

Pathways to Work Consultation

MP Briefing

Summary

- People that lose eligibility for PIP as a result of the proposed reforms, will no longer be exempt from the benefit cap. This could reduce household income by nearly 48% in some areas.
- DWP's analysis has shown an estimated 250,000 people will fall into poverty as a result of the proposed measures, including 50,000 children.
- These changes will increase homelessness and pressure on overstretched services, particularly mental health, social care, and housing, ultimately offsetting any savings through higher costs to the NHS and other public systems.
- Fewer people will be able to move on from homelessness and rough sleeping services on account of their benefits being capped, which will create a bottleneck and further reduce capacity across the system.
- Income from PIP and the health element of UC is often used for travel to support appointments and education which progresses their recovery journey towards employment. These proposed reforms will push people further from employment.

The Pathways to Work Green Paper is proposing reforms to the welfare system that the government believes will shift from a passive welfare model to an active support system, simplifying and tightening benefit criteria and boosting employment support while safeguarding those who are unable to work. These proposed reforms include a reduction to the amount of money that new claimants of the Limited Capability for Work and Work-related Activity element of Universal Credit receive from £97.68 to £50 per week. It is also planning to make it harder for people to get Personal Independence Payment (PIP), so that only those with 'higher needs' receive it.

St Mungo's will be responding to the consultation, having spoken with clients and staff about the impact of these proposed reforms and has led on developing a [joint letter](#) responding to these cuts which has been signed by 13 leading homelessness charities. It warns the Government that these cuts will push people further away from the labour market, increase homelessness and put excessive pressure on statutory services.

Increase in homelessness

Currently, those that receive PIP are exempt from the benefit cap. The benefit cap is a limit on the total amount of benefits that a household can receive from the state regardless of actual rent, number of children, or cost of living, unless the household qualifies for certain exemptions. Under the proposed reforms that will see more people no longer being eligible for PIP, they will no longer be exempt from the benefit cap, which will jeopardise their ability to afford housing costs.

To inform our response to the Pathways to Work consultation, we consulted frontline staff across the organisation and the benefit cap was a recurring concern throughout discussions. Staff are expecting an increase in evictions and homelessness as people

will no longer be able to cover their rent if they lose the benefit cap exemption. Staff have reported that clients have considered handing back the keys to their flat on account of them not being able to maintain their tenancy when the PIP eligibility changes and they lose their benefit cap exemption. These proposed reforms are causing such distress for clients that they are threatening their recovery journey before the change has been implemented.

A household losing PIP and its benefit cap exemption could face a monthly income reduction of £1,146.49 in Sunderland and up to £1,671.45 in higher-rent areas like Guildford. This represents nearly a 48% loss of income, making it very challenging to afford housing costs.¹

Following the publication of the Pathways to Work Green Paper, the Disability News Service (DNS) made a number of Freedom of Information (FOI) requests to the DWP on the data they have to understand the impact these reforms would have on current claimants of PIP. Subsequently, the DWP revealed that it did not have any figures on how many current claimants would become subject to the benefit cap because of the Green Paper cuts.²

Our clients are also deeply concerned about how they will be able to afford basic essentials under the reforms. In discussions we had with clients that receive PIP or the health element of UC about the impacts they foresee with the proposed reforms, one client spoke of how she struggles to 'make ends meet' while already receiving PIP. She suffers with arthritis in her hands as well as her mental health, to the extent that she may not leave her accommodation for days at a time. She spoke of her concerns she already struggles to make ends meet and is concerned for herself and other people who will face increased financial hardship and may end up homeless again. Staff reinforced this and find that for many clients, PIP and the health element of UC are used to cover basic costs which are higher on average on account of their health conditions.

Research by Citizens Advice noted that plans to cut PIP spending by introducing new eligibility criteria have the potential to affect around 1.6 million current claimants - nearly 50% of the people currently claiming the PIP daily living component. The DWP's own analysis has shown, an estimated 250,000 people will fall into poverty as a result of these measures, including 50,000 children.

The cuts proposed in the Green Paper will increase the number of people in rent arrears, facing evictions and, subsequently, homelessness. Local authorities, already under pressure, will face heightened demand for temporary accommodation and will need to allocate more resources to meet their legal obligations to house people with long term health conditions and disabilities. In 2023/24, 62,040 households with physical ill health and disability needs faced homelessness. This represents around a fifth (19%) of 324,990 total households facing homelessness. This is an 73% increase in the number of households with these support needs who approached their council for

¹ [Pathways to Poverty: How planned cuts to disability benefits will impact the people we support](#)

² [DWP have no idea how many will be made homeless by Green Paper](#)

homelessness support from 2018/19 and 2023/2024.³ As for the number of households in temporary accommodation, as of 31 December 2024, 127,890 households were residing in temporary accommodation in England, marking a 13.6% increase from the same period in 2023.⁴ The financial burden on local authorities is substantial with councils in England spending £2.1bn on temporary housing in the fiscal year 2023–24.⁵ The cuts announced in the Green Paper risk further destabilising local authority finances.

