

# **Realising Potential:** A Vision for Personalised Conditionality and Support

An independent report to the  
Department for Work and Pensions  
**by Professor Paul Gregg**

**Realising Potential:**  
A Vision for Personalised Conditionality  
and Support

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# Personal Statement

## Realising Potential: A Vision for Personalised Conditionality and Support

A well functioning welfare system has three key characteristics; that it is progressive, efficient and coherent. **Progressive** in the sense of protecting individuals and families from acute deprivation in the face of adverse shocks. In addition, and central to this Review, it should where possible give a voice to the claimant in designing support services. A welfare system also needs to be **efficient** in keeping the numbers dependent on welfare low and therefore the costs to taxpayers down. This means that work needs to be financially attractive, with effective support services and effective engagement with and by the claimant. The need for a **coherent** system requires all aspects to be mutually supporting, or at least not contradictory, and for the navigation through the system to be free as possible from bureaucratically induced barriers and risks.

The welfare system circa 1994 represented a low point on these criteria. Dependency topped six million claims for the major workless benefits of Unemployment Benefit, Income Support and Incapacity Benefit. This represented over 16 per cent of the working age population, with over 20 per cent of children being in these families. Yet the generosity was so low that not only were the vast majority of these families poor but many had incomes below 40 per cent of the national average. There were no substantial effective return to work support programmes in place for any claimant group and for the majority of claimants, those on Income Support and Incapacity Benefit, there was no contact with the Government about help with returning to work. Despite the low value of benefits the large scale of dependency led to a peak of five per cent of Gross Domestic Product being committed to these welfare benefits, up from just two per cent in 1979.

More direct monitoring of active job search among the unemployed began in 1986 with Restart and was formalised further in 1996 with the creation of Jobseekers Allowance (JSA). This resulted in a substantial reduction in the number of claims, but the lack of coherence across the benefit system also led to notable numbers transferring on to Incapacity Benefit where there was a complete lack of engagement or support. The current Government has emphasised and acted to improve work incentives, and developed effective support programmes under the New Deal brand. These are widely viewed as effective for those who have participated, but engagement by the more marginal groups has remained limited. As of early this year dependency on these major workless benefits had fallen to four million, three quarters of whom were not actively looking for work or participating in an employment support programme.

The number of people claiming JSA is rising rapidly in the context of the economic slowdown, but the proposals in my report are primarily about the subsequent recovery. They set out the legislative, policy and delivery changes that I believe should be put in place to shape a radically reformed welfare system between now and 2015. Based on my expectations, this reformed welfare system will be able to reduce the numbers on workless benefits to around three million or so over the coming decade. That is a million below pre-recession levels. The heart of the proposals here are threefold: first to articulate a vision of engagement and support for the bulk of recipients currently

inactive within the welfare system or with few requirements; second to develop a system whereby this engagement reflects the needs and capabilities of the individual claimant; and third to increase the voice of and ownership by the claimant. It should be seen as building on the proposals in the Government's most recent Green Paper, *No One Written Off*, and those laid out in other reports such as the Freud Review.

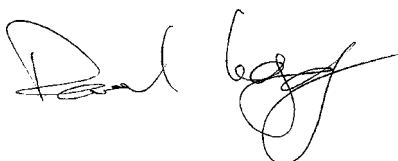
The evidence presented here and emerging across many different welfare reforms is clear that movements into work are largely beneficial for the claimant and their dependents, that the use of conditionality is effective in changing behaviour, and that the support services onto which people are placed are effective. But there are also a number of risks associated with conditionality that need be designed out as far as possible at inception. These cover ignorance on behalf of claimants about what is expected of them, severe hardship among those sanctioned and the possibility that conditionality leads to people being directed to inappropriate courses or jobs.

There is also the risk that conditionality pushes people outside of the benefit system entirely, leading to their disconnection from both work and welfare, and that the system fails to recognise the wider contributions that claimants are making, principally as carers. I feel that the proposals made here strike the right balance between maximising the opportunities and objectives of an active welfare system, and minimising the risks from conditionality among vulnerable groups.

