Conservatives

Welfare That Works

The Conservatives' plan for Welfare Savings



STRONGER ECONOMY | STRONGER COUNTRY

Foreword

Britain cannot be a strong country with a broken welfare state.

We're spending £183 billion a year on working age welfare, two and a half times more than we spend on defence. There are 6.7 million working-age people claiming out-of-work benefits.

Adam Smith argued that a nation's prosperity depends on the share of its people in useful work. By that measure, we are in deep trouble.

Each person out of work and on benefits carries a cost. For the individual, it means lost purpose and independence. Not only for them but often passed on down generations too. For the taxpayer, it means a bigger bill and a greater struggle to get by. Most of all for the country, it means lost talent and productivity; an economy billions of pounds smaller. Instead of growing, our economy is grinding slower. The tax and debt burden increases. We are less able to invest in defence against mounting threats.

So, my first task as Shadow Secretary of State for Work and Pensions was to take an unsparing look at how we got here, including the mistakes made on our own watch.

I come to this from more than one angle. As a health minister, I saw how seamlessly people are funnelled into the welfare system. A single phone call for a sick note becomes months off work. My business career means that when companies say they can't afford to employ people – I get it. And working in consultancy taught me to ask whether a system does what it was built for. Our welfare state does not.

Beveridge's welfare state was a noble ambition. To stand by those who could not stand on their own. But today's system has grown far beyond anything he envisaged. A safety net designed for a country emerging from war now funds free cars for people claiming for acne and tennis elbow.

Beneath all of this, something in our culture has changed. We have become less resilient. Personal responsibility has given way to an expectation that if you face a problem, the state should solve it. Personal agency has been replaced by state dependency. Society set out to be kind, but this is not compassion.

Welfare reform is not easy. My predecessors will confirm it is fiercely resisted. But Conservatives have reformed a broken system before. When we were last in opposition, Sir Iain Duncan Smith did the patient, painstaking work that resulted in Universal Credit. Combining multiple benefits into one in the 2010s was the most significant overhaul of welfare in a generation. I am just as ambitious about reforming welfare in the 2030s.

Halfway through this parliament, this paper sets out the reforms we have developed so far. Our work is anchored in values: fairness, to those who need support and to those who pay for it; contribution, so that everyone who can play their part does; and welfare as a safety net, not a way of life. These values are fundamental to making the right decisions in an area of government that is fraught with moral hazard.

We can only succeed at ambitious welfare reform if we are confident in our moral purpose. These values underpin the difficult decisions which we must make, the arguments to reassure people who understandably challenge those decisions, and the conviction to see them through in government.

None of this will be easy. But the truly reckless choice would be to carry on as we are, writing off a generation, asking ever more from working families and weakening our country. We must make the case for change now and win the mandate to deliver it.

To everyone who has helped shape this work, and to those who will help bring it to life: thank you. Together we can build a country where everyone who can contribute does, work always pays more than welfare, and support goes to those who genuinely need it.



Helen Whately

Shadow Secretary of State for Work and Pensions


STRONGER ECONOMY
STRONGER COUNTRY

Contents

Foreword 2

Executive summary 6

The welfare state we're in 10

Why have things gone wrong? 14

Our approach to welfare savings 18

Our welfare savings plan 21

- Reforming sickness and disability benefits 21
- Ending access to the benefits system for foreign nationals (excluding EU settled status) 25
- Reforming housing benefits 27
- Restoring the two-child benefit cap 30
- Reforming Child Disability Living Allowance 31
- Reforming the household benefit cap 34
- Ending VAT exemptions for Motability 37
- Reducing fraud and error 39
- Introducing a contributory element to Universal Credit 41

Annex: Our Youth Jobs Plan 44

References 48

Executive Summary

Britain's welfare bill is unsustainable.

Under Labour, by 2031 the working-age welfare bill is set to be £221.5 billion.[1] That's £60 billion higher than when they took office in 2024. Across sickness and disability, housing and fraud, the cost of our welfare system is spiralling.

Failing to act comes at a real cost – to public finances, as we attempt to control a ballooning deficit whilst protecting public services; to working families in the form of ever higher taxes; and to the claimants who need the system most, crowded out and unable to access the support they need.

The country needs action now to bring down the bill, and to get some of the 6.7 million people on out-of-work benefits,[2] off welfare and into work.

Some people call for cuts to the State Pension, but that's not on our agenda. People receiving the State Pension have paid in during their working lives. Most are on fixed incomes in retirement. Taking money away from those who have contributed and leaving them unable to make ends meet is not the right answer. On the other hand, getting more people into work saves money, increases the size of the economy and means more tax revenues to help support the seriously ill and disabled.

Reforming working-age welfare is a moral imperative too – and allowing the current system to continue would be an unacceptable moral failure. Millions of people are parked on benefits, written off by the system. Those with serious disabilities often fail to get the support they need. Taxes paid by people struggling to get by are funding welfare for others who could be working. And ultimately, if we don't have a sustainable system, that puts our ability to help those most desperately in need at risk.

The terms of our implicit social contract mean someone who has worked and paid their taxes should get some help if they have a run of bad luck. Struck down by illness, made redundant during a recession when jobs are hard to come by – these things can happen to any of us. We should all put something aside for a rainy day, but that's hard when times are tight. Your savings won't necessarily tide you over. Welfare should be there for people who have contributed, and those who have never had the chance to do so through sickness and disability. But it should be a safety net, not a lifestyle choice.

The moral argument for reform could hardly be stronger and the financial case for reform is irrefutable. Yet still, the Government does nothing. Time and again, Labour has ducked the decisions. They cancelled reforms in train when they won the last General Election, ripped up their own changes to disability benefits, scrapped the two-child cap and delayed benefit reassessments. This parliament they have added billions to the welfare bill, and it is set to rise billions more.

Only the Conservatives will make the difficult choices to reform benefits, control the cost of welfare and get Britain working again.

The next government will need to set out from day one with a plan to achieve that. Not just an ambition or a target, but a proper plan for how to deliver the reforms and savings needed. Since the 2024 General Election, the Conservatives have been working hard to build that plan, looking in depth across our welfare system. The proposals in this plan are substantial, credible and deliverable. Combined, they will save £36 billion a year from the welfare bill by the end of the next parliament.

We will achieve this by following our principles: that welfare must be fair to both claimants and taxpayers; that contribution should be recognised; and that welfare should be a safety net that supports people back into work and independence, not a lifestyle choice. These principles guide how we will address the challenges facing our welfare system.

Those challenges include the failure to assess effectively who needs help and what help they need, weak fraud prevention, a system that is burdensome for people with serious disabilities to navigate but too easy for the savvy to game, a sense that work no longer pays more than welfare, a labour market which is mismatched to the skills available and where they are located, a legal system that thwarts reform, and a system too quick to sign people off and too slow to help them back into work.

This document sets out the reforms we will make across our welfare system, designed to address these problems and bring down the welfare bill. The next Conservative government will:

- **Reform sickness and disability benefits** – ending claims for mild mental health conditions and routine back and joint pain, re-investing in health support instead of cash handouts.
- **End access to the benefits system for non-EU foreign nationals** – to put British citizens first and stop migrants coming here to benefit from our welfare system. Britain cannot be a cash machine for the world.
- **Reform housing benefits** – to give more certainty for tenants and fairness for taxpayers by permanently re-pegging Local Housing Allowance to the 10th percentile of market rents, and freezing social rents for 5 years.
- **Reform child Disability Living Allowance** – to address the rapid spike in claims and deliver a new settlement to support families with children with behavioural and learning disorders, whilst protecting those with the most serious disabilities including physical disabilities.
- **Restore the two-child benefit cap** – to bring back fairness between families on welfare and those paying their own way.
- **Reform the household benefit cap** – to require all adults in a household who can work to do so, and end the loopholes now enabling hundreds of thousands of households to make very high welfare claims.
- **End VAT exemptions for Motability** – by scrapping reliefs when Motability sell cars on and requiring users to pay VAT on leases for non-adapted cars.

- **Reduce fraud and error** – by investing in and expanding on efforts by the previous Conservative Government to cut down on fraudulent overpayments throughout the welfare system.
- **Introduce a new contributory system for Universal Credit** – linking the length of full rate unemployment benefits to previous work history, and moving those who haven't contributed to a new Subsistence Allowance, delivered through a new benefits card.

Together, these changes will fix the broken incentives that have created a claimant culture and kept people out of work. They will mean taxpayers are not expected to subsidise lifestyles they themselves cannot afford, and they will build a sustainable system that will continue to be there for those who need it most.

Fixing the incentives is necessary, but not sufficient. We don't want to see people on benefits simply ending up with less to live off. Our ambition is to get our country working. That means we want everyone who could be earning their own living to be doing just that. That's why our savings plan goes hand in hand with support to help people into work – especially young people – and a host of other policies to boost the economy, back businesses and increase the supply of jobs.

The annex to this document outlines our Youth Jobs Plan. There will be welfare savings from young people moving off welfare and into work, especially for a young person who otherwise might face a lifetime on benefits. But the focus of our plan for young people is combining a 'tough love' approach of expecting them to participate in intensive support to prepare them for work (and only if they do so to receive a Get to Work Allowance), with halving Labour's jobs tax and cutting red tape so there are tens of thousands more job opportunities for them.

The figures in this document are based on the latest available data on publishing (November 2026). The figures are subject to change as economic conditions and forecasts move, and with the outlook continuing to worsen under the current government's approach. Our own policy proposals will also continue to develop in response.

Welfare Scorecard

Policy Change	Reductions compared to 2029/30
Sickness and disability benefit reforms	£13.7 bn
End access for foreign nationals (excluding EUSS)	£9.5 bn
Housing benefit reform	£4.5 bn
Reintroduce two-child benefit cap for Universal Credit	£3.1 bn
Child DLA reforms	£2.8 bn
Reform the household benefit cap	£1 bn
End VAT exemptions for Motability	£1 bn
Reducing fraud and error	£1 bn
UC Subsistence Allowance for long-term unemployed	£0.5 bn
Allowance for overlaps[3]	-£1 bn
Total	**£36.1 bn**

Our figures are based on projected costs and caseloads for 2029/30, with annual savings figures quoted to be delivered by the end of a parliament at latest.

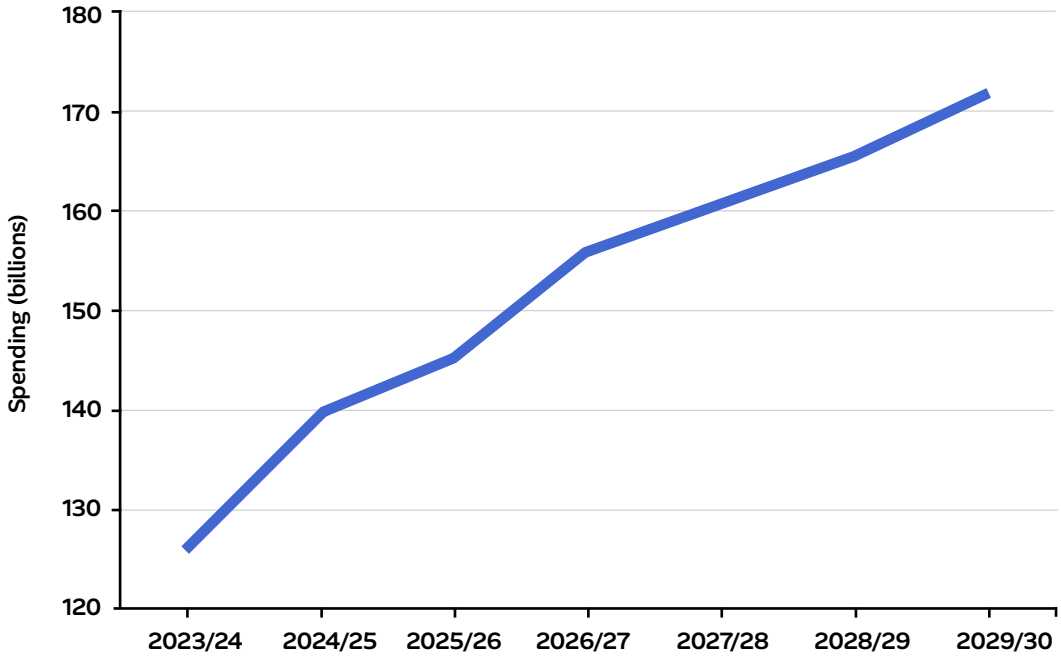
The welfare state we're in

Under Labour welfare spending has spiralled out of control. With attempts at reform stalled or abandoned – and endless reviews promising no savings and more spending – working families are paying the price. Britain's welfare system increasingly sets the wrong incentives, making people feel they will be better off on benefits than in work.

