

Disability, Income Security and Practical Employability

Lessons from Australia and the Nordic countries for reform of the British system

Michael Pudaloff | Independent researcher | Discussion draft | 19 October 2026 |

This is an integrated discussion draft, not a completed legislative or fiscal proposal. Descriptions of existing arrangements are distinguished from proposals for reform. Country-specific entitlement rules must not be treated as interchangeable. “Comments, observations and constructive criticism welcome”
pudaloffm@gmail.com

Executive summary

The central proposition is that permanent or enduring disability, residual capacity for useful activity and practical employability are different matters. A person may be able to write, undertake occasional paid work, participate in public life or make a contribution without being able to obtain and sustain employment at the attendance, pace and productivity required in the open labour market. Financial protection should not be removed solely because some capacity remains.

The principal example used here is people certified or registered as severely sight-impaired (blind), and those with disabilities that severely restrict their ability to obtain and sustain employment in the open labour market. This formulation deliberately avoids an enumeration of diagnostic categories. Recognition of a disability and its consequences should be evidence-based, while access to work should be judged under real conditions rather than hypothetical possibilities.

The Australian Disability Support Pension (DSP) rules for permanent blindness show how an individual entitlement can, in defined circumstances, be maintained without the ordinary income and assets tests, subject to specified exceptions. Denmark illustrates a different response through disability pension where working capacity is permanently insufficient, and Fleksjob for employment organised around substantially reduced capacity and supplemented by public funds. Neither arrangement should be misrepresented as universal, unconditional or identical to the other. [3–4, 10]

The paper also draws a methodological analogy with the September 2026 Minimum Income Standard (MIS): the new assumption of private renting recognises that social housing cannot reasonably be assumed to be available. Correspondingly, a disability-income assessment ought not presume earnings from suitable employment without an evidence-based prospect of obtaining and retaining it. This is an argument by analogy, not a finding made by the MIS researchers about disability policy.^[8–9]

1. Why the existing British framework requires examination

British disability-related financial protection has developed through separate routes: contribution-based New Style Employment and Support Allowance (ESA), household means-tested Universal Credit (UC), disability-related additional-cost benefits such as Personal Independence Payment (PIP), and work-capability and conditionality rules. These instruments perform different functions, but in combination they may leave people with substantial and continuing disability facing complex tests of individual entitlement, contribution history, household means and capacity for work.^[10, 13]

New Style ESA has an important strength: entitlement generally does not depend upon a partner’s earnings or household savings, provided contribution and other conditions are met. Yet people whose congenital or longstanding disability prevented them from acquiring sufficient qualifying National Insurance contributions may be unable to access this individual route.

Reliance upon jointly means-tested UC can then make financial independence depend on a partner's resources. This is a structural question about entitlement, not a claim that all claimants experience identical treatment. ^[13]

A further weakness arises if an assessment of the ability to perform specified functions is treated as proof that suitable employment is realistically obtainable. Someone capable of occasional writing, attendance at a meeting or limited voluntary activity may nevertheless be unable to maintain reliable attendance, travel, concentrated effort, employer-directed pace or adequate productivity across a working pattern. The distinction is between residual functional capacity and practical employability. ^[10–11]

2. Permanent disability, review and individual entitlement

It is reasonable to require appropriate evidence when an award is initially determined. It does not follow that a permanently established impairment should be subjected to routine attempts to prove that it remains present, or that a person should be penalised simply for testing an ability to contribute. Assessment policy should distinguish confirmation of a continuing condition from an inquiry into actual and sustainable earning capacity.

