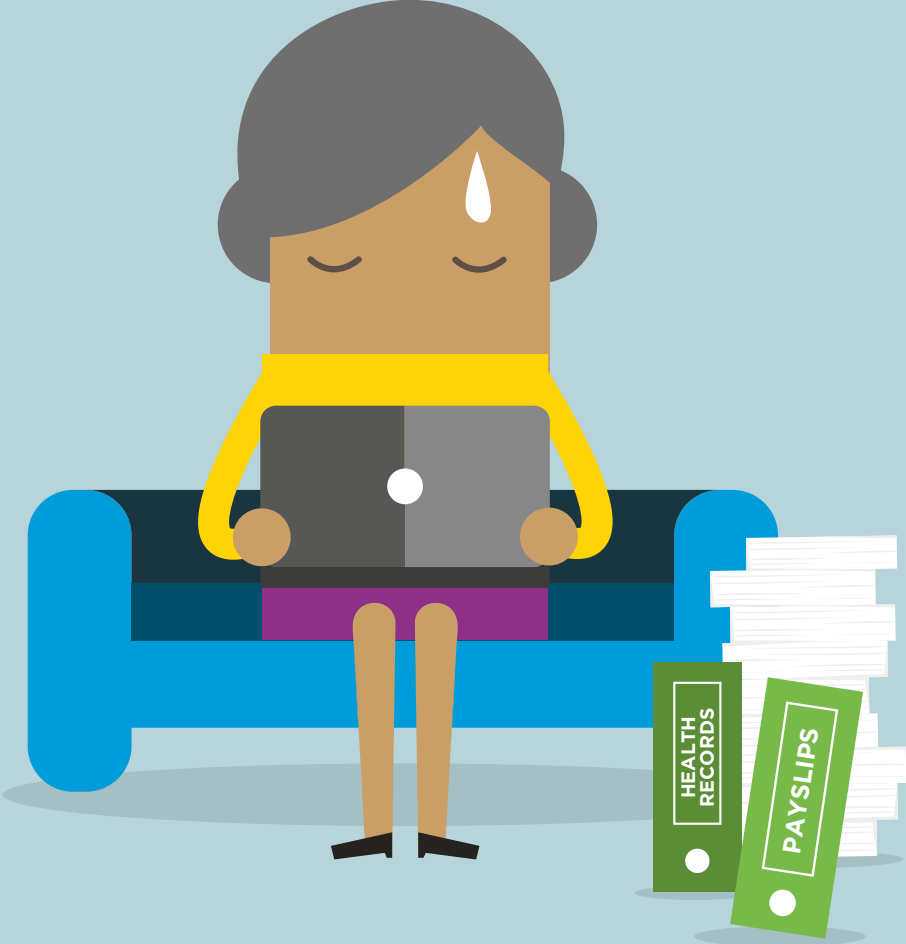
Research Community case study

Sarah, who has severe mental health problems, has been with the same employer for 11 years. Initially, she progressed, climbing the corporate ladder. But several spells off work due to acute episodes of poor mental health meant that she opted to move to a role with less responsibility and lower pay. Further ill health, contributed to by workplace stress, have led her to reduce her hours, carefully balancing her need for an income with a desire to prevent further deteriorations in her mental health.

Sarah's employer has been supportive throughout, offering adaptations to her role and employment contract. But Sarah knows she has so much more to offer, and she wants a role where she can earn more and achieve her full potential. However, Sarah feels trapped. She knows that her employer has been helpful in supporting her, and she's aware that not all employers would be as understanding.

Section three summary

- People experiencing common symptoms of mental health problems can face challenges when trying to raise their incomes through the labour market.
- Our Research Community participants told us how inflexible recruitment practices and employer attitudes contributed to the lower employment rates of people with mental health problems.
- A limited pool of quality part-time positions and the risks associated with taking a new role play a central role in the lower earnings of people with mental health problems.



Section four: The social security system's role in the income gap

4.1 Social security plays a major role in the incomes of people with mental health problems

Lower rates of employment and lower wages mean that social security is crucial for many people with mental health problems. Some will only need to draw on its support briefly, while for those with more severe mental health problems, the benefits system may be their main source of income for the long-term.