The OBR's forecasts show that welfare spending on working-age people and children will rise to £221.5 billion per year in 2031/32.[4] This is a £60 billion increase in annual spending since 2024/25 – a direct result of Labour's failure.

Chart 1.

Working age and children welfare spending forecasts



Source: Department for Work and Pensions[5]

The ONS estimates that there are 29 million households in the UK.[6] Based on this figure and the DWP's projected welfare expenditure, Britain's benefits bill will reach £5,917 per household by the end of the decade – up £1,500 since Labour took office.

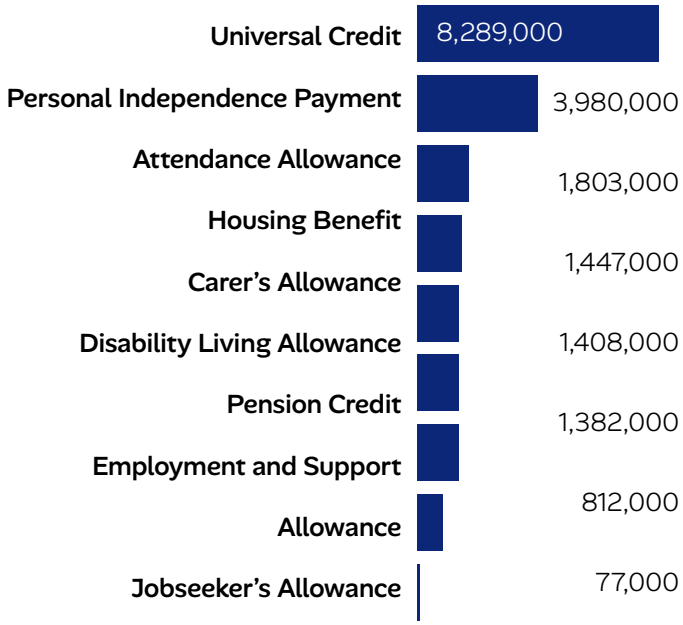
The number of people claiming benefits is also rising. In March 2026 there were 10 million welfare claimants of working age, with a further 910,000 claimants under the age of 16.[7] Between February 2025 and March 2026, claims for working age and sickness benefits increased by 345,200 – equivalent to a city the size of

Coventry.

The UK's largest benefit – Universal Credit – has seen a sharp rise in overall claimants, from 6.8 million on the benefit in June 2024 to 8.3 million in May 2026 – an increase of 22 per cent. Over 1.1 million Universal Credit claimants could be working, are not, and have been unemployed for over 6 months.[8]

Chart 2.

DWP chart showing benefits by number of claims March 2026



Source: Department for Work and Pensions[9]

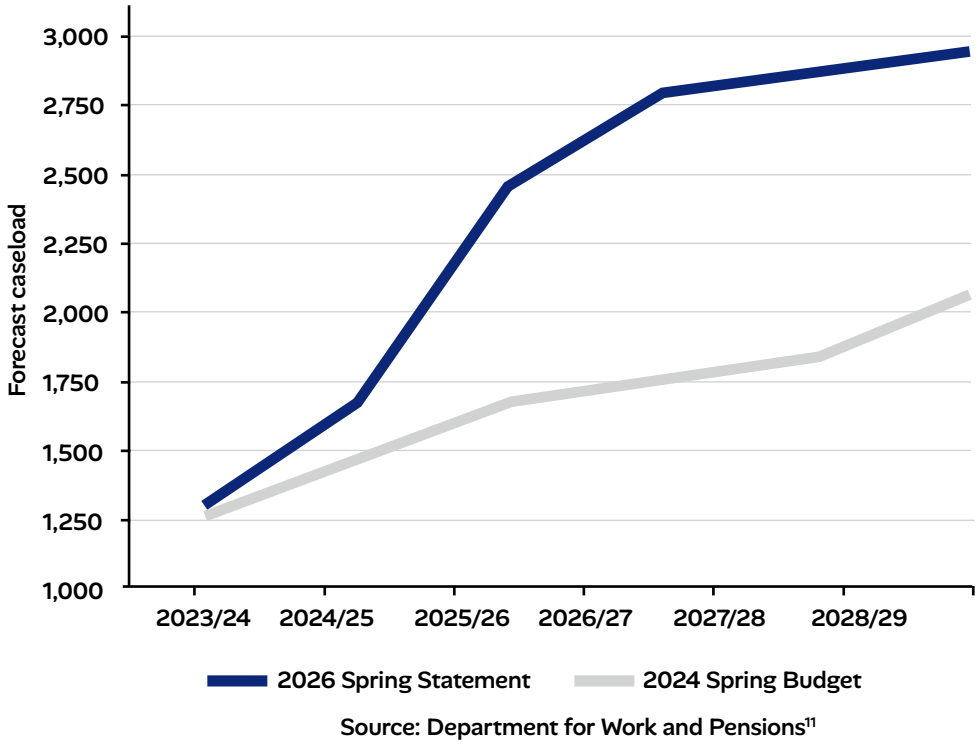
Nowhere is this failure more apparent than in the vast numbers of people being written off by the welfare system due to sickness, assigned to the limited capability for work or work-related activity (LCWRA) category in Universal Credit.

The OBR predicts that more than three million people will be signed off work by 2030.[10] By 2028, there are forecast to be one million more people off work than had been predicted in Spring 2024, when the last Conservative Government left office. The OBR expects the deterioration to be so severe

that in 2025/26 alone, the number of people signed off work will be higher than predictions for the end of the decade.

Chart 3.

LCWRA caseload forecasts

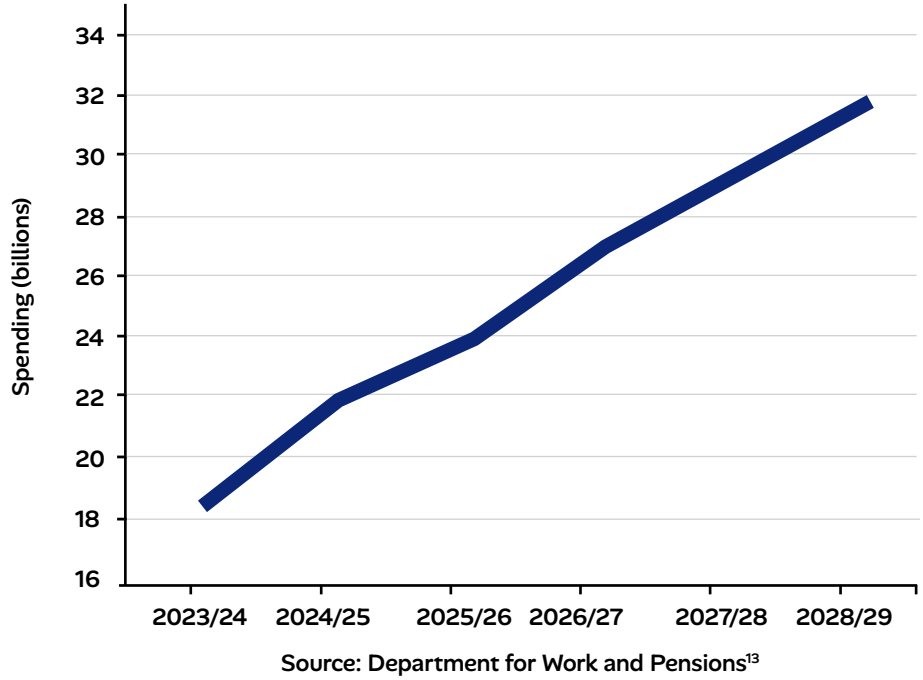


Source: Department for Work and Pensions[11]

Spending on the Personal Independence Payment (PIP) mirrors this trend. Spending in 2029/30 will be 89 per cent higher than in 2023/24: an increase in spending of more than £16 billion per year.[12]

Chart 4.

PIP working age spending forecast



Source: Department for Work and Pensions[13]

This spike in spending is driven by a dramatic rise in the PIP caseload. Between 2023/24 and 2026/27 the number of PIP claims is anticipated to rise by 1 million, with a further million expected by 2029/30 for a total caseload of 5.1 million.[14] When combined with the nearly 2 million pensioners expected to claim Attendance Allowance by 2029/30[15], this means that nearly 1 in 8 adults in the UK will be in receipt of disability benefits.

This rise is not confined to working age adults. The most recent OBR forecasts estimate that, over the life of this parliament, half a million children will be awarded disability benefits. Child Disability Living Allowance (DLA) is the UK's fastest growing benefit, with the number of claimants set to rise by nearly two-thirds from 669,000 in 2023/24 to 1.1 million in 2029/30.[16]



Why have things gone wrong?

The crisis in Britain's welfare system is the product of a perfect storm. The incentives in the system now deter many people who could work from working. The level of welfare and its ease of access have increased. Jobs have become harder to get. Tax thresholds have been frozen. A combination of benefits can give some households a much higher income than they would be likely to get from work. And while the system is burdensome for people with serious disabilities to navigate, it has become too easy for the savvy to game.

We know the problems didn't all start in 2024. When the coalition Government took over from Labour and Gordon Brown, unemployment and welfare were both rising rapidly. But in the years running up to the 2010 General Election, Sir Iain Duncan Smith had worked with the think tank he founded, the Centre for Social Justice, on a programme of reform. Central to that work was developing Universal Credit, a single benefit combining the complex mix of benefits being claimed by many households. The overarching aim of Universal Credit was to make sure work always paid.

Through the 2010s, David Cameron and Theresa May's governments brought down unemployment and welfare costs. People went from welfare into work. But as the pandemic hit, things started to go wrong. Benefit claims for milder mental health conditions and neurodiversity began to rise; a trend that continued and accelerated after Covid. Alongside the switch from in-person to remote assessments during the pandemic, social media platforms enabled 'sickfluencers' to emerge, guiding potential claimants on how to game the system. A post-pandemic backlog delayed the return to in-person assessments, and a combination of judicial reviews and the imminence of the next General Election thwarted reforms.

When Keir Starmer became Prime Minister, several reforms were in train, which his ministers promptly halted, only to replace them with inaction. Despite years in opposition, Labour arrived in government with no plan for welfare, and they have been flailing ever since.

The current Labour Government has proven both unwilling and unable to make the reforms needed to grip this broken system. This system is characterised by:

1. **The wrong incentives**

   The current system financially incentivises claimants to claim more in welfare, or remain on benefits, and has made it too easy to get access to substantial cash support.

   This year, an individual with three children receiving the pre-2026 Universal

Credit Health element, the highest rates of PIP for both daily living and mobility, and the Standard Allowance will receive at least £31,317.44 per annum tax-free. This is approximately £10,000 per year higher than the post-tax income from working full time on the adult national minimum wage of £12.71 per hour.[17] Not only is the income from benefits much higher, it is also more certain. Add to that, additional payments from, for instance, child disability payments or housing benefits and the disincentive to seek work becomes even greater.

Although PIP is not an out-of-work benefit, 37 per cent of claimants said that a fear of losing access to the benefit if they demonstrated capacity to work had deterred them from seeking employment.[18] As a result fewer than one in five PIP claimants are in work.[19]

The Centre for Social Justice has said that our welfare system relies far too heavily on blunt cash payments rather than the personalised support.[20] We also know that one in six PIP claimants admit to facing no extra cost to their disability.[21]

Presently both PIP and the Universal Credit health element both also exempt families from the Household Benefit Cap, which otherwise limits the overall value of welfare that a household can receive - a further powerful incentive to keep out of work and sign onto sickness and disability benefits.