The UK framework already includes safeguards that must be acknowledged. Severe-conditions criteria under the Universal Credit framework can restrict further assessments in defined circumstances unless relevant evidence justifies them. The Right to Try regulations in effect from 30 April 2026 provide that starting paid or voluntary work does not, by itself, trigger reassessment for specified existing awards; they do not abolish ordinary earnings rules, duties to report relevant changes of circumstances or every possible future reassessment [1, 2]. The question for reform is therefore whether these safeguards are sufficiently broad, accessible, predictable and effective, not whether the UK offers none. [1–2]

The existing ESA permitted-work rules also allow qualifying claimants to undertake limited paid employment while retaining ESA, subject to the applicable hours, earnings and notification requirements. This is an important existing protection, although it is not equivalent to unrestricted individual income security or a guarantee of sustainable employment. [17]

3. Australia: a continuing income entitlement despite employment

Australia's DSP provides a particularly clear example in the case of permanent blindness. Services Australia states that qualifying people who are permanently blind may be exempt from the DSP income and assets tests. Their employment earnings therefore do not ordinarily reduce their DSP under the standard income test. The exemptions have qualifications: claiming Rent Assistance, receiving certain compensation or foreign-pension payments, and a partner's income-support circumstances can bring additional assessment or reporting requirements [3–4].

The frequently quoted annual figure of around A\$30,000–A\$32,000 should be described as an approximate contemporary annual pension amount, not a fixed lifetime sum or a special universal blindness payment. Rates and supplements vary by date and circumstances. The policy point does not depend on fixing the comparison to a particular exchange rate or pension amount. ^[3–4]

The significance is conceptual. Recognition of permanent blindness is not automatically extinguished by economic activity. A person who earns a salary is still blind; a person who earns intermittently has not necessarily become capable of sustaining ordinary full-time employment.

This approach gives recipients room to undertake paid activity without the same direct earnings-related reduction to their own DSP as other recipients may face. It does not itself create suitable jobs or guarantee income adequacy, especially where private housing and disability-related costs are high.

The proposed British lesson is a question, not a claim of automatic transferability: could secure individual financial protection for established severe and enduring disability be separated more clearly from earnings, especially where the person's practical capacity to secure reliable employment remains substantially restricted? Any British design would require transparent eligibility criteria, interaction with PIP/ESA/UC, and an assessment of costs and distributional effects.

4. Denmark: disability pension and work organised around reduced capacity

4.1 Disability pension (Førtidspension)

Denmark's disability pension may be awarded when work capacity is permanently reduced to the extent that the person cannot support themselves through ordinary employment or Fleksjob. Municipal authorities determine entitlement, considering health alongside education, work experience and other factors; formal conditions and assessment processes apply. The pension is not simply automatic upon certification as blind, nor does its receipt prove that no useful activity can be undertaken. Employment and other income may reduce the payment [5].^[5]

4.2 Fleksjob and very limited work

The Danish Fleksjob arrangement acknowledges that a person may be capable of productive employment only under greatly modified conditions. Working time, tasks and effective output are assessed in relation to the particular job. The employer pays for effective work performed and the municipality pays a supplementary Fleksjob benefit to the employee. The combined amount is limited by the corresponding full-time wage, and the supplement is calculated under a statutory formula rather than automatically filling the whole difference between a few hours' pay and full-time earnings [6, 7].^[6-7]

The capacity to work only four hours weekly is a useful illustration of the problem such a mechanism can address, not a general statutory minimum or an assurance that every applicant will be offered a four-hour position. Denmark's contribution lies in treating substantially reduced productive capacity as a legitimate basis for adjusted employment and public financial support, instead of requiring the worker to satisfy the normal hours and output expectations of the open market.^[6-7]

The boundary between disability pension and Fleksjob is also significant: these are not unrestricted alternatives chosen purely at the claimant's discretion. They follow assessment of working capacity and the suitability of different routes. A British adaptation might improve on the Danish model in particular respects while preserving the central principle that the job and income-support system can be adapted to the person.^[5-7]

5. Norway and Sweden: useful comparison, not a single Nordic model

It would be inaccurate to describe Denmark, Norway and Sweden as operating one identical unconditional disability pension. Norway's disability benefit and Sweden's sickness-compensation arrangements recognise longer-term reduced earning capacity, but earnings may affect benefit amounts, and reviews or reassessments can arise under their own rules. The appropriate comparative proposition is therefore narrower: Nordic systems provide different institutional methods for acknowledging enduring restrictions on earning capacity and supporting some activity alongside

financial protection. Their precise thresholds, benefit interactions and review rules require separate country-by-country treatment before a final published comparison.^[14–15]

This paper does not claim that all Nordic countries automatically grant pensions to everyone registered blind, never reassess awards, or fully compensate every disability-related expense. Those propositions are not established by the present source material.