There are a number of other areas for which reform is needed to complement and maximise the impact of the proposals laid out here and the Government is bringing forward proposals in most of these areas. The current three major working age benefits should, in my view, be brought into a Single Working Age Benefit. Housing Benefit and the long-term subsidy of social housing rents is a far from satisfactory system, too often leading to concentrated deprivation on our estates rather than used as an opportunity to deliver support services.

In addition, many groups dependent on benefits also suffer many other dimensions of deprivation and barriers to active lives. There are a number of interesting ideas around more holistic personalised support and intervention for such groups. These models link across support services via a key worker or lead professional. This potentially covers integrated employment and skills for retention and advancement, wider support services for the people with a health condition or disability, people who are homeless, ex-offenders and other disadvantaged groups. The key parallels with the work here is the potential for greater personalisation of support services.

Finally, I would like to thank the superb team that helped to make this report possible, Kevin Harris, Tony Johnson, Selina Newell, Matt Oakley, Simon Palmer, Ben Stayte and Jehangir Ullah. Their efforts and insight reflect the very best of the public sector workforce.



# Executive Summary

## Summary and main recommendations

The economic backdrop to the Review is clearly challenging: these are difficult times for the global economy. Over the last few months the UK labour market has begun to experience rapid increases in the numbers of jobseekers claiming benefit and rising unemployment.

The framework of conditionality matched with personalised support that has been built over the last two decades has proven its effectiveness in helping people move from benefits into work. This is no time to be stepping back from that. It is essential that we do not repeat the mistakes of the last two recessions, by letting a large proportion of the workforce become disconnected from the labour market. In fact we should go further and start to build a system for the future that is even more resilient to the ebbs and flows of the economy; a system where truly no one is left behind.

It is for this purpose that the Review was tasked with setting out a vision for a more personalised conditionality regime, where what we ask of individuals in return for benefits is challenging but effective and appropriate, and tailored to their personal circumstances.

### A vision for personalised conditionality

The Review sets out a radical and ambitious vision for a single personalised conditionality regime where virtually everyone claiming benefits and not in work should:

- Be required to engage in activity that will help them to move towards, and then into employment;
- Have an adviser with whom they will be able to plan and agree a route back to work;
- Be obliged to act on the steps that they agree will help them;
- Have a clear understanding of the expectations placed upon them (and why) and what the consequences are for failing to meet these; and
- Be able to access a wider range of personalised support on the basis of need not what benefit they are on.

This would bring a wider range of claimants than ever before into a system of personalised conditionality matched by appropriate support, with those delivering this support having the right incentives to provide the right support, at the right time. Progress on this vision should fundamentally change expectations amongst Jobcentre Plus staff, private providers and claimants themselves about what it means to be on benefit, as well as represent a step change in the opportunities claimants have to move towards work and realise their potential.



## Summary and main recommendations (*continued*)

### Main Recommendations

The Government should set out a vision for a personalised conditionality and support regime with three broad groups:

- **A 'Work-Ready' group** for people who are immediately job-ready. The personalised regime will be akin to the current Jobseeker's Allowance regime. It should be largely rules-based and self-directed with standard jobsearch requirements. As part of further personalisation there should also be steps to:
  - Speed up access to the more personalised parts of the JSA regime for harder to help groups; and
  - Improve support for people on JSA with a health condition or disability.
- **A 'Progression to Work' group** aimed at those where an immediate return to work is not appropriate but is a genuine possibility with time, encouragement and support, and where the conditionality will:
  - Reflect the claimant's co-ownership of the return to work process;
  - Be tailored to their capability and built around their circumstances;
  - Be based on activity that supports the claimant's own route back to work; and
  - Link up with effective support.
- **A 'No Conditionality' group** that involves no conditionality requirements whatsoever. This would consist of the current Employment and Support Allowance (ESA) support group, lone parents and partners with a youngest child under the age of one, and certain carers.