Taking Employment and Support Allowance (ESA) as an example, in 2014, 4% of the English working-age population received it. Unsurprisingly, given it is targeted at people with a disability or health condition that affects how much they can work, that rate rose to 7% among those with mild depression or anxiety.²⁶ But people with more severe conditions were much more likely to be in receipt of ESA, with it being claimed by more than one in five people with severe anxiety or depression (21%), post-traumatic stress disorder (PTSD) (22%), bipolar disorder (21%) or who had attempted suicide in the past year (23%).²⁷

Analysis suggests people with mental health problems are also more likely to be receiving non-health-related payments. People who reported having a mental health problem were four times more likely than the rest of the population to be claiming Universal Credit (UC) (8% compared to 2%) and twice as likely to be receiving tax credits (12% versus 6%).²⁸

As well as being more likely to be in receipt of social security payments, people with mental health problems make up a high proportion of people receiving certain

benefits. Nearly half (48%) of ESA claimants had a long-term condition such as psychosis or PTSD, compared to 13% of the overall population who have a similar condition.²⁹ People with mental health problems also appear to have become a larger proportion of those receiving such benefits over time. In 2007, just over half (52%) of people in receipt of Incapacity Benefit – the predecessor of ESA – experienced anxiety or depression. By 2014, this had increased to nearly two-thirds (64%) of recipients of ESA.³⁰

4.2 The generosity of the benefits system is relatively low and has fallen

Given the particular importance of social security to people with mental health problems, the level at which payments are set is a key factor in the income gap. Looking at a single benefit in isolation overlooks the fact that many people will receive more than one benefit, including state support with childcare or housing costs.

But, acknowledging these caveats, it remains the case that the level at which many benefits are set is low, compared to both the earnings of people in work and their value in the recent past. Using the most recent comparative data published by the DWP, up to April 2019, both Jobseeker's Allowance (JSA) and ESA were equivalent to just 12.5% of typical (median) weekly earnings. As of September 2020, both benefits are paid at £74.35 per week.³³

26. NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

27. Ibid.

28. Money and Mental Health analysis of ONS, Labour Force Survey, Q1 2018-Q4 2019.

29. NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014. Covers England only.

30. NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2007 and 2014. Covers England only.

31. DWP. Abstract of DWP benefit rate statistics 2019. 2020. (Or the equivalent of the JSA element in UC).

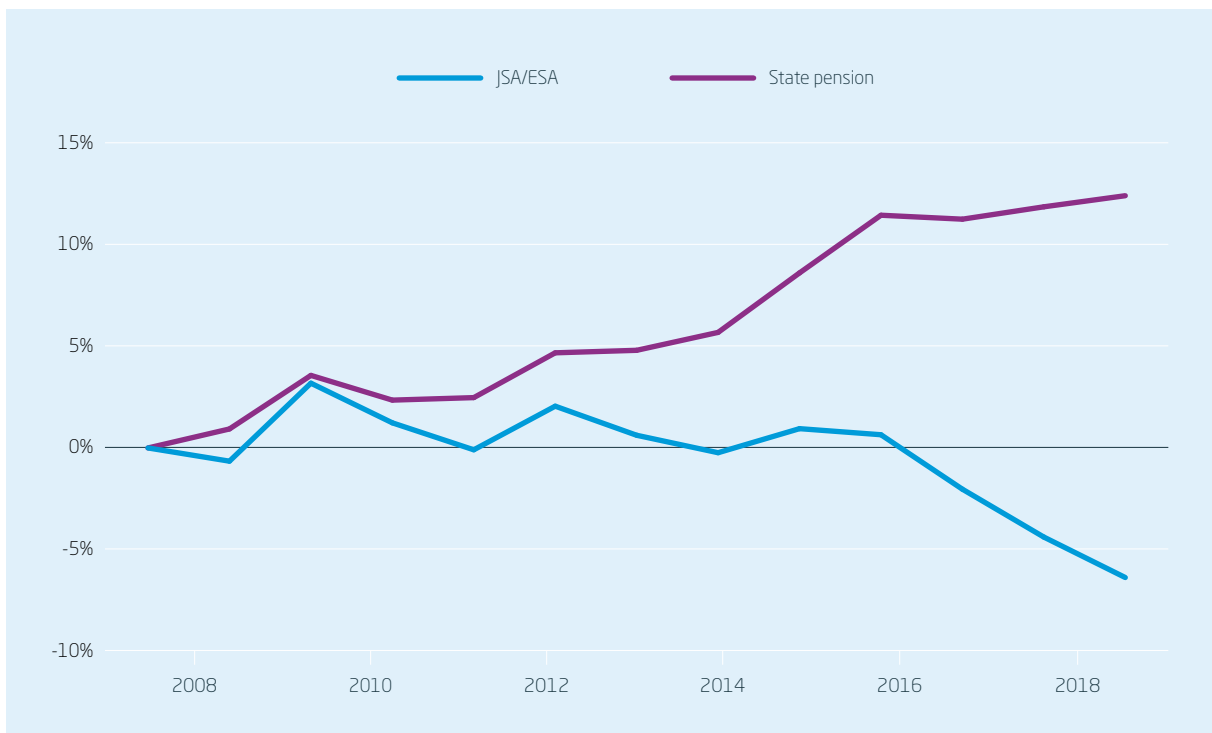
32. DWP. Abstract of DWP benefit rate statistics 2019. 2020. (Work-related activity group rather than support group, which is significantly higher).