In many cases, claiming for a specific benefit can passport claimants onto other support which creates hidden cliff edges that disincentivise claimants from coming off welfare. Research has identified that working-age Universal Credit recipients can, in total, claim an additional £10 billion a year in passported benefits such as free school meals and support with energy bills, which disincentives claimants from entering full-time work for fear of losing this support.[22]

2. Fewer jobs

Under this Labour Government, work has become harder to find, fuelling growth in unemployment benefits. Since Labour has come to power, 202,000 jobs have been lost.[23] There are 176,000 fewer job vacancies in the economy since Labour took office, leaving vacancies at a twelve-year low outside of the pandemic:[24]

- The OBR has estimated that the equivalent of 215,000 jobs will be lost as a result of Labour's income tax and NICs threshold freezes.[25]
- The Resolution Foundation has estimated that the 2025 increases to employer NICs contributions and the minimum wage increased the costs of employing a full-time adult by 10.2 per cent.[26]
- Data from the CBI has found that 73 per cent of businesses surveyed viewed increased labour costs as the key threat to UK competitiveness.[27]

These pressures have hit young people entering the job market particularly hard, with fewer entry level roles for graduates, and

particular pressure on sectors like retail and hospitality which have traditionally given young people their first experience of work. These sectors have also been hit hard by Labour's business rates increases. PAYE data shows that 52 per cent of 18-24 year-olds making new claims to Universal Credit had no employment in the previous year.[28] The strain Labour's policies have placed on the labour market risks a lost generation – permanently scarred from spending their first years of adulthood stuck on welfare.

3. Weak accountability

Across all levels of the welfare system there is a lack of scrutiny, responsibility and accountability. At a system-wide level, welfare spending is demand-led rather than budget-led and comes from HM Treasury as opposed to the Department for Work and Pensions, which administers the welfare system. This leaves the responsible department without clear budgetary incentives to control spending.

Assessment for many benefits is also weak and involves limited expert opinion when compared internationally. Assessments for PIP and the Universal Credit Health element require neither medical evidence nor a diagnosis. Data from assessment contract providers shows that 80 per cent of assessments are completed by nurses, whereas in many alternative systems, assessments must be conducted by a specialist clinician.[29] Delays and lighter touch approaches to reassessments mean many awards for disability and sickness benefit last years longer than intended. Two thirds of Universal Credit Health claims are overdue for reassessment and the Government has now extended 1.86 million PIP claims to a minimum 4-year award period.[30] This means more taxpayer money is now being paid out with less scrutiny.

4. A system too quick to sign people off – and too slow to help them back into work

The UK welfare system has consistently failed to support and incentivise long term welfare claimants to come off welfare and into work. Almost 300,000 Universal Credit claimants who could work but do not have been on the benefit for over 5 years.[31] The system has also been too sluggish in supporting those with disability and sickness to enter work. Between 2023/24 and 2024/25 backlogged applications for Access to Work – the Government's flagship disability employment support scheme – doubled to 62,000, with the average time for an application rising to 66 days.[32]

The number of claimants written off as unable to work is also far higher than expected. The Government originally expected just 10 per cent of new welfare recipients to be found unable to work after being assessed.[33] Today, that figure is instead 81 per cent.[34] Almost three million people are now in this category - millions of people who do not need to look or prepare for work.

5. A legal backdrop that thwarts reform

A growing thicket of legal obstacles has prevented successive governments from enacting the reforms needed to fix the system. Chief among these

are the Human Rights Act and Public Sector Equality Duty (PSED). Both of these pieces of legislation have contributed to the inability of governments to reform and limit the size of the welfare system. Relevant judicial review outcomes include:

- *RF v Secretary of State for Work and Pensions*, in which proposed changes to disability benefit descriptors were overturned for violating the ECHR.[35]
- *Khadija Ba Fakih v Secretary of State for the Home Department*, where a decision to prevent an immigrant from accessing the welfare system was found to be in violation of the PSED.[36]
- *R (W, a child) v Secretary of State for the Home Department*, in which rules on 'no recourse to public funds' were overturned because they did not comply with the ECHR, meaning they had to be re-made to allow access to benefits for immigrants at risk of destitution.[37]

These laws have enabled multiple challenges to government policy decisions, resulting in ever-rising procedural requirements prior to policy changes, and permanent expansions of welfare eligibility. The next Conservative Government will repeal the PSED and the Human Rights Act, leave the ECHR, and reform the welfare system along the approach set out below.

Our approach to welfare savings

Our plan for welfare reform stems from core Conservative values about how the welfare system should operate.

- **Fairness**

  A welfare system should be fair to both claimants and taxpayers. If you can work, you should be better off in work than on benefits. Working families should not feel their taxes are paying for lifestyles on benefits they cannot afford themselves. Just as they face choices about what they can afford, so should people on benefits. Fairness applies to claimants too. The rules for getting benefits should be clear and consistent, and assessments should be rigorous but reasonable.

- **Contribution**

  We should return to the contributory principle that was originally at the heart of Britain's welfare system. People who have done the right thing and paid in should get more support than those who could have paid in - but have not. Many comparable countries, including France, Germany and the Netherlands, already link how much support people receive, and for how long, to what they have paid in. All British people should still have a safety net, but for those who can work and have never paid into the system, long-term support should taper off more quickly.

- **Personal and societal responsibility**

  If you can support yourself, you should, and you should not expect other people to pay for your decision not to work. Rights come with responsibilities, and the choices we make have consequences. If the welfare system always steps in to cover the cost of people's choices, fewer people will take responsibility for themselves. And when the state tries to do everything, families and communities do less to look after each other. In return, when people have done their bit and still fall on hard times, society should help them. That is our implicit social contract. It has limits. Just as the British Government helps its citizens abroad, our welfare state is there to help British people in need at home. We cannot offer it to anyone and everyone who comes here. Our generous welfare state is attracting more people than it can support, so we must put British claimants first.

- **Welfare as a safety net - but not a lifestyle choice**

  Conservatives believe strongly in supporting the vulnerable and those who fall on difficult times – it is the hallmark of a civilised society. We know some people may spend their whole lives too disabled to work. Others may be struck down by illness and disability in adulthood. No one chooses this for

themselves. Parents do their utmost to care for their disabled child into adulthood. Families and friends rally round to help a loved one who falls sick. Our welfare state should never undermine those instincts - but the goodness and generosity of family and friends will often not be enough to cover the costs of care and pay the bills. Similarly, for a household only just getting by, losing a job, being made redundant or the collapse of a business can leave you on your knees. Most people in our society back a welfare system that supports people in these tough situations.

For those who can work, welfare should be a temporary safety net whilst they secure other employment and then move off welfare. As Kemi Badenoch has written in The Right Way: '*Welfare serves a different purpose: to provide a basic level of security for those who cannot look after themselves and a safety net for those in temporary difficulty, helping them back into work where they can work.*'[38] Yet today, one in four adults self-identify as disabled.[39] The welfare system was not intended to support this number of people.

- **Living within our means**

  The scale of our welfare system must be constrained by the realities of our country's finances. A strong and growing economy can fund a more generous welfare system. But when the cost of welfare means taxes and borrowing hit a level that jeopardise the UK's prospects of growth, then expenditure needs to be reined in. The size of the welfare budget must reflect what the country can afford.

These five values sit alongside a Conservative vision of society that sees working, saving, paying your own way, caring for others and investing for future generations as intrinsic goods. Work first and foremost pays the bills. Earning your own income gives you agency and choice. Work can give you opportunities to learn and progress, or simply structure and camaraderie. And it is also through work that most of us make our biggest contribution to our society, alongside raising children.

Writing someone off on benefits is wrong at any age, but particularly unforgiveable for a young person. We are determined to turn around Labour's lost generation. Instead of the prospect of a life on benefits, young people should look forward to a life of making their own way, building their independence, pursuing their aspirations and earning enough to afford the things that matter to them, whether it's their first car, their first home or starting a family of their own. That's why our proposals – covered in the annex – include our Get To Work programme, so young people will no longer drift straight from education to a life on benefits.

The benefits of work are just as important for people with disabilities as those without. Most disabled people tell us they want to work. But our welfare system is deterring many from doing so. Labour has made it harder for employers to take on someone with health problems. Our reforms to sickness benefits will support people with disabilities to work alongside bringing down the welfare bill.

We have identified £36 billion in savings from the welfare budget. We have

calculated these figures against 2029/30, which is currently scheduled to be the first year of the next parliament. In some cases, there are clear official costings for 2029/30 that the Government has published, and which we have used. In others, we have calculated a steady-state equivalent, meaning the cost if the policy had been fully enacted against a 2029/30 baseline. As such, these costings should not be read as savings that will all be achieved in the first year.

Our approach looks across the system: Universal Credit, disability and sickness benefits, housing benefits and fraud. These reforms not only achieve savings, but create a leaner, more effective benefit system which is better placed to support those in genuine need. They will control costs now, and save billions in future years as these savings compound.



Our welfare savings plan

Reforming sickness and disability benefits

Sickness and disability benefits are the fastest growing element of Britain's ballooning welfare bill. Our system is not working. It creates the wrong incentives for people to claim for less serious needs, fails to support properly those who need it most – and leaves taxpayers with an unsustainable bill. The Conservatives will make the difficult decisions to control costs and make eligibility more rigorous so that we build a better system.

Spending on disability and sickness benefits is rising unsustainably. Spending on PIP has risen from £12.5 billion in 2019/20 to £32.1 billion and is set to reach £41.2 billion by 2029/30. Spending on Universal Credit for those with health conditions is projected to rise from £12.9 billion in 2023/24 to £30.2 billion by 2029/30.[40]

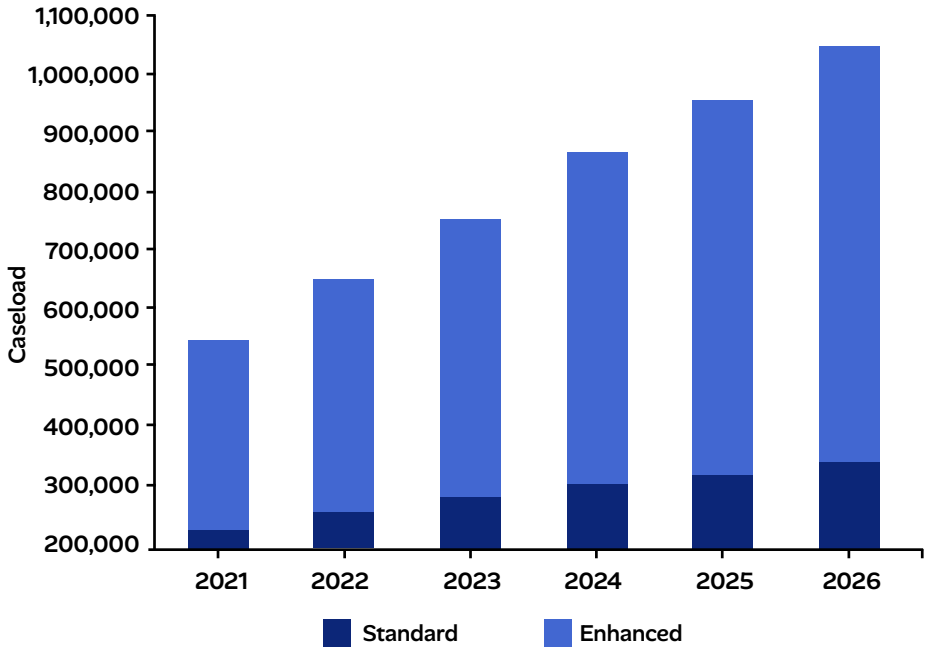
In June 2026 Helen Whately announced the Conservative Party's Disability and Sickness Benefit Review. The review has an Advisory Board comprised of experts from business, health and disability policy, some of whom have lived experience of disability themselves. It will propose a fundamentally reshaped disability and sickness benefit system. The aim is for those with serious disabilities to be more able to get the support they need while bringing the growth in demand for cash benefits under control.

That review is ongoing, looking at how to make eligibility fairer and more robust; implement more rigorous and trusted assessment; provide better support that fixes broken incentives by moving away from a cash benefit model; and helping those who can into fulfilling work that builds resilience and independence. In the interim, the review has already identified significant savings.