To support the vision the **sanctions** regime should be:

- Made more responsive by devolving decision-making for some key decisions around attending interviews, supported by the introduction of tighter rules around good cause for those not attending and a new 'notification' principle;
- Made clearer through the introduction of an early warning system, better communication and, over the longer-term, a move towards a system of fixed fines; and
- Better able to deal with repeat offenders through the introduction over the longer-term of a clearer set of processes, with a stronger approach based around mandatory activity for those found to be playing the system.

## Summary and main recommendations *(continued)*

The Government should continue to build the evidence base around **adviser flexibility**:

- This should include learning from the current adviser flexibility pilots announced in the Green Paper, and evaluation from Provider-Led Pathways and later the Flexible New Deal; and
- The Government should also trial giving Jobcentre Plus advisers increased discretionary funding between 6-12 months of a JSA claim, backed by greater financial accountability, to see if this could drive better outcomes over this period.

The Government should consider whether the **support** currently on offer is sufficient to underpin the vision, given the widening group of individuals being brought into the personalised conditionality regime, including:

- Exploring how multi-client contracts can be used to deliver provision based on need rather than what benefit people are on, with an appropriate pricing structure to decrease incentives for parking;
- Considering how to deliver work experience programmes, particularly for those further from the labour market. These need to build in help with jobsearch and wider support rather than be delivered as a pure Workfare type scheme;
- Ensuring that existing childcare commitments are delivered on the ground;
- Building support to ensure that people not only move into work, but also stay and progress once in work. In particular to continue to test and evaluate the ideas tried in the Employment Retention and Advancement (ERA) pilots and to roll out the approach nationally once the right cost effective mix has been found;
- Considering the appropriate package for young people, to ensure that the majority in this age group gain the necessary skills and qualifications both before work and in work.

The Government should continue to proceed towards a **Single Working Age Benefit**. As part of this the Government should assess the feasibility of developing a long-term screening tool that assesses which group an individual is placed into according to their proximity to the labour market instead of basing this on their general characteristics.

## Realising Potential: A Vision for Personalised Conditionality and Support

In July 2008, the Secretary of State for Work and Pensions commissioned Professor Paul Gregg to undertake a wide ranging review of conditionality, to look at how more people can be helped off benefits and into work.

The economic backdrop to the Review is challenging: the global economy is experiencing a difficult time after being hit by shocks of an unprecedented size and nature. Output has fallen in countries around the world, and the UK is no exception. For the first time in fifteen years the UK labour market is experiencing both a period of rising claimant count and a falling employment rate.

While the priority is clearly to support those people losing their jobs and needing help now to get back to work, it remains crucial to put in place the reforms to prepare the welfare state for the future.

It is in this context that the Review was tasked with setting out a vision for a more personalised conditionality regime, and what this might look like in practice.

### The Role and Purpose of Conditionality

Conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions. This principle has a long history, but over the last 20 years the role of conditionality has widened to incorporate an ever greater number of working age benefit recipients and deepened to increase the obligations that the unemployed face. In addition, conditionality is now a central component in the delivery of a range of policy objectives, including tackling child poverty.

The need for a conditionality regime and its extension over the last 20 years can be explained both by the large increase in the number of individuals across many developed countries that had become dependent on benefits, and the rising costs of supporting these individuals. This growing dependency meant that more and more families were failing to enjoy the financial and non-financial benefits of paid employment.

To tackle this growing social problem many developed countries have responded by increasing the conditionality and the support available to recipients. The over-arching objective is to influence the behaviour of as many working age benefit recipients as possible in order to move them into work, avoid long-term benefit receipt and protect the taxpayer. However, the evidence suggests there are also risks associated with conditionality that should be carefully managed, and these will be considered when setting out the vision.

## The Effectiveness of Current Conditionality and Support Regimes

There is a wealth of evidence on how successful increased conditionality has been at increasing employment and helping more people to enjoy the benefits of paid employment.