33. ESA figure relates to the Work-related activity group rather than support group, which is significantly higher.

Many benefits have also become less generous over time. Figure 4 shows the diverging path taken by the value of JSA and ESA, compared to the Basic State Pension which rose in line with the 'triple lock'. Between 2007 and 2019, the state pension rose 12% in real-terms while the value of JSA and ESA had dropped by 6% over the same period.

The most notable recent decision affecting the value of JSA and ESA was the four-year freeze on working-age benefits introduced in 2015/16. Had ESA risen in line with State Pension, it would have been worth £87.55 in April 2019, equivalent to an additional £14 per week or £750 over a year.³⁴

Figure 4: Cumulative percentage change in real-terms value of JSA, ESA and the State Pension, 2007-19



Source: Money and Mental Health analysis of DWP, Abstract of DWP benefit rate statistics 2019.

³⁴. Money and Mental Health analysis of DWP. Abstract of DWP benefit rate statistics 2019. 2020.

Beyond annual increases, another way in which the benefits system has become less generous is through changes to additional payments for those with poor health, including people with mental health problems. Taking the example of ESA, all claimants previously received an enhancement in recognition that living with poor health brings extra costs. An additional component has remained in place for people in the Support Group, those whose health problems are judged to prevent them from working or seeking a job. However, since 2017, new claimants assigned to the Work-Related Activity Group (WRAG) – those whose health needs are acknowledged but who are deemed able to do things like prepare a CV and search for jobs – do not receive an additional payment, worth £29.55 per week.³⁵ A person awarded ESA and assigned to the WRAG today is £1,536 worse off each year than they would have been had their claim been made before April 2017.

A similar hit to the incomes of some people with mental health problems came through a replacement of one benefit with another. In 2013, Personal Independence Payment (PIP) was introduced to replace Disability Living Allowance (DLA), with both intended to recognise the added costs of living with a disability, regardless of whether the person is in or out of work. Along with the change in name, there were also differences in who was assessed as being eligible to receive the payment. This meant that a number of those who had received a payment under the previous system no longer did under PIP, leaving them worse off.

A recent study found that 32% of claimants with psychiatric conditions lost their previous financial entitlement following a PIP eligibility assessment, compared with 16% of those with a non-psychiatric condition.³⁶

4.3 Conditionality and sanctions

People in receipt of social security payments are often required to meet certain conditions in order to receive their benefit. Those deemed capable of work-related activity are required to engage with a range of work search and training requirements, with the intention of moving claimants closer to the world of work. Prior to 2008, disabled people – including many people with mental health problems – had been exempt from conditionality. Since then, people judged to have less severe conditions have also been included. A further change in scope came about in 2016, with the introduction of conditionality for people in work but earning an income below the level of the minimum wage at full-time hours.

People who fail to meet their conditionality requirements can face reductions in their benefit payments. Called sanctions, these deductions vary in level and duration. The length of sanctions ranges from low to high levels, from 7 days up to 182 days.³⁷ Under UC, claimants can lose up to 100% of their standard allowance at a reduction rate of £13.40 per day.³⁸ The impact of a sanction on a person's income can therefore be huge.

35. DWP. Benefit and pension rates 2020 to 2021. 2020.

36. Pybus K et al. Discrediting experiences: outcomes of eligibility assessments for claimants with psychiatric compared with non-psychiatric conditions transferring to personal independence payments in England. *BJPsych Open*. 2019

37. This upper limit has recently been reduced from a maximum sanctioning period of three years for behaviour which is perceived to be repeated high-level non-compliance.

38. DWP. Benefit and pension rates 2020 to 2021. 2020.

Section four summary

- People with mental health problems, particularly those with severe mental illness, are more likely to rely on social security.
- Many key benefits such as Universal Credit and Employment and Support Allowance are set at a low level and have not kept pace with inflation.
- Top-ups to benefits aimed at people with disabilities – including those with mental health problems – has meant that many new claimants will not receive assistance with the additional costs poor health can bring.
- Claimants who fail to meet the requirements asked of them can face sanctions, potentially reducing benefits payments by hundreds of pounds.