Growth in disability and sickness benefits is being driven primarily by mental health and joint and back pain conditions. These condition groups alone account for 43 per cent of all PIP Daily Living cases. Since 2021, mental health conditions alone have represented 41 per cent of new PIP cases.[41] These are conditions which are generally harder to evidence, involve fewer 'extra costs' and which should, in most circumstances, not limit the work ability or earning potential of claimants, particularly if they are given the correct health support.

Chart 5.

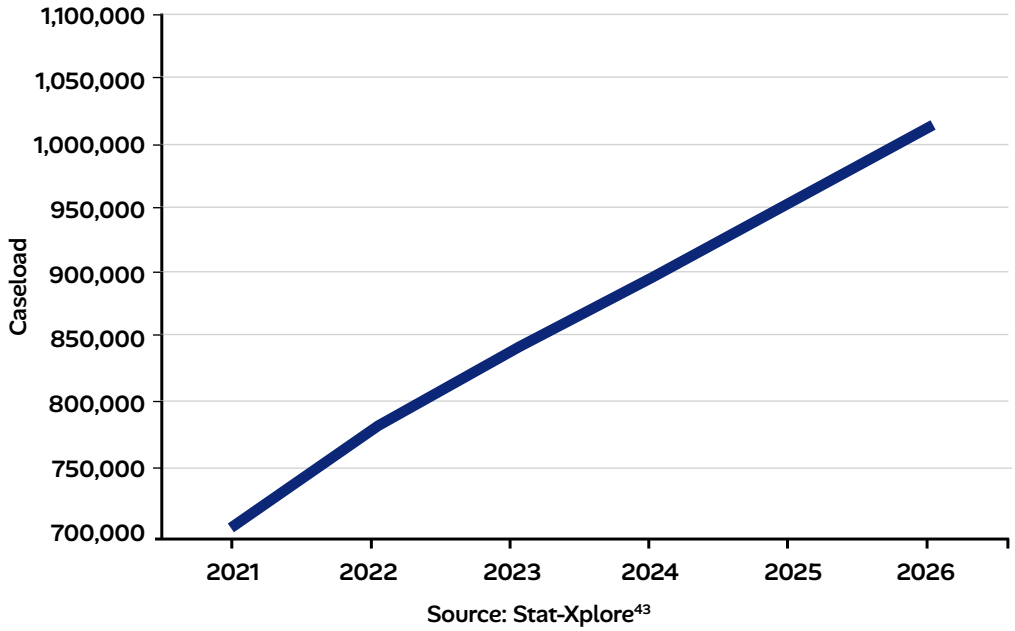
PIP daily living caseload for selected mental health conditions by award category



Source: Stat-Xplore[42]

Chart 6.

PIP total caseload for selected musculoskeletal conditions across all award categories



Source: Stat-Xplore[43]

Support for disabled pensioners is handled through a separate system, in part to reflect that they cannot claim the Universal Credit Health element and instead receive income support from the State Pension. Similarly, adults claiming disability benefits over State Pension age receive Attendance Allowance rather than PIP. However, adults on PIP before the State Pension age retain the benefit rather than transitioning to Attendance Allowance. There are currently over 91,000 64-year-olds whose PIP awards will roll over as they reach State Pension age at the end of the parliament, with the additional value of staying on PIP increasing costs to the taxpayer by £304 million a year.[44] With increasing numbers of those reaching retirement age expected to be claiming disability benefits, this represents a substantial cost liability.

Our plan

The Conservatives will change the disability and sickness benefits system so that claims for mild mental health conditions and routine back and joint pain will no longer be accepted, investing £1 billion a year in additional health support for these conditions instead. All new PIP claimants reaching State Pension age will be transitioned to Attendance Allowance. We will reform fit notes, taking the responsibility for signing people off as long-term sick away from GPs and transfer it to alternative health professionals.

Through our Disability and Sickness Benefit Review, we will introduce more detailed and holistic assessments with tighter eligibility criteria. All claimants will be assessed face to face.

This will mean current claimants on the standard rates of PIP for milder mental health issues and neurodiversity conditions such as anxiety, depression and ADHD will no longer be eligible for cash support. We will also remove a minority of enhanced rate cases for these conditions, reflecting the increasing tendency to award these cases at the enhanced rate as a consequence of how mental health distress scores against the current PIP assessment criteria.

Our more robust system will alter the projected growth in caseload, so that instead of numbers spiking by 2029/30, they will not rise above our re-based 2026 rates by the end of the decade. Similarly, we will return claim numbers for back and joint conditions – like mild back pain, mild arthritis, gout and whiplash to their 2021 baseline, undoing projected growth to 2029/30.

We forecast a saving of £8.9 billion in 2029/30 figures from our changes to mental health eligibility and a further £5.2 billion from changes to routine back and joint pain, giving a total of £14.1 billion. These savings are across PIP and the Universal Credit Health component, applying assumptions from PIP data to Universal Credit numbers, given lack of detailed breakdown of the latter.

We will reinvest £1 billion of our savings in health support, so that those who are no longer eligible for cash disability benefits can access treatment

and rehabilitation to support their conditions.

We will automatically transition new PIP claimants reaching retirement age onto Attendance Allowance. This will mean those who become disabled after reaching pension age are treated the same as those who previously claimed disability benefits – a fairer approach. Attendance Allowance reflects the greater generosity of other pensioner benefits such as the State Pension compared to Universal Credit. We forecast these changes will save £209 million for the first affected cohort in year one, falling to £194 million in subsequent years to reflect that some cases will not be sustained. Applied to multiple cohorts over the course of a parliament, this results in an average saving of £2.9bn over five years, or an average of £580 million a year.

Annual saving: £13.7 billion

Ending access to the benefits system for foreign nationals (excluding EU settled status)

The UK cannot be a cash machine for the world. Too many migrants are enticed to come here because they believe they will be able to access our welfare system. That is not fair to taxpayers and fails to recognise the difference between those who migrate here and claim benefits, and British citizens who have paid into the system throughout their lives. We will change that system to put British people first.

The most recent release in May 2026 shows that 6.6 per cent of Universal Credit claimants are not UK or Irish citizens, nor do they have EU Settled Status, accounting for over half a million Universal Credit claimants.[45] Of these, 42 per cent have Indefinite Leave to Remain (ILR) whilst 24 per cent have refugee status.

Most time-limited visas to the UK come with a No Recourse to Public Funds (NRPF) condition which prevents immigrants from accessing the welfare system at all – though in practice some migrants still receive state support. Exceptions exist for contributory benefits such as the State Pension and new-style Job Seekers Allowance (JSA). And refugees can claim immediately once their status is granted. For others, access to the welfare system comes after they obtain ILR status, typically after 5 years of residence in the UK for most visa routes.

The Government promised that it would extend the waiting period to get ILR to 10 years. Home Secretary Shabana Mahmood warned that *'If we do not, we will see a £10 billion pound drain on our public finances... And further strain on public services – like housing and healthcare - already under immense pressure. That is an affront to the idea of fairness within our society.'*

However, the Government has since back-tracked and 1.4 million people are expected to achieve ILR or settlement between 2026 and 2030.[46]

Millions of immigrants who have been resident for just a few years will soon have full access to our welfare system. That is wrong. It is at odds with the contributory principle that before you take out of the system, you need to pay into it. The responsibility of the British state is to our own citizens. At a time of fiscal constraint, it is wrong for limited resources to be used to provide welfare for foreign nationals.

Our plan

The Conservatives will end access to the benefits system for foreign nationals without EU settled status. This will apply to all working-age benefits.

The breakdowns recently published for Universal Credit are not available for other benefits. We also acknowledge that, whilst our wider immigration policies will reduce the number of asylum seekers in the UK, some will retain access to the benefits system. From an abundance of caution, we

have assumed a 75 per cent reduction in claimants with refugee or humanitarian status, rather than a fall to zero. By modelling the proportion of foreign national claimants on Universal Credit once accounting for these factors against the overall benefit caseload, we estimate these changes will save £9.5 billion a year by 2029/30. This is separate to the cost of the Government's recent ILR U-turn.

A large portion of foreign nationals in the UK who claim Universal Credit are from the EU and have EU settled status. As part of the UK's withdrawal from the EU, it was agreed in Part Two of the Withdrawal Agreement that EU citizens in the UK – and UK citizens in the EU – would under new settled statuses continue to receive equal treatment. We will honour that commitment, providing certainty to British citizens living in the EU and avoiding an unnecessary rehashing of the Brexit negotiations.

More broadly, we have announced plans to make it harder for foreign nationals to access the welfare system, or to claim British citizenship if they have previously relied on benefits. The Conservatives have proposed extending the waiting period before qualification for ILR from 5 to 10 years and extending the period after which you can then claim citizenship from 12 months to 5 years. We have also proposed making those who have previously claimed welfare (for example by having the NRPF condition waived) or who have a criminal record ineligible for ILR. We will end social tenancies for foreign nationals without EU settled status as part of our welfare plans to put British people first.

As described above, this will be facilitated by our commitments to leave the ECHR, repeal the Human Rights Act and the Public Sector Equality Duty. We will also review local authority-run schemes that provide benefits to immigrants, including discounts to council services.

Annual saving: £9.5 billion

Reforming housing benefits

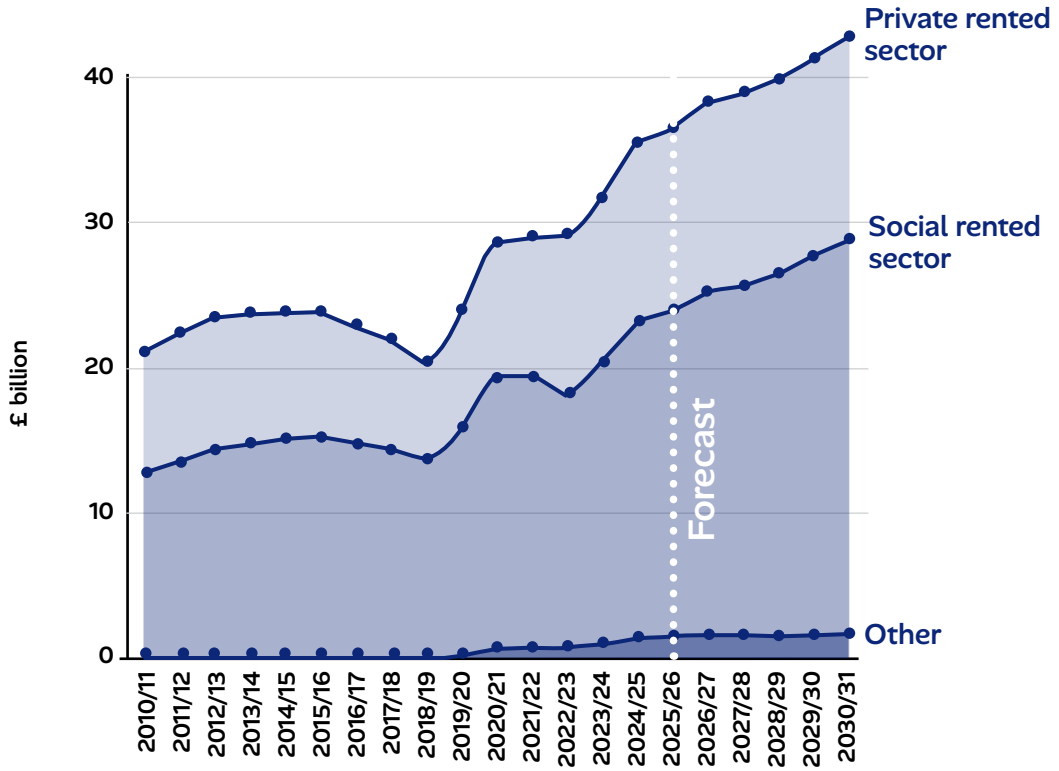
The cost of housing benefit is rising sharply, set to hit £42 billion by the end of the parliament – a £10 billion increase since 2024. This growth is not sustainable, nor is it affordable. Common sense reforms will reduce the housing benefit bill and deliver a fairer system for taxpayers and social tenants.