6. Comparison of policy principles

Issue	Current UK framework	Illustrative alternative approaches
Continuing individual entitlement	ESA individual where contributions qualify; UC household means-tested	Australian permanent-blindness DSP generally exempts qualifying recipients from ordinary income and assets tests, with exceptions
Established permanent impairment	Severe-conditions safeguards exist but eligibility is rule-specific	Australia separates a defined certified impairment from the ordinary DSP work-capacity income-test route
Few hours of productive work	Permitted work and Right to Try protections are limited by specific scheme rules	Danish Fleksjob adapts effective working time and adds a formula-based public supplement
Employment not realistically available	Work Capability Assessments largely assess prescribed capabilities rather than proving a specific accessible job exists	Proposed UK test: a credible, individual pathway to sustainable work before conditionality
Living costs	Benefits and housing help are governed by distinct eligibility rules	MIS analogy: use realistically accessible housing and employment assumptions

7. A methodological precedent: the 2026 Minimum Income Standard

The Minimum Income Standard produced through Loughborough University’s Centre for Research in Social Policy, published by the Joseph Rowntree Foundation on 8 September 2026, changed a longstanding assumption. For the first time, budgets for all household types were calculated on the basis of private rented accommodation, because participants in the public discussion groups no longer regarded access to social housing as a realistic minimum expectation [8, 9]. The revision raised calculated minimum income needs for several household types.^[8–9]

The relevance to disability employment is methodological rather than legal. Social rented homes continue to exist, but mere existence does not mean that a household needing one can obtain one. Similarly, suitable jobs may exist, but the possibility of some accessible job somewhere does not establish that a particular person can obtain and sustain work under the attendance, transport, adjustment, pace and recovery conditions relevant to them.^[8–10]

This does not justify a categorical assumption that all people with severe sight loss, or all those with other substantially employment-restricting disabilities, are necessarily unemployed or incapable of work. It supports a more careful presumption for financial planning: do not impute hypothetical earnings to an individual without credible evidence of accessible and sustainable employment. Employment should be supported when practicable; the absence of a realistic opening should not become a financial sanction on the disabled person.

MIS measures a socially acceptable income requirement and is not itself a benefit eligibility rule. Its housing assumption therefore cannot establish entitlement to a disability pension. It does, however, challenge any needs assessment built on a resource that beneficiaries cannot reasonably obtain.

8. The social model and the unresolved question of job retention

The social model of disability has contributed significantly to legal rights, accessibility, recognition of discrimination and the duty to make reasonable adjustments. Those gains remain important for people with severe as well as less severe impairments. Yet the presence of rights and adjustments cannot in itself demonstrate that suitably adapted vacancies exist, that employers will recruit an applicant, or that employment will remain secure for years.^[10, 16]

A clear evaluation must distinguish recruitment, starting work, long-term retention, safe and repeated performance, and income adequacy. Reduced barriers may improve opportunity without eliminating the underlying impairment or guaranteeing continuity. It would therefore be mistaken to make access to adapted work the sole measure of success or to treat the inability to retain an unsuitable job as evidence of unwillingness.^[10, 16]

9. Principles for a British reform framework

The following proposals are offered for consideration; they are not descriptions of current entitlement.