Section five: Challenges with the social security system

The social security system plays an important role in the incomes of many people with mental health problems, but it can also present challenges. In this section, we hear from people with mental health problems on how the low level at which many benefits are set contributes to the continuation of the mental health income gap. Their experiences also illuminate how shortcomings in its generosity and design mean it can often exacerbate, rather than remedy, the issue of lower employment rates and wages faced by people with mental health problems.

The low generosity of benefit payments may be less damaging for those seeking support with only brief periods out of work. But the removal of the enhancements that many people with more severe mental health problems would have relied on means more people are living long-term on meagre amounts.

“Struggling financially makes life miserable, and no-one wants to be miserable. And if you are unable to work, there is no way out, no escape, you can't improve your situation.”

Expert by experience

5.1 Low benefits

Low incomes don't support long-term health

Reductions in benefit levels over recent years have meant that people who are unable to work due to long-term mental health problems have had a direct hit to their incomes. For some of our Research Community participants, this has led to the social safety net becoming a source of precarity rather than security.

“Struggling financially while on benefits... put a huge amount of strain on me. Life was just so hard. All the time.”

Expert by experience

“Of my brief experience of being in receipt of Universal Credit in 2017...the amounts you can claim are absolutely farcical. They bear absolutely no relation to the actual cost of living in its most basic form...[it is] no sort of safety net.”

Expert by experience

Extensive Money and Mental Health research has identified how low incomes and mental health can form a vicious cycle.³⁹ For those who rely on benefits when out of work due to mental health problems, the often insufficient financial support they receive can serve to worsen their health. While for some this may mean an extended period out of work, for others the consequences of deteriorating mental health can be more severe given existing vulnerabilities. Analysis of people in receipt of ESA found that 6% had attempted suicide in the past year, compared to 1% of those not in receipt of ESA.⁴⁰ Across their lifetime, 43% of people claiming ESA will have attempted suicide, compared to just 7% of people not claiming ESA.⁴¹

39. Bond N and Braverman R. Too ill to work, too broke not to. Money and Mental Health Policy Institute. 2018.

40. McManus S et al (eds.) Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

41. Ibid.

Research Community case study

Marko became self-employed several years ago. Greater flexibility and working from home helped him manage his mental health needs. However, self-employment has also made his income more insecure, which is further complicated by fluctuations in his mental health. Marko lost his Disability Living Allowance entitlement in the transition to PIP, which had a huge impact on his finances.

Marko has been acutely unwell at times, but he worries about relying on benefits due to the low levels at which they are set. He fears that having to adhere to conditionality will be difficult due to his fluctuating health and that this could lead to sanctions.

Threats to receiving correct and complete benefit payments

With fewer enhancements to disability-linked payments like ESA, the DWP's verdict on a person's capacity to work plays a crucial role in income. Work Capability Assessments, which evaluate what a person with a disability or health condition can do, are often inaccurate and only correctly awarded after a person challenges a decision.

However, challenging a decision and securing the correct entitlement requires people to advocate for themselves and navigate the process for doing so. The cognitive and psychological effects of mental health problems can make this harder.

"I have been very scared to challenge a decision in case my entire claim is rejected and then I have no means to support myself. I try to get by on the bare minimum just so that I do not have to continue contact with the DWP as my mental health problem is worsened through the stress and I become very anxious and depressed, sometimes leading to a relapse in my psychotic mental health condition. From the beginning of the review stage until when I receive the decision I find most days unbearable."

Expert by experience

Another potential disruption to a person's benefits can come in the form of a sanction. Symptoms of mental health problems, such as difficulty recalling information and low motivation, can make complying with Claimant Commitments a challenge, increasing the risk of being sanctioned. With the low level of benefits leaving many claimants struggling to make ends meet, any further deduction can lead to hardship, both financially and mentally.

Encouragingly, there is a general downward trend in sanctions being applied to people who are in receipt of ESA and identified as having mental health problems. In January 2011, sanctions were at record highs, with eight out of ten (82%) decisions resulting in a sanction. By January 2019, this had declined to under half (45%).⁴² While this trend is welcome, it nonetheless means that many people with mental health problems face large and sudden reductions in their incomes, due to the difficulties posed by the symptoms of their condition.

42. DWP. ESA sanction decision by primary medical condition of mental and behavioural disorder by snap shot year January 2011 to January 2020. <https://stat-xplore.dwp.gov.uk>. (Accessed 08/07/20).