In the UK, support for the cost of housing is primarily paid through two benefits – housing benefit and the Universal Credit housing element. Housing benefit is now a 'legacy' benefit, wound down as of July 2026, but certain claimant groups including pensioners and those in supported accommodation continue to receive it. Research by Onward shows that, through these benefits, roughly one in five households in the UK receive some form of financial support towards their housing costs – equivalent to all households in England's nine largest cities combined.[47]

Housing benefits are a rapidly rising element of the overall welfare bill. In 2025/26 forecast spending was £37.2billion, driven in large part by an 87 per cent increase in the cost of housing benefit claims in the private rental sector since 2018.

Chart 7.

Housing benefit spending 2010/11 to 2030/31



Source: Onward[48]

Rental support varies significantly between the social and private rented sectors. In the social rented sector, housing benefits typically cover the full cost of the subsidised rent charged to tenants (with exceptions when benefits are reduced to reflect the claimant's earned income or where a property has additional unused bedrooms). In the private rental sector, the rate of housing benefits is set by the Local Housing Allowance (LHA). The LHA rate is set locally and notionally pegged to the 30th percentile – or cheapest 30 per cent – of local market rents, with different rates for different property sizes. Tenants may either seek a property that will be fully covered by their LHA rate, or rent a more expensive property and fund their housing through a combination of LHA and other income.

Although LHA rates are notionally set to the 30th percentile of local rents, in practice successive governments have periodically frozen and then uprated LHA rates. Since 2025 the LHA rate has been frozen, meaning that in real terms it is now well below the 30th percentile. Areas which have seen particularly rapid rental increases in recent years have been hit hardest by this freeze. The seesawing of freezes and periodic uplifts leads to a lack of financial certainty for both government and tenants – an unfair and unsustainable arrangement.

Our plan

Conservatives will control the rise in housing benefit spending. We will permanently re-peg LHA rates to a new 10th percentile level and uprate this annually to give tenants consistency and deliver savings. We will freeze rents in the social rented sector to deliver substantial savings.

We will abandon the seesawing 30th percentile rate and permanently re-peg LHA rates to the 10th percentile, ensuring LHA rates are adjusted every year to ensure this value remains consistent, as the IFS has previously recommended.[49] This is a fairer system for both taxpayers and tenants. Taxpayers will no longer be expected to foot the bill for more expensive private rental properties, whilst tenants will have certainty about the amount of rental support they will receive, and will be able to plan their housing costs accordingly. Whilst the new re-pegging will apply immediately to all new tenancies, existing tenants will be given transitional protection. Instead of seeing real terms cuts, their higher rates of support will be frozen until they fall in line with the 10th percentile, after which they will be re-pegged annually. This policy will save £1.8 billion a year.[50]

We will also extend LHA rate caps to the social rented sector. Unlike in the private rented sector, there are no current limitations to keep social rents to a proportion of the local market. We will extend the 10th percentile cap to the socially rented properties, with a cap on reductions and protections for those on fixed incomes. Research by Onward suggests this policy would save over £200 million over the duration of a parliament.[51]

Finally, we will introduce a five-year freeze to rents in the social rented sector. This will prevent councils and housing associations from increasing social rents. This freeze mirrors previous Conservative Government policy, which reduced social rents by 1 per cent a year between 2016 and 2020. Councils and housing associations will cover the costs of this policy. In 2025 the Regulator for Social

Housing found housing associations had a £4.8 billion surplus.[52] This will save £2.5bn per year by the end of the parliament.[53]

Historically, councils and housing associations have argued surpluses enable them to invest in building new social homes. Our plans to remove non-EU foreign nationals from social housing will free up 230,000 homes for British citizens. This will reduce the pressure to build new social housing, and so the case for large surpluses is reduced. Our savings also account for offsetting the lost revenues to councils.

Annual saving: £4.5 billion

Restoring the two-child benefit cap

The two-child benefit cap is about fairness. Households on welfare should face the same, often difficult choices as working families. If you are working you don't get a pay rise when you have an extra child. We will reverse Labour's decision to lift the cap so there is no longer one rule for benefit claimants and another for taxpayers.

In 2015, the Conservatives announced a two-child benefit cap for all children born after April 2017, which would mean payments of the child element of Universal Credit for the first two children only. By 2025/26 the IFS projected that the two-child benefit cap was saving taxpayers £2.6 billion a year in what would have otherwise been additional welfare spending.[54]

Labour abolished the two-child benefit cap in their November 2025 Budget, which took effect from April 2026. As a result, households on welfare now get a further £3,647 a year for each additional child. The latest Universal Credit data shows that 76,000 families on the benefit have five or more children, meaning these households alone will receive more than £831 million in additional benefits annually as a result of Labour's changes.[55]

Our plan

The Conservatives will re-instate the two-child benefit cap, so households on welfare must consider the size of the family they can afford, just as those not claiming benefits do.

The Conservatives have consistently opposed Labour's decision to lift the cap since September 2025. The Government's own figures project that abolishing the cap will cost £3.1 billion by 2029/30.[56] We will re-instate the cap, delivering a significant saving – and restoring the principle of fairness – for hardworking taxpayers.

Annual saving: £3.1 billion

Reforming Child Disability Living Allowance

The cost of child DLA is spiralling. The current system is not delivering – for children and their families, or for taxpayers. Assessment fails to capture the needs and costs of those claiming and does not offer the support that is needed. Our reforms will create a new settlement for children with learning and behavioural disorders and ADHD, whilst protecting claimants with physical conditions.

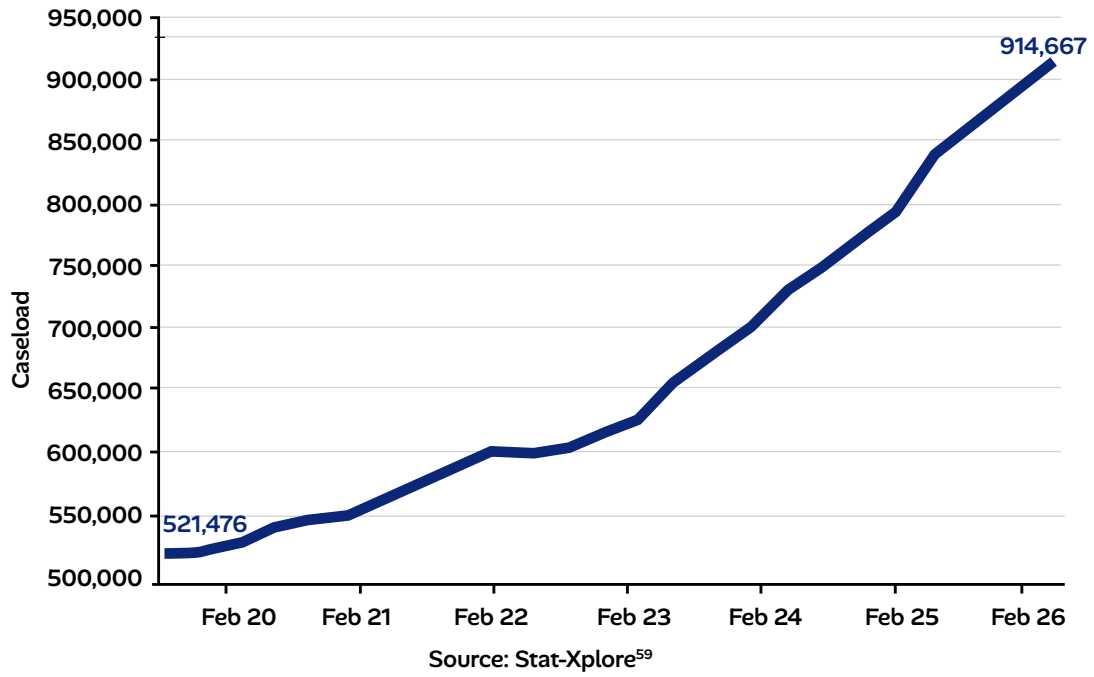
Child DLA is the fastest growing benefit in the UK's welfare system. Pre-Budget forecasts project that by 2029/30 child DLA will cost the taxpayer £7.7 billion – a more than threefold increase from £2.3 billion in 2019/20. Detailed post-Budget figures have not yet been released, but this figure could now be as high as £10.5 billion.[57]

Behavioural disorders, learning difficulties or ADHD account for 85 per cent of child DLA claims. In March 2026 there were 401,263 claims with learning difficulties as the main condition, 290,097 claims with behavioural disorders, and 86,171 claims for hyperkinetic syndrome (such as ADHD). Combined, these three condition groups comprised 85 per cent of the total child DLA caseload. Cases for behavioural disorders have risen dramatically, from 13 per cent of the caseload in February 2020 to 32 per cent in March 2026.

Research by Policy Exchange estimates that *'On average since Covid-19, one child in every class in England and Wales has claimed DLA for learning difficulties, behavioural disorder, and hyperkinetic syndrome.'*[58]

Chart 8.

Child DLA cases February 2020 to March 2026



Source: Stat-Xplore[59]

This growth – concentrated with a small subset of conditions – exceeds rates that could be explained by natural increase or improved diagnosis. This is to the extent that there are now almost 200,000 more child DLA cases than there are Education, Health and Care Plans (EHCPs) in England, despite the threshold for the latter being set notably lower.[60] Whilst the greater number of child DLA cases will partly be a result of the fact that, unlike the EHCP system, this benefit extends to Scotland and Northern Ireland,[61] this gives a sense of the expansive scale of child DLA claims – particularly given that many children with EHCPs are not regarded as having disabilities.

The scale of the growth in child DLA can in part be explained by financial incentives and the comparatively simplistic assessment process when compared with adult disability benefits. Child DLA, when awarded at the highest rate for both the daily living and mobility components, is worth over £10,000 a year. A parent can also be eligible to claim Carer's Allowance if they can demonstrate that they provide more than 35 hours of care per week to a child claiming DLA. Families are also eligible for an additional Universal Credit monthly uplift of either £164.79 or £514.71 for their disabled child.[62] This means that total compensation from a single child DLA claim can be over £20,000 a year. Families may also access the Motability scheme if awarded the highest rate of the Mobility element and may also qualify for council tax reductions, blue badges, a CEA Card and the Family Fund.

Unlike other disability benefits there is no direct-contact assessment for child DLA – only a written application form supported by any evidence that the claimant wishes to provide. Policy Exchange research has shown how the current assessment process can inadvertently capture normal burdens and expectations of parenting and can fail to differentiate when conditions result in increased costs for families.[63]

Our plan

The Conservatives will reform Child DLA. Where the claim is for a behavioural disorder, learning difficulty or ADHD, only the families of children with higher levels of need will be eligible to receive cash payments. We will invest £1 billion in support to help children with milder cases of these conditions and their families, through mental health services and Family Hubs. Physical disabilities will be exempted from these changes.

In government, the Conservatives will redesign the assessment process and criteria for child DLA. These changes will only apply to new claims and reassessments. These changes will not impact the number of claimants for physical conditions, but we estimate, will restrict claims for learning disorders, behavioural difficulties and ADHD to the most severe 30 per cent of cases. Where new claimants or claimants undergoing reassessment do not meet the new criteria they will be removed from the benefit. This will unwind the post-pandemic increase in child DLA caseload, which is forecast to increase by more than 600,000 since 2020 by the end of the decade.[64]

Current projections anticipate the caseload for child DLA to rise to 1,142,000 by 2029/30. Assuming these three conditions continue to represent the same

proportion as in the current caseload, this will mean there will be over 950,000 total claims for these conditions. We project that 72 per cent of these cases will be reassessed over the course of a 5-year parliament, with a tighter assessment process saving £3.3 billion. When passported benefits including the disabled child element of Universal Credit are also accounted for this saving increases to £3.8 billion.

We will reinvest £1 billion of these savings in in-kind support to provide more practical help to children and their families than simple cash handouts. This will include a landmark investment in Child and Adolescent Mental Health Services (CAMHS) and in Family Hubs, to ensure families dealing with mild learning disorders and behavioural difficulties can access the support and advice that they need.

Annual saving: £2.8 billion



Reforming the household benefit cap

The household benefit cap, introduced under the last Conservative Government, played an important role in delivering fairness for taxpayers and limiting perverse incentives by capping the overall amount most claimants could receive in welfare. However, recent changes in claim patterns within the benefits system – and relatively generous exemptions – have caused the current cap to become increasingly ineffective.