Rough sleeping services will also be under even greater pressure and are already struggling to cope with the scale of demand. Due to the lack of supported accommodation for this group, people are rough sleeping for longer with CHAIN data from January to March 2025, which provides rough sleeping data in London, indicating 706 people were deemed to be living on the streets - this is 38% higher than the same period last year.⁶

Fewer people will be able to move on from these homelessness and rough sleeping services on account of their benefits being capped, which will create a bottleneck and further reduce capacity across the system.

Increased use of statutory services

St Mungo's and its partners have warned the Government that these changes will cause a substantial rise in homelessness, placing even greater pressure on already overstretched statutory services. The wider social costs include worsening mental and physical health which will increase demand on the NHS. Staff voiced their concerns on the 'surge' in demand on statutory services, specifically 'mental health, social care and housing'. Ultimately, the savings made through reduced welfare spending will be compromised by the financial pressures placed on other public services.

Health Services

Housing instability and financial stress are closely linked to deteriorating mental and physical health.⁷ The reforms could exacerbate existing health conditions among vulnerable populations, leading to increased demand for NHS services, including emergency care and mental health support.⁸

Many of our clients will use PIP for transport to essential medical appointments, which they otherwise could not attend, or some use it to help fund therapeutic services. One client we consulted with has had episodes of rough sleeping due to their fluctuating mental health. Since utilising their PIP payments to access part-funded counselling, they have been able to regulate their mental health and have maintained a tenancy and entered into employment. Like many of our clients, if the eligibility criteria of PIP

³ [England: Proportion of people facing homelessness with physical ill health and disabilities on the rise | Scottish Housing News](#)

⁴ [Statutory homelessness in England: October to December 2024 - GOV.UK](#)

⁵ [In charts: the scale of England's temporary accommodation crisis | Homelessness | The Guardian](#)

⁶ [Greater London 2024-25 Q4 main body.xlsx](#)

⁷ [The Relationship Between Poverty And NHS Services | The King's Fund](#)

⁸ [The link between money and mental health - Mind](#)

assessments is changed, this client may lose this benefit under these reforms. This loss of income would mean that they would no longer be able to supplement the part funded counselling and the client is concerned that their mental health will once again spiral as they struggle to access counselling through the NHS.

Criminal justice services

When clients receive PIP, this often has a stabilising effect, and for some it will relieve them from the need to engage in survival strategies and high-risk activities. One of our frontline staff noted that they've 'had clients who, before they got PIP, had to beg, [engage in] sex work, or shoplift just to survive. When they got PIP, they didn't have to do those things anymore. Taking it away puts them right back in that position'. Many of the clients we support have mental health or substance use support needs and the financial instability and hardship they will face if they no longer receive PIP will see some of them resorting to dangerous behaviours like sex working to fuel their addiction, putting their health at greater risk. The consequence is that more people will engage with the criminal justice system (CJS). This will place greater pressures on an already stretched system with low-level offending and anti-social behaviour putting greater strain on prison and remand capacity. This could see cycles of repeat offences that are rooted in poverty and lack of financial support.

Move people away from employment

Many people rely on PIP and the health element of UC to cover a higher cost of living due to their disability or health conditions. Removing this support means individuals face greater hardship, instability, and stress, conditions that make preparing for or maintaining employment and education significantly more difficult. Studies show that people at risk of homelessness or facing homelessness are more likely to fall out of employment.⁹ A 2021 study found that 42% of employers said it was likely their organisation would seek to terminate an employee's contract if they were homeless, with 58% saying it was likely homelessness would have a negative impact on a prospective employee's application and a detrimental effect on a current employee's job (56%).¹⁰

Income from PIP and the health element of UC is also what enables claimants to enter the workplace or maintain their employment. St Mungo's consulted with a client who uses their PIP payment to cover the cost of their travel expenses to college course he is undertaking. If his PIP were to be removed on account of the changing eligibility criteria, it is unlikely he could continue to afford the travel for his education and, subsequently, may not be suitable for the employment opportunities he is currently pursuing.

Conclusion

The Pathways to Work Green Paper set out an ambition to establish a thriving and inclusive labour market and give people the opportunities and support they need to get back to work – an ambition with which we wholeheartedly agree. However, the

⁹ [Four out of 10 employers admit they would likely seek to terminate an employee's contract if they were homeless | Crisis | Together we will end homelessness](#)

¹⁰ Crisis. (2021). '[Barely breaking even': the experiences and impact of in-work homelessness across Britain](#)' – Published 16 December 2021

measures in the Green Paper will not help achieve this ambition, but likely push more people into poverty, facing homelessness and even further from the labour market than they were previously.

Increases in homelessness as a result of these reforms will have a catastrophic impact on mental and physical health, education and employment opportunities. As we can see from the already rising numbers facing homelessness and rough sleeping, statutory services are overwhelmed by the scale of need in their communities. This will have a domino effect of imposing a significant financial cost to the state, as it will need to pay for more temporary accommodation and emergency homelessness services and face a further increased burden on statutory services.

Homelessness devastates people's chances of employment. These cuts and eligibility restrictions will not give people a pathway to work and we are urging the Government to reconsider its position.

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