- Individual income security: establish a route to continuing financial protection for people registered as severely sight-impaired or blind, and those with disabilities that severely restrict their ability to obtain and sustain employment in the open labour market, with clear evidence and review safeguards.
- Distinguish impairment from earnings: recognise that paid activity does not automatically negate continuing impairment or the need for financial protection; define transparent earnings rules and interactions with PIP, ESA, UC, housing support and tax.
- Practical employability: before imposing work-search obligations or sanctions on an asserted capacity to work, require an evidence-based pathway to suitable, accessible and sustainable work.
- Supported employment: examine a British counterpart to elements of Fleksjob, permitting very limited hours and reduced effective output with employer remuneration and an explicit public supplement, subject to proper labour standards and evaluation.
- Adequacy: assess income needs using realistic housing and essential expenditure, with the MIS as one informative benchmark while avoiding double counting disability-related and housing support.
- Independent scrutiny and administrative accountability: Distinguish the professional assessment of permanent impairment from vocational judgements concerning practical employability and earning capacity. Ensure that claimants receive clear, accessible reasons for decisions, effective rights of review and appeal, and a proportionate, independent mechanism for investigating administrative failures.

- Such scrutiny should encompass lack of transparency, obstructive procedures, unreasonable barriers to communication with responsible officers, unnecessary delays in acknowledging and processing claims, and other practices that impede access to statutory entitlements. Applications should receive prompt written acknowledgement, claimants should be able to obtain reliable written updates through accessible channels, and any significant delays should be explained. Telephone contact alone should not be presumed an adequate substitute, particularly where previous interactions have caused distress or undermined trust. The need to investigate fraud does not justify treating claimants generally as dishonest or imposing disproportionate procedural burdens. Every claimant is entitled to fair, respectful and transparent treatment, including where error, non-compliance or fraud is suspected or established.
- Any investigation, adverse decision or sanction must be evidence-based, lawful and proportionate, with an effective opportunity to respond or challenge it. Provide effective remedies and appropriate redress, including compensation where administrative failures have caused demonstrable, avoidable harm.

10. Non-Standard Work for “Non-Standard People”: the practical third dimension

The accompanying concept note proposes an initiative that is not an employment exchange and does not exist simply to make people “job-ready”. It would enable people whose opportunities have been restricted to recognise one another’s abilities, undertake projects and develop practical, intellectual, creative or community activity in forms suited to their own strengths and circumstances.^[11]

Initially, an accessible and voluntary discussion group could bring together people interested in writing, research, practical projects, community activity or remote collaboration. Some projects might produce earnings. Others could provide recognition, connection and purpose. Human relevance must not be equated with economic relevance; a person dependent on benefits or care is not thereby incapable of contributing.

The group should not function as an assessment arm of the DWP. Its essential safeguards are voluntary participation, no requirement to demonstrate employability, no automatic inference of recovery from activity, and no transfer of responsibility for inaccessible employment from employers to disabled people. Any move towards publicly financed projects or supported wages would require separate governance, accessibility arrangements and protection against exploitation.^[11]

This initiative therefore complements rather than replaces disability-income reform. Australia provides an example of preserving individual protection during work; Denmark of supporting reduced productive capacity within employment; the concept note of allowing people to discover and organise socially valuable activity beyond conventional jobs.^[3–7, 11]

11. Matters requiring testing before a final policy proposal

Several questions cannot be settled from comparison alone: how to define the relevant population without crude diagnosis lists; whether eligibility should depend on disability status, substantially restricted earning capacity or both; what level of income is sufficient; whether a wage subsidy benefits employees without substituting for employers’ obligations; the cost and administrative feasibility of individual entitlement; and safeguards against repeated or intrusive review.

A pilot programme could compare the experiences of individuals with established severe sight loss and other severely employment-restricting disabilities across pathways involving financial protection alone, supported very-low-hours employment, and voluntary collaborative activity.

Outcomes should examine sustained participation, financial security, health and stability, employer retention, claimant experience and public cost over time. A simple count of people entering work would be insufficient. Design and evaluation should include structured testing and focus groups with service users and other stakeholders. Wherever possible, service users should speak for themselves rather than have their experiences represented exclusively by professionals or organisations.

Conclusion

The central choice is not between inactivity and self-supporting full-time employment. Established disability, residual capacity and realistic employability can coexist in many combinations. A credible British framework must protect individuals against the financial consequences of severe and enduring restrictions while creating opportunities for sustainable work, including very limited or adapted employment, voluntary contribution and rewarding social engagement.