The Conservatives will strengthen the cap, so taxpayers are not expected to fund lifestyles on welfare they cannot afford themselves.

The Conservatives introduced the household benefit cap in 2010, taking effect from 2013 onwards. It is a cap on the benefits that can be received by a particular household. The cap aimed to ensure that people who could be working didn't get more in benefits than people could earn by working. The cap is set at one of four rates depending on the characteristics of the household: there are different rates for London and the rest of the country, and whether it is a single person or a couple or single parent. For a couple outside of London the cap is presently £423.46 a week, or £22,000 a year.[65] Households are exempted from the cap if any member of the household is in receipt of a range of common benefits, such as PIP, DLA, Universal Credit Health or Carer's Allowance. Households are also exempted if combined take-home income from work exceeds £881 a month after tax.

Overtime, the amount saved by the cap has declined. Whilst in 2021 the cap saved £500 million a year, it now saves just £300 million a year, even as overall working age benefit spending increased. This means that the share of benefits capped has fallen to 0.2 per cent.[66]

Our plan

We will reform and strengthen the household benefit cap. We will change the work requirements so that all adults in a household who can work must work. We will also tighten the rules around exempting benefits.

At present households are exempt from the cap if any adult is found not fit to work; if someone in the household is in receipt of another exempting benefit; or if the adults in the household earn £881 a month after tax. This is the equivalent of 16 hours a week at the minimum wage, potentially between two people. We will no longer exempt from the cap households where there is a non-working adult who could be working. People in receipt of Carer's Allowance will not be expected to work. In order to incentivise work, we will require every capable adult in the household to work at least 16 hours a week. Where there is only one person who can work, they will need to work the equivalent of 16 hours a week – the same as at present.

We will also change the way that the cap works. At present if any member of a family receives certain benefits the whole household is exempted. There are 16 different exempting benefits. For instance, if your child gets DLA, or your partner gets PIP, then the whole family is fully exempt from the cap. We will change this so that instead of exempting whole families, these specific benefits are excluded from the calculation of capped income, but other, non-exempted

benefits that the household claims will remain capped.

Below is an example of how our changes would affect a two-parent family with two children living in Basingstoke, where the family is currently exempted from the Benefit Cap as one parent receives PIP for a mild mental health condition:

Table 1. Indicative impact of household benefit cap policy

Benefit element (per year 2026/7)	Single over 25	Couple over 25
UC standard allowance	£5,099	£8,004
First child	£4,223	£4,223
Next child	£3,647	£3,647
PIP Daily Living - Standard Rate	£3,988	£3,988
Cat D LHA in Basingstoke	£15,557	£15,557
Current System		
Current benefits total (family exempt from cap)	£32,514	£35,419
Our proposal		
Current cap for families with kids outside London	£22,020	£22,020
Total for PIP (exempted)	£3,988	£3,988
New income	£26,008	£26,008
Reduction	£6,506	£9,411

Moving from exempting whole families to exempting certain benefits from the cap calculation would bring substantially more of the 1.9 million households with benefit income above the cap level into scope. These numbers are also likely to rise due to routine benefit uprating and the abolition of the two-child benefit cap.

Official statistics from 2024/5 show that there are more than 450,000 households which both received more than the applicable Household Benefit Cap from Universal Credit alone and which earned less than the relevant threshold of National Minimum Wage (NMW) work.[67]

Table 2. Number of households both receiving more than the household benefit cap in Universal Credit and earning less than 16 hours of NMW work per week per adult, 2024/5

	Single Adult	Couple/Children
London	20,353	43,461
Outside London	99,881	291,897

Source: Stat-Xplore[68]

However, some of these will be in receipt of Carer's Allowance, which is why we have conservatively reduced this estimate to 400,000. This figure is multiplied by the pre-April 2026 average impact of £250 per month[69] per capped household to reach approximately £1 billion in savings.

Annual saving: £1 billion

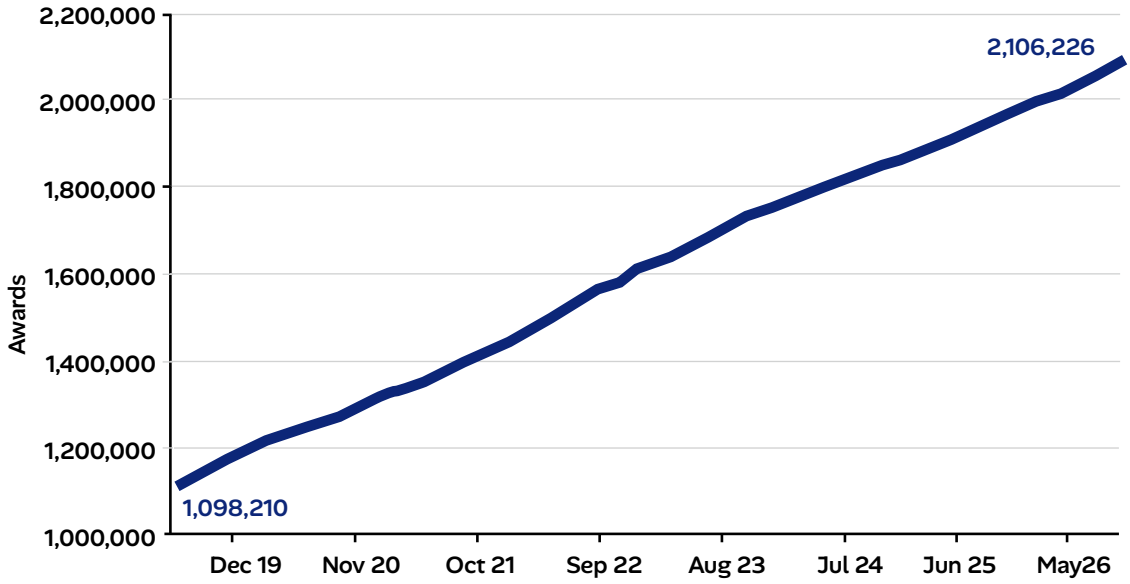
Ending VAT exemptions for Motability

The Motability scheme in its current form fails to deliver fairness for taxpayers. A system designed with the best of intentions creates powerful misincentives that enable qualifying participants to access high-value vehicles at a fraction of their market cost. Only 1 in 10 Motability cars is adapted for disabled use. Addressing the level of subsidy provided through VAT reliefs on Motability will deliver a fairer deal for taxpayers.

Claimants on the enhanced rate of the mobility component of PIP or DLA are eligible for Motability vehicles (£80 a week, or £4,160 a year). Claimants in receipt of the lower standard rates do not qualify for the scheme. Through the programme, claimants effectively exchange their PIP payment for a car lease through the scheme at no further cost to themselves. The lease payment also incorporates car insurance, service and MOT costs, breakdown cover and road tax. In April 2026 915,000 claimants leased cars through the Motability scheme.[70] The number of claimants in receipt of the enhanced rate of the mobility component of PIP (the main qualifying benefit) has increased 89 per cent from pre-pandemic levels.

Chart 9.

PIP enhanced mobility component awards, December 2019 to July 2026



Source: Stat-Xplore[71]

Only approximately 10 per cent of Motability vehicles are adapted for disabled use.[72] Until November 2025 brands including Alfa Romeo, Lexus, BMW and Mercedes-Benz were covered by the scheme. Even now claimants can access cars worth up to £46,000.[73] Equivalent private leases for similar vehicles can cost £410 a month in the open market, without the other bundled perks such as insurance.[74] 1 in 7 new cars in the UK are registered through the Motability scheme.[75]

Historically the Motability Scheme has benefited from a series of VAT

exemptions, including on the sale of cars at the end of their leases. All aspects of the lease – including any Advancement Payment – were zero-rated, as was the car insurance supplied as part of the leasing bundle. In November 2025, the Government altered these rules so that Advance Payments would no longer be VAT exempt and applied Insurance Premium Tax to the insurance element of the bundle. Adapted and wheelchair vehicles were exempted from these changes. They projected these reforms would save £305 million a year in 2030/31.

Our plan

The Conservatives will end VAT reliefs for lease payments paid by claimants for cars with no adaptations and for Motability when it resells its fleet.

We will remove these additional reliefs, saving £1 billion, while exempting wheelchair-accessible cars and adapted ones. Motability confirms that 95,000 of its cars are wheelchair-accessible vehicles, or adapted vehicles. This is 11 per cent of the 850,000 Motability cars (Motability factsheet, January 2025). Removing these vehicles from new VAT charges will result in projected savings of £1 billion once a margin for error is accounted for.

Annual saving: £1 billion

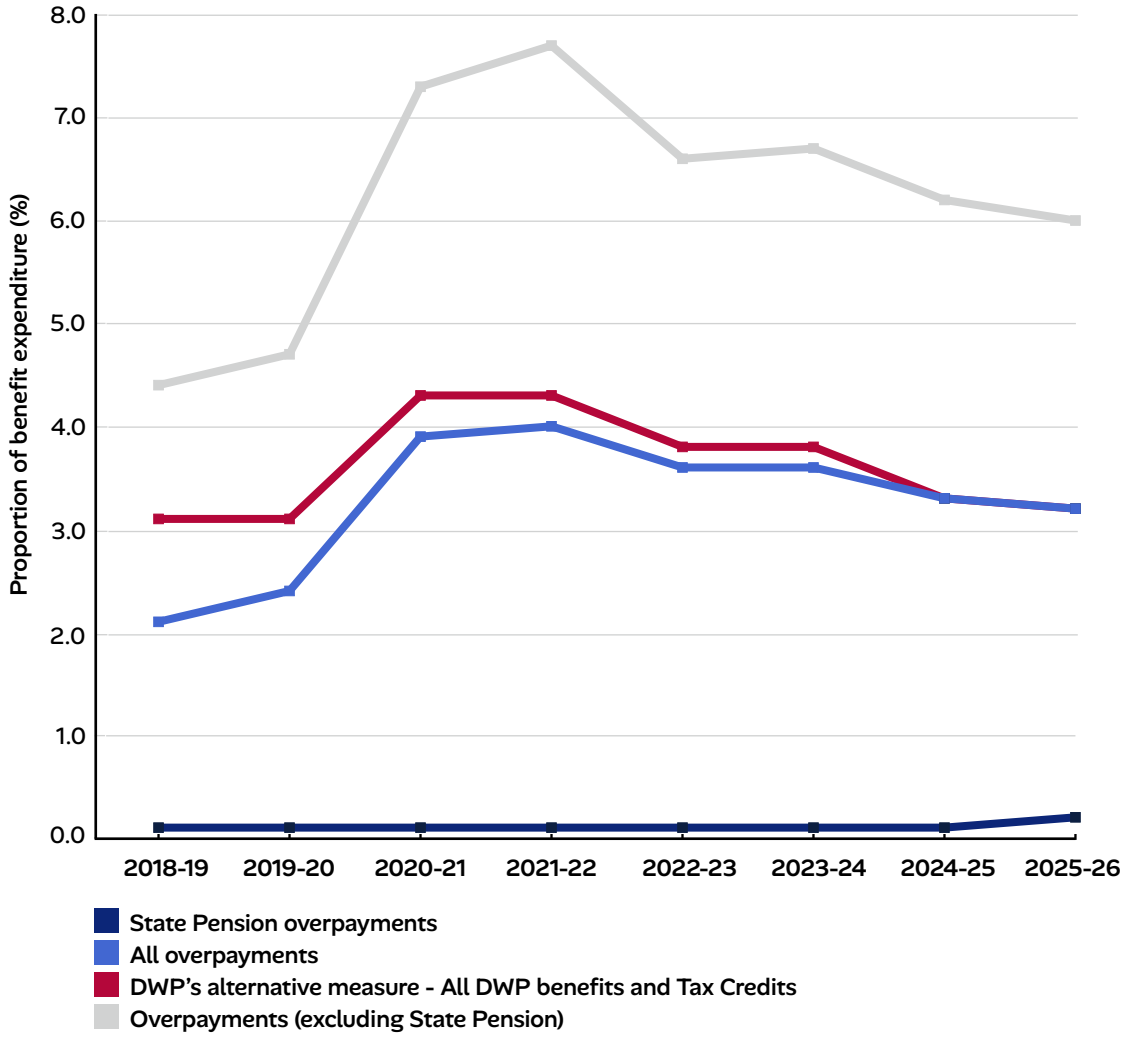
Reducing fraud and error

Fraud and error is the biggest scandal in the welfare system. This year almost £10 billion was lost in overpayments – money that did not go to support the vulnerable or those in need and which taxpayers can ill-afford. In government, we introduced a range of effective measures to reduce fraud in the welfare system. We will now expand those efforts, cracking down on exploitation of the benefits system and delivering savings.