5.2 Low employment and low wages

Any job, not the right job

The design of the benefits system was also raised as a barrier to finding suitable, sustainable work. While the aim of the support around many payments is to help people find work, Research Community respondents told us how the benefits system does not engage with them or their particular mental health needs. While work coaches do aim to tailor support to people's needs, without understanding how a claimant's mental health problems impact on their ability to engage meaningfully with employment or benefits, the system fails to facilitate lasting change.

"The focus the government provides for work support is very much 'one size fits all' and even when they talk about adjustments and considerations I feel their knowledge and experience is lacking."

Expert by experience

In-work conditionality focuses on full-time roles

Many of those in a low-income household and also in work will be in receipt of benefits. With the introduction of in-work conditionality in 2016, the government began to encourage people working part-time hours and on a low income to earn more. This by its nature was aimed at people in work who faced barriers to progression through a lack of relevant experience, skill, confidence or drive.⁴³ The programme showed some positive effects, but a relatively small impact on earnings.⁴⁴ The pathways taken by those affected tended to lead to low-skilled, low-paid, temporary jobs.⁴⁵

In-work conditionality could potentially offer greater support to people to find better work. In line with the evidence cited above, our research participants felt work coaches – those responsible for helping claimants to raise their incomes – too often emphasised working more hours, rather than exploring how to increase their hourly wage. For people struggling with their mental health, this may not be the correct approach, with better-quality part-time roles offering a route to an improved income while recognising their mental health needs.

"It took a while to hammer home the message that I was working part-time because of my mental health and so I wasn't going to be looking for more work. Eventually they stopped bugging me and put very few requirements in my commitment."

Expert by experience

43. House of Commons. In-work progression in Universal Credit. Work and Pensions Committee. 2016.

44. DWP. Universal Credit: in-work progression randomised control trial. 2018.

45. Jordan J. Welfare Grunters and Workfare Monsters? An Empirical Review of the Operation of Two UK 'Work Programme' Centres. Journal of Social Policy 2018; 47; 583-601.

Section five summary

- The structure of the social security system can mean people with mental health problems can face life on a low and uncertain income.
- For those unable to work, whether long-term or temporarily, research participants told us the low level at which benefits are set can make it difficult to stay mentally healthy and in control of your finances.
- Research Community members told us how the benefits system's focus on helping them find any job made it harder to find and stay in suitable work and on increasing hours rather than finding the right position for someone's mental health needs.



Section six: Conclusion

6.1 Entrenched problems but big opportunities

Our research has found that the mental health income gap is both large and long-standing. With typical incomes of people experiencing some mental health problems just two-thirds that of those without similar conditions, closing this gap will be a huge task. Nor is the income gap a new development or driven exclusively by recent changes; many of the issues identified in our analysis of the data and illuminated by our Research Community respondents are embedded in the practices of employers and the social security system.

The pandemic in some ways makes responding to these challenges more difficult. Supporting more people with mental health problems to move into work, and particularly better-paid and more flexible work, at a time when redundancies are unfortunately likely to be common may be difficult. And, with the cost of unprecedented government action to support jobs and prop up businesses already sparking debate about whether tax rises will be required, making the case for a more generous benefit system may be a struggle.

But the pandemic also presents massive opportunities for positive change. The disruption that the lockdown has brought to our lives has meant that mental health has been an almost constant presence in the public discussion of its impacts. The spike in people working from home has led to a new appreciation of how roles can be offered in more flexible ways. And with more people having been exposed to the benefits system or other forms of state support, there is the potential for more positive public attitudes towards increasing the assistance offered through social security, whether monetary or broader support.

Similar scope for optimism comes from the experiences of members of our Research Community. While many people had faced unsupportive workplaces and come up against inflexible systems, there were also powerful examples of the positive impact that more thoughtful and inclusive practices can have. With millions of people experiencing mental health problems each year, including nearly 6.4 million people in England who experience anxiety or depression⁴⁶, the number of people who could benefit from a fairer labour market and social security system is huge.

6.2 The next report

The third report of the Mental Health and Income Commission will offer an analysis of the challenges highlighted in the first two papers, as well as using the most up-to-date data on the economy and labour market to understand how the unfolding crisis is affecting those of us with mental health problems. It will reflect on what has worked well for people with mental health problems, whether in the labour market, the benefits system or interactions with other organisations, and what is proving problematic. This understanding of both the data and the policy landscape will enable the Commission to set out how employers, government and beyond need to change. Given the size of the mental health income gap and the impact it has on those affected, effective action is badly needed.

⁴⁶. Money and Mental Health analysis of NatCen analysis of NHS Digital, Adult Psychiatric Morbidity Survey, 2014 and ONS, Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2019.





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