The 2026 MIS revision offers a useful methodological lesson: public policy should not assume access to resources that people cannot realistically obtain. In disability employment, a hypothetical job is not an income. People should be able to test their capacities without automatically losing the financial security warranted by continuing disability. [8–9]

The policy principle is therefore twofold: establish secure and adequate income protection on the basis of evidenced circumstances; and support, rather than compel, appropriate participation in employment or other purposeful activity. These responsibilities belong together, but neither should be conditional on the other. A person's capacity to contribute to society is not necessarily a measure of their capacity to earn a living. A fair and inclusive society must recognise both, ensuring that no one is left behind.

References and verification notes

[1] Universal Credit Act 2025, Schedule 1, severe conditions criteria provisions (in force April 2026). <https://www.legislation.gov.uk/ukpga/2025/22/schedule/1/paragraph/7>

[2] DWP (2026), Right to Try: summary (20 April 2026). <https://www.gov.uk/government/publications/right-to-try/right-to-try-summary>

[3] Services Australia, Income and assets tests for Disability Support Pension. <https://www.servicesaustralia.gov.au/income-and-assets-tests-for-disability-support-pension?context=22276>

[4] Services Australia, Income test for Disability Support Payment. <https://www.servicesaustralia.gov.au/income-test-for-disability-support-payment?context=22276>

[5] Life in Denmark, Disability pension. <https://lifeindenmark.borger.dk/pension/disability-pension>

[6] Borger.dk, Arbejdsforhold, løn og ferie, hvis du er i fleksjob [Employment conditions, wages and leave in Fleksjob]. <https://www.borger.dk/arbejde-dagpenge-ferie/fleksjob-loentilskud-for-foertidspensionister-revalidering/arbejdsforhold-loen-og-ferie-hvis-du-er-i-fleksjob>

- [7] Borger.dk, Hvem kan få fleksjob? [Who can receive Fleksjob?]. <https://www.borger.dk/arbejde-dagpenge-ferie/fleksjob-loentilskud-for-foertidspensionister-revalidering/hvem-kan-faa-fleksjob>
- [8] Blackwell, C. et al. (2026), A Minimum Income Standard for the United Kingdom in 2026. Joseph Rowntree Foundation. <https://www.jrf.org.uk/income-savings-and-debt/a-minimum-income-standard-for-the-united-kingdom-in-2026>
- [9] Loughborough University (8 September 2026), Difficulty accessing social housing means families need £8,000 extra. <https://www.lboro.ac.uk/media-centre/press-releases/2026/september/social-housing-issues-could-cost-families-8000/>
- [10] Pudaloff, M. (2026), Rethinking Disability and Work Capacity: State Compensation and Practical Employability (supplied 16-page paper).
- [11] Pudaloff, M. (30 August 2026), Non-Standard Work for “Non-Standard People”: A Concise Concept Note (supplied discussion draft).
- [12] Income Support: Nordic Countries and Australia (supplied comparative notes; selected claims corrected against official material).
- [13] Department for Work and Pensions (2026), New Style Employment and Support Allowance: detailed guide. <https://www.gov.uk/guidance/new-style-employment-and-support-allowance-detailed-guide>
- [14] NAV (Norway), Disability benefit (Uføretrygd), official guidance. <https://www.nav.no/uforetrygd/en>
- [15] Försäkringskassan (Sweden), Sickness compensation (Sjukersättning), official guidance. <https://www.forsakringskassan.se/english/disability/sickness-compensation>
- [16] Equality Act 2010, sections 20 and 39, and Schedule 8 (reasonable adjustments in employment). <https://www.legislation.gov.uk/ukpga/2010/15/contents>
- [17] Department for Work and Pensions (2026), Permitted work factsheet (updated 21 April 2026). <https://www.gov.uk/government/publications/employment-and-support-allowance-permitted-work-form/permitted-work-factsheet>