As the welfare bill has grown, overpayments through fraud and error have placed an increasing burden on the overall welfare budget. In 2025, £9.9 billion in benefit expenditure was paid in fraud or error, equivalent to 3.2 per cent of welfare spending.[76] Payments due to fraud and error rose sharply during the pandemic due to difficulties completing checks and verification on claims. However, despite subsequent reductions, fraud and error remain stubbornly above pre-pandemic levels.

Chart 10.

NAO chart of estimated levels of benefit overpayments as a percentage of total benefit expenditure, 2018-19 to 2025-26



Source: NAO[77]

Universal Credit is the benefit with the highest rate of fraud and error, accounting for 68 per cent of all overpayments. In 2025/26, 81 per cent of overpayments for the benefit were classed as fraud.[78] However, there are also concerning signs of rising levels of fraud within PIP. The rate of overpayment for PIP increased by 77 per cent in a single year between 2025 and 2026, primarily driven through fraud where claimants failed to report improvements in their conditions.[79] Overpayment rates for Disability Living Allowance have also doubled since 2024.

Under the last Conservative Government significant efforts were made to reduce fraud and error in the welfare system. In 2022, we initiated the Targeted Case Review of Universal Credit claims which by 2025 had reviewed 1.15 million cases and saved £581 million, despite most of the funding being backloaded, to the end of the decade.[80] The programme now expects to save £13.6 billion by March 2030. We also announced investments to increase staffing for the Targeted Case Review to 6,000.

Our plan

We will increase investment in efforts to counter fraud and prevention and widen the Targeted Case Review to encompass other benefits that show an increasing rate of fraud.

Present efforts to reduce fraud have shown an excellent 3-to-1 recoupment of initial investment. To support the expansion of the Case Review, we will invest an additional £550 million a year to review other benefits, starting with those such as PIP and DLA which have shown increasing levels of overpayments. We project that this investment, based on past performance, will save £1.01 billion a year on average across a five-year parliament. This proposal is deliberately conservative, acknowledging diminishing returns from fraud and error recovery as efforts expand.

Annual saving: £1 billion

Introducing a contributory element to Universal Credit

Under the Conservatives those who can work, should work. For too long, our welfare system has failed on long-term unemployment, leaving hundreds of thousands trapped on welfare and generations of workless families.

We must also recognise contribution – that those who take from the system must pay into it when they can, and that those that have done so consistently should be treated differently to those who have never or rarely contributed. Our reforms will fix the broken incentives and give a powerful stimulus for the long-term unemployed to enter the workforce.

The Universal Credit Standard Allowance is the basic rate of support provided through Universal Credit, before additional top-ups such as housing support, the child element and the health element. Universal Credit effectively operates as the UK's unemployment benefit, although it also supports working people on low incomes. It is non-contributory – anyone can claim it, regardless of previous work history. It is also indefinite – whilst 40 per cent of those claiming the benefit who are unemployed and classed as 'searching for work' leave the benefit within a year, 295,000 claimants in the same cohort have been on the benefit for over 5 years.[81] The rate of Universal Credit Standard Allowance remains the same, regardless of how long the benefit is claimed for.

In almost all other OECD countries the core unemployment benefit is contributory and the amount of support provided tapers downwards over time:

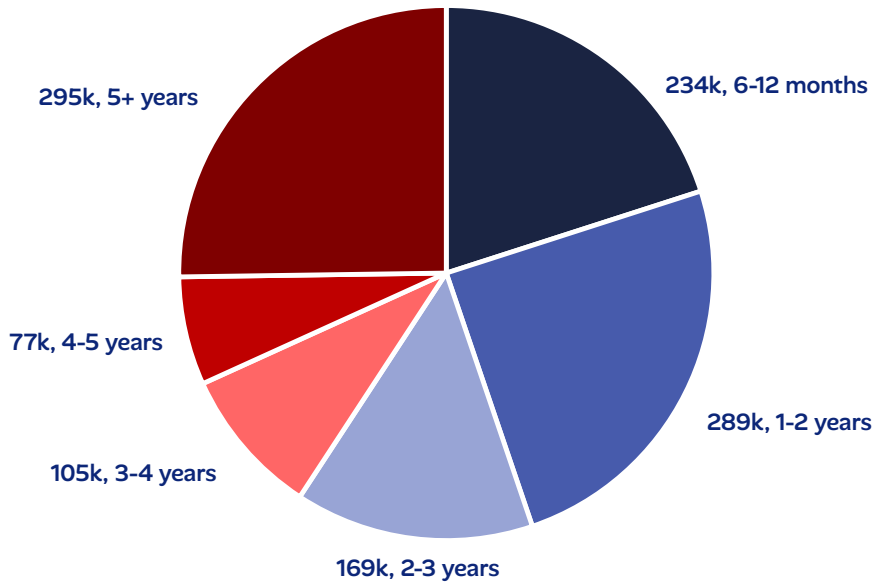
- The German 'Arbeitslosengeld' unemployment benefit requires claimants to have worked for at least 12 months, and for 12 months in the last 30 months.[82]
- In the Netherlands, claimants must have worked for 26 of the past 36 weeks.[83] After 3 initial months, each extra month of the benefit is contingent on a full additional year of employment history.

In countries like these, those who are not eligible for unemployment benefits are moved onto less generous minimum income benefits. These benefits are on average only 60 per cent as generous as initial unemployment benefits across the OECD.[84]

Over 1.1 million Universal Credit claimants who could work aren't in work – and have been claiming Universal Credit for over 6 months. We can't afford for those who could be working to not contribute. Welfare must always be a safety net, not a lifestyle choice – and Universal Credit should be an unemployment benefit for short term worklessness, not something that locks people into a life on welfare. Research published by the DWP in 2024 on those who had claimed Universal Credit for over a year found that 21 per cent of claimants had spent most of their time since leaving education not working, whilst a further 19 per cent had worked only roughly as much as they had been unemployed.[85] Therefore, a total of 40 per cent of relevant Universal Credit claimants could be impacted.

Chart 11.

Universal Credit claimants 'searching for work' by duration



Source: Stat-Xplore[86]

Our plan

We will restore a fundamental contributory principle to Universal Credit. After 6 months of unemployment, the claimant's Standard Allowance will be reduced by 30 per cent to a new Subsistence Allowance paid onto a 'Back to Work' card that will not permit spending on alcohol, cigarettes, gambling or cash withdrawals.

Claimants who have worked previously will remain at the full Standard Allowance rate for longer than 6 months, with the length of time determined by their number of years of National Insurance contributions.

Under our plans all Universal Credit claimants will be automatically entitled, without any eligibility requirements, to 6 months of the current Standard Allowance from the point of beginning a claim. After this initial 6-month period, to be eligible for the continued Standard Allowance claimants must demonstrate sufficient work history. Claimants will receive an additional year of full rate Standard Allowance for every two years of work they have previously completed in which they paid NICs. Those without sufficient prior work history will be transitioned onto a new Subsistence Allowance, set at 70 per cent of the Standard Allowance. Subsistence Allowance will be provided through a benefit card that restricts spending and prevents claimants from purchasing over-18 age-restricted products and making cash withdrawals.

This policy will only apply to Universal Credit claimants judged capable of work and placed into the 'searching for work' category. UC claimants who are not in this category – for example because they are already working or are classed as Limited Capability for Work and Work Related Activity (LCWRA) – will be exempt from this policy and remain on the full rate. Similarly, claimants on Subsistence

Allowance who begin to work sufficiently will be restored to the full rate.

If a claimant returns to work but later experiences another period of unemployment the system resets after 2 years and a further 6 month 'free' grace period will be provided. If less than two years has passed, claimants will move directly to the Subsistence Allowance unless they have sufficient prior contributions. Contributory years may only be used once and do not reset, although additional periods of employment can add further years of coverage. This policy will apply to both current and future claimants, but on introduction, all claimants will receive a full six months at the existing rate, regardless of the duration of their ongoing claim.

Whilst some will continue to have no work requirements as a result of sickness, our proposed reforms to sickness and disability benefits will tighten eligibility and result in a greater proportion being in the 'searching for work' cohort. We have therefore adjusted the 40 per cent of relevant Universal Credit claimants in our model to 30 per cent to account for this.

On this basis we assume that 30 per cent of those claiming Universal Credit Standard Allowance for over 6 months would not meet the contributory eligibility requirements and would move onto Subsistence Allowance, impacting 350,000 claimants. The Government's outturn tables project that Universal Credit caseload will remain broadly static until 2029/30, but the increases to the rate of the Standard Allowance in following years will increase the overall saving.

Moving this cohort onto a Subsistence Allowance rate would save £538 million a year, even in the complete absence of the dynamic pro-work effects we are hoping to create. Where people move more quickly off welfare into work and pay tax, the savings could be much larger.

Annual saving: £538 million

Annex: Our Youth Jobs Plan

Under Labour, unemployment is rising. It was 4.2 per cent when Keir Starmer became Prime Minister.[87] The OBR now forecasts it will reach 5.1 per cent in 2027,[88] and the Bank of England expects it to be higher still, at 5.3 per cent.

The OBR is clear about where the problem lies. HMRC data shows the jobs market is weakening because fewer people are moving into work, not because more people are losing their jobs. When businesses stop hiring, the people hit hardest are those looking for their first job: school and college leavers, graduates and young people who have never worked. Under Labour, youth unemployment has risen to 15.6 per cent.[89]

This has not happened by chance. The OBR expects Labour's Employment Rights Act, along with its increases to employer National Insurance and the National Living Wage, to weigh on the labour market. Each has made it more expensive and riskier for a business to take on a young person with little experience. Young people are being shut out of work as a result, and too many are leaving education and going straight onto benefits.

This is costly for young people and for taxpayers. There are 768,000 16-24 year-olds on Universal Credit, and over half a million of them are not in work.[90] Yet less than half of the £8.1 billion currently spent on key benefits for 16-24 year-olds has any participation support or requirements attached to it.[91]

Our plan

We will introduce a Youth Jobs Emergency Plan to make it cheaper to hire young people, end the route from education straight onto benefits, and open up more first jobs and apprenticeships.

1. **Halve employer National Insurance for 21-24 year-olds** – saving businesses around £1,500 a year for every young person they hire.
2. **Introduce our Get to Work programme** – so that no young person can leave education and go straight onto Universal Credit.
3. **Save the Saturday and summer job** – cutting the red tape that stops young people working part-time while in education.
4. **Create 100,000 new apprenticeships every year** – through our Apprenticeship Guarantee and a new incentive for businesses that take on young apprentices.
5. **Cut business rates for high street shops and hospitality** – giving relief to 250,000 businesses in the sectors that have traditionally given young people their first job.

These reforms will complement our wider welfare and tax reforms and help end the youth unemployment crisis.

Halving employer National Insurance for 21-24 year-olds

Labour's Jobs Tax has made it too expensive for businesses to hire young people. Employer National Insurance is a significant barrier cited by most firms. We will halve it for 21-24 year-olds, so that businesses can once again afford to give young people their first chance.

This builds on a principle already established in the tax system. Following reforms by the last Conservative Government, employers pay no employer National Insurance for employees under 21.

Now we will go further. We will extend that principle to 21-24 year-olds, halving the rate of employer National Insurance from 15 per cent to 7.5 per cent. Earnings above £50,270 will continue to face the standard rate. For a young person working full time on the National Living Wage, this will save their employer around £1,500 a year.