In the UK, **there are two broad conditionality regimes** that apply within the current benefit system: one is the **jobseekers regime** that applies to the unemployed; the other is the **Work-Focused Interview (WFI) regime** that applies to lone parents and those claiming benefit because of a health condition or disability.

The **JSA jobseeking regime** is a largely rules-based system that requires claimants to focus quickly on job search. Evidence suggests that the requirements to actively seek and be available for work, alongside the provision of employment support delivered through the New Deals for those who do not find work quickly, have been highly effective in reducing the number of benefit claimants.

However, there are areas where improvements could be made. These include ensuring that the JSA jobseeking regime works effectively for everyone on it, including amongst others, some lone parents and some who have experienced a health problem or disability. It is also imperative that movements from benefit are translated into increased employment rather than movements on to other benefits or disconnection from both the benefit system and the labour market.

The JSA jobseeking regime is clearly not appropriate, and would not be effective, for some lone parents and those who claim benefit due to a significant health condition or disability. However, for these groups, conditionality has also increased in recent years through the use of WFIs. The aim of the **WFI regime** is to improve take-up of support available through the New Deal programmes and Pathways to Work, and it has had a lot of success in meeting these aims, particularly for those claimants closest to the labour market. However, engagement with the support available is still relatively low compared to the large proportion of each group that say they would like to work. This means that many people are not accessing support that the evidence tells us is effective in helping them back into work.

The progress made in the UK system has also been mirrored in other countries dealing with growing numbers of people dependent on benefit. In particular, countries such as Denmark and the Netherlands have introduced strong conditionality alongside high levels of investment in personalised support.

To varying degrees, many of the reforms tried across the world have been successful in increasing employment and reducing benefit caseloads. This has particularly been the case where conditionality has been matched with flexible personalised support and regular contact with specialist personal advisers.

## Overall Assessment of Current Conditionality and Support

The changes to the UK system of conditionality and support over the last 20 years have had considerable success and have started to address the need to move from a passive to a more active and personalised welfare system. Nonetheless there are several areas where the evidence suggests the current system can be improved to help more people into work and to manage the risks of conditionality more effectively.

### The key areas of weakness are:

- **Levels of participation in back to work activity amongst the non-JSA groups are relatively low:** there is a strong desire to work amongst large numbers within this group, but levels of take-up for current programmes are low in comparison;
- **Current conditionality tools for the non-JSA group have genuine limitations:** while the WFI regime is successful in helping people into support and find work, it could do more to help those further from the labour market and those who might need a significant period of time before they are fully ready to seek work;
- **Some groups in the JSA regime need more personalised support:** increased flexibility to provide support to some groups on JSA would target those in need of more intensive help to move back into work more quickly, breaking down benefit dependency at its root;
- **Support can vary significantly across benefit boundaries:** this means that it is hard to target support at those furthest from the labour market. Increasing the support available to those who need it will require breaking down these boundaries and instead providing help on the basis of need; and
- **The visibility and effectiveness of the sanctions regime could be improved:** evidence suggests that sanctions will only drive behaviour if they are clear, transparent and well understood. The system can do more to provide these things.

There is a clear need for further changes to the current system of conditionality and support that address these weaknesses. This is best addressed by setting out a clear vision for conditionality that the Government should head towards and which it can evaluate and develop in stages. Setting out such a vision will give a sense of direction and coherence to policy making and delivery, and will greatly assist long-term planning within and outside Government.

## A New Personalised Conditionality and Support Regime

The Review's vision of a personalised conditionality and support regime is one where virtually everyone claiming benefits and not in work should:

- Be required to engage in activity that will help them to move towards, and then into employment;

- Have an adviser with whom they will be able to plan and agree a route back to work;
- Be obliged to act on the steps that they agree will help them; and
- Be able to access a wide range of personal support on the basis of need not benefit label.

The best way of achieving this vision will be to ensure that there is a **single personalised conditionality regime** with a clear recognition, in legislation, policy and practice, that there are **two main groups** who will both be moving back towards employment, but with different requirements for each group. These two groups and the requirements are:

- i. **A 'Work-Ready' group:** a rules-based, primarily self-directed set of conditionality requirements based around active jobseeking, aimed at those able to make a quick return to work. This largely reflects the current JSA jobseeking regime.
- ii. **A 'Progression to Work' group:** aimed at those where a return to work is a possibility with time, encouragement and support and where the conditionality:
  - Reflects the claimant's co-ownership of the return to work process;
  - Is tailored to their capability and built around their circumstances;
  - Is based on activity that supports the clients' own path to work; and
  - Links up with effective support.

This combination of personalised support and conditionality will ensure that claimants undertake activity that both they and their personal adviser agree will support an eventual return to work. It will ensure that both the regime and activities they agree to are tailored to the individual and meet their circumstances and needs.

A third group of claimants should not be required to meet any work conditionality requirements whatsoever because it would not be reasonable to require them to undertake any form of work-related activity or take steps back to work. This is the **No Conditionality group**.

Progress on this vision should fundamentally change expectations amongst Jobcentre Plus staff, providers and claimants themselves about what it means to be on benefit, as well as increase employment rates and reduce child poverty.

## Identifying the Three Groups

The Review considered carefully the best way of deciding which claimants should be in which group. In principle, the Government should aim for a more individualised and sophisticated assessment of distance from the labour market to identify who goes where. This could enable the Government to identify more marginal groups currently defined as work-ready who might be better supported through the conditionality of the Progression to Work group. Alternatively a number of people in that group may equally be helped more effectively if they were treated as work-ready.

However the Government needs to tread carefully while there are still differences in both payment levels and conditionality regimes built into separate benefits. In the absence of an effective screening tool, the Review recommends that **entry into the groups** in the short-term should continue to be **on the basis of general characteristics** e.g. lone parenthood and age of youngest child. This is not a fully personalised approach but it has the advantage of being simple and well understood.

This means that the groups would be defined as follows:

**Work-Ready group.** This should consist of all those currently required to claim JSA and those lone parents and partners with older children. To take forward the vision of a personalised conditionality regime for this group, two changes should be made:

- i. Access to the more personalised parts of the JSA regime for more disadvantaged groups should happen sooner; and
- ii. Support for people on JSA with a health condition or disability should be improved by fast-tracking these claimants into the personalised part of JSA, improving information sharing between the ESA and the JSA regime, and offering more specific support for people with health conditions.

**Progression to Work group.** This should contain people who claim or are entitled to ESA but who are not in the Support Group, lone parents with a youngest child aged between one and seven, and partners with a youngest child aged between one and seven.

**No Conditionality group.** This should contain everyone who could not reasonably be expected to undertake any mandatory activity, or who is already contributing in a way, which means taking steps back to work would be inappropriate. This includes individuals within the ESA support group, lone parents and partners whose youngest child is under 12 months and carers fulfilling the criteria for carer's allowance/carer's premium.

The conditionality requirements set out for the Progression to Work group in this Review build on the proposed requirements for ESA claimants from 2010 set out in the recent Green Paper, *No One Written Off*. They are a significant step forward for lone parents, but this is justifiable in light of the evidence of the effectiveness of the current WFI regime.

## The Role of Sanctions

In the year to August 2008, over 800,000 labour market sanction decisions were made. Of these, about one third related to failing to attend an interview or appointment, and around another third related to losing a job through misconduct or leaving a job voluntarily.

Sanctions have to be present within the system, to underpin the obligations in the benefit system and as a backstop for those failing to engage. But they are very much a last resort. The Review believes an effective sanctions regime is one that drives behaviour to increase the chances of finding work, and penalises non-compliance without creating excessive hardship.



The current approach of using conditionality backed by sanctions has been shown to have had a great deal of success, in the main without adverse consequences. However, that doesn't mean that the system cannot be improved. In particular, there is widespread acknowledgement that the current system is complex and difficult to understand. The process is also, in some circumstances, time-consuming and costly to operate. These things together mean that the system is not as clear as evidence from behavioural economics suggests an effective sanction regime should be. The Review highlights several areas