Table 3. Cost of employing a 21-year-old + on the National Living Wage, 37.5 hours a week

	2026/27	2027/28
National Living Wage (per hour)[92]	£12.71	£13.21
Annual pay[93]	£24,785	£25,760
Current system		
Employer National Insurance (15 per cent above £5,000[94])	£2,968	£3,114
Total cost to employer	£27,752	£28,873
Our proposal		
Employer National Insurance (7.5 per cent above £5,000)	£1,484	£1,557
Total cost to employer	£26,268	£27,316
Saving to employer	£1,484	£1,557

The change will also smooth out what is currently a significant cliff edge in employment costs when a worker turns 21. At present, 21 year-olds receive the full adult minimum wage rate and employer National Insurance goes from zero to the full rate on the same birthday. On 2026 rates, this means the cost of employing a 21 year-old on the minimum wage jumps by 31 per cent overnight. Halving employer National Insurance for 21-24 year-olds will cut that jump to around 24 per cent.

Introducing the Get to Work Programme

Our Get to Work programme is built on a simple principle: no young person who can work should leave education and drift straight onto benefits. This tough-love approach marks a significant shift from what has gone before.

At present, there is a postcode lottery in how young people signing on are treated at job centres. Support and expectations often tail off quickly, leaving young people sitting at home and able to claim benefits without taking meaningful steps into work.

Under our plans, eligible young people who leave education without a job or apprenticeship will no longer receive the Universal Credit standard allowance. Nor will they be able to spend months on benefits with nothing expected of them beyond sporadic check-ins with a Jobcentre work coach.

Instead, they'll be enrolled on our Get to Work Programme for up to six months. To receive the Get to Work Allowance, they'll have to take part in full from day one. For the first time, work and work preparation requirements, and the support to meet them, will begin as soon as a young person makes a claim. Each young person will be assigned a dedicated Get to Work Manager, whose job is to get them into work.

To receive their Get to Work Allowance each week, young people will need to complete the work activities they have been set. These will depend on their qualifications, experience and motivation, and could include:

- Daily attendance at a local job centre, on work experience placements, on training courses or on community work placements set up with local councils.
- Job search and application workshops, and interview preparation sessions.
- Group sessions to build the communication skills, teamwork and behaviours that employers tell us are so often missing in young job applicants.

Those who complete the programme successfully will receive a 'Ready for Work' Award recording the skills they have shown. A young person who refuses to take part, or fails to complete the programme without good reason, will lose their allowance and be unable to claim again for a year. After six months on Get to Work, young people who are still claiming Universal Credit but not working will move onto the Subsistence Allowance set out earlier in this plan.

For young people in scope, Get to Work replaces the six months of full-rate Standard Allowance that other claimants receive automatically under our contributory reforms. Instead of six months on Universal Credit with few requirements, they will receive six months of the Get to Work Allowance, conditional on full participation. After that, they will be treated in the same way as any other claimant. Because they have little or no work history, most will not have the contributions needed to stay on the full rate, so they will move onto the Subsistence Allowance.

The programme is for under-25s who have either never worked or have a very limited work history, meaning they have not worked for six months continuously at 16 hours a week or more.

Get to Work will be paid for by rationalising existing DWP employment support programmes. As more young people move into work, it is also likely to reduce benefit spending and raise tax receipts.

Saving the Saturday and summer job

A Saturday or summer job used to be a rite of passage. It is where, as young people, we first learnt to turn up on time, deal with customers and earn our own money. Today, rules on breaks and working hours make it almost impossible for businesses to take young people on.

Current rules mean, for example, that 17 year-olds effectively cannot help to close a pub because they cannot work beyond 11pm. We will make the rules on breaks more flexible and allow young people to work later at weekends and in the school holidays. This will make them viable employees again, particularly in hospitality.

100,000 new apprenticeships every year

Young people need more and better routes into work, rather than feeling that a degree which leads nowhere is their only option.

Through our Apprenticeship Guarantee we will lift the funding cap on apprenticeships for 18-21 year-olds, helping 100,000 more young people into work each year. We will also give businesses an incentive of up to £5,000 to take on 18-21 year-old apprentices, through our new Business Rebate for Investment in Training and Skills (BRITS) scheme.

Cutting business rates for high street shops

Labour's Jobs Tax and energy bills crisis have hit high street businesses hard, and their increases to business rates have been the final blow. Thousands are closing, and those that survive cannot afford to hire young people.

Even after Labour's partial U-turn, pubs will be paying almost £10,000 a year in business rates by the end of this parliament – up from £4,000 when the Conservatives left office. We will give business rates relief to 250,000 businesses, helping sectors such as retail and hospitality, which have traditionally given young people their first job, to thrive.

References

1. OBR, EFO October 2026, link
2. DWP, *Benefit Combinations,* September 2026, link
3. The policies described in this paper have overlapping impacts, such as changes to sickness and disability benefits and restrictions on non-EU Foreign Nationals from accessing the UK welfare system. To account for this, we have reduced our total savings by £1bn per year, to ensure that there is a margin for error within these figures.
4. OBR, EFO October 2026, link
5. Benefit expenditure and caseload tables 2026, link
6. ONS, *Families and households in the UK: 2025,* link
7. DWP, *Annual DWP Benefits Statistics Compendium: 2026,* link
8. Based on Conservative analysis of Stat-Xplore data of UC claimants
9. DWP: *Annual DWP Benefits Statistics Compendium : 2026* (link)
10. Benefit expenditure and caseload tables 2026, link
11. Benefit expenditure and caseload tables 2026, link; 2024, link
12. Benefit expenditure and caseload tables 2026, link
13. Benefit expenditure and caseload tables 2026, link
14. DWP, *Benefit expenditure and caseload tables 2026,* link
15. Benefit expenditure and caseload tables 2026, link
16. DWP, *Benefit expenditure and caseload tables 2026,* link
17. Using the April 2026 rate of £12.71 per hour for 37.5 hours per week
18. DWP, *Pathways to Work: Evidence pack: Chapter 2 reforming the structure,* link
19. DWP, *The Timms Review of Personal Independence Payment: interim report,* link
20. Centre for Social Justice, *State of Dependency,* October 2026, link
21. Resolution Foundation, *PIP reform that better matches payments to costs and needs could save money,* 15 October 2026, link
22. Onward, *The Hidden Benefits Bill: How Universal Credit claimants get £10 billion in extra benefits,* link
23. ONS, *Earnings and employment from Pay As You Earn Real Time Information, UK: August 2026,* link
24. ONS: *Vacancies and jobs in the UK, September 2026, 15 September 2026,* link
25. Par 4.14, OBR, EFO October 2026, link.
26. Resolution Foundation, *Minimum wage, maximum pressure,* link
27. CBI, Rising employment costs risk holding back living standards and job opportunities for young people - CBI/Pertemps Employment Trends Survey 2026, link
28. Hansard, *Universal Credit: Young People,* 19 October 2026, link
29. Benefits and Work, *Pharmacists and speech therapists carrying out PIP assessments,* link
30. The Times, *Revealed: Nearly two million on sickness benefits left unchecked,* link; DWP, Stat-Xplore, link
31. DWP, *People on Universal Credit, Stat-Xplore,* link
32. NAO, *The Access to Work scheme,* link
33. DWP, Explanatory Memorandum to Employment and Support Allowance Regulations 2008, link
34. DWP, Universal Credit WCA Statistics, March 2026, link
35. RF v Secretary of State for Work and Pensions 2017, link

36. Khadija Ba Fakih v SSHD 2014 link
37. R (W, a child) v SSHD 2020 link
38. Conservative Party, *The Right Way,* October 2026,
39. DWP, *Family Resources Survey,* January 2026, link
40. DWP, *Benefit expenditure and caseload tables 2026,* link
41. DWP, *PIP Cases with Entitlement since 2019,* Stat-Xplore, link
42. DWP, PIP Cases with Entitlement from 2019, July 2026, by 'Disability' and selected subcategories of 'Psychiatric Disorders' accessed November 2026
43. DWP, PIP Cases with Entitlement from 2019, July 2026, by 'Disability' and selected subcategories of 'Musculoskeletal Disorders (General)' and 'Musculoskeletal Disorders (Regional)', accessed November 2026
44. DWP, PIP Cases with Entitlement from 2019, July 2026, age 64, 'DWP Ownership', by 'Mobility Award Status', accessed 4 November 2026.
45. DWP, *Universal Credit quarterly statistics, 29 April 2013 to 14 May 2026,* link
46. Home Office, A Fairer Pathway to Settlement, November 2026, link
47. Onward, *Through the Roof: How to reduce housing benefits spending,* link
48. Figure 1, Onward, *Through the Roof: How to reduce housing benefits spending,* link
49. IFS, *Freezes in housing support once again widen geographic disparities for low-income renters,*
50. Onward, *Through the Roof: How to reduce housing benefits spending,* link
51. Onward, *Through the Roof: How to reduce housing benefits spending,* link
52. Regulator for Social Housing, *2025 Global Accounts of private registered providers,* link
53. Onward, *Through the Roof: How to reduce housing benefits spending,* link
54. IFS, *The two-child limit: poverty, incentives and cost,* link
55. DWP, *Households on Universal Credit,* Stat-Xplore, link
56. HM Treasury, *Budget 2025,* link
57. Table 5.5, OBR, EFO October 2026, link
58. Policy Exchange, *Child Disability Living Allowance,* link
59. DWP, *Disability Living Allowance Cases with Entitlement from May 2018,* Stat-Xplore, link
60. Department for Education, *Education, health and care plans,* link
61. However, this is countered because EHCPs also extend to 25, whereas child DLA ends at 16
62. DWP, *Universal Credit,* link
63. Policy Exchange, *Child Disability Living Allowance,* link
64. DWP, *Benefit expenditure and caseload tables 2026,* link
65. DWP, *Benefit Cap,* link
66. DWP (*Benefit Cap Statistics, access via Stat-Xplore*)
67. Defined as 16 hours for single-adult households, and 32 hours for two-adult households.
68. DWP, Family Resources Survey, Household Dataset by 'Income from Employment and Self-Employment', and 'Income from Universal Credit' accessed November 2026.
69. DWP, Benefit Cap: Number of Households capped to May 2026, link
70. Motability Operations, *Key facts about the Motability Scheme,* link
71. DWP, Personal Independence Payments, Cases with Entitlement, May 2026, accessed via Stat-Xplore, link
72. Motability Foundation, *Setting the record straight on adapted vehicles,* link

73. Motability Scheme, *Car search results,* link
74. Toyota, *New Toyota bZ4X Touring Design,* link
75. Motability Operations, *Key facts about the Motability Scheme,* link
76. DWP, *Fraud and error in the benefit system: Financial Year Ending (FYE) 2026 estimates,* link
77. NAO, *Report on Accounts: Department for Work and Pensions,* link
78. OBR, *Welfare trends report – June 2026,* link
79. DWP, *Fraud and error in the benefit system: Financial Year Ending (FYE) 2026 estimates,* link
80. NAO, *Tackling benefit overpayments due to fraud and error,* link
81. DWP, *People on Universal Credit,* Stat-Xplore, link
82. I Am Expat, *Unemployment benefits in Germany (Arbeitslosengeld),* link
83. Government of the Netherlands, 'Claiming unemployment benefit (WW-uitkering)', link
84. OECD, 'Society at a Glance 2024', link
85. DWP, 'Universal Credit (UC) Full Service 12 months plus', link
86. DWP, *People on Universal Credit,* Stat-Xplore, link
87. ONS, Employment in the UK: August 2024, link
88. OBR, Economic and fiscal outlook – October 2026, link
89. ONS, Unemployment rate: UK: All: Aged 16-24: %: SA, link
90. Hansard, Universal Credit: 16 to 24-year-olds, Volume 772: debated on Monday 1 September 2025, link
91. Milburn Interim Review, Young people and work: interim report (Updated 10 August 2026), link
92. LPC, Recommendations take the National Living Wage to £13.21, link
93. Assumes 37.5 hours per week, 52 weeks of the year.
94. HMRC, Rates and thresholds for employers 2026 to 2027, link

STRONGER ECONOMY

STRONGER COUNTRY

Promoted by Sheridan Westlake on behalf of the Conservative and Unionist Party, both at 1-2 Castle Lane, London, SW1E 6DR.
Printed by Paragon, Park House, Lower Ground Floor, 16-18 Finsbury Circus, London, EC2M 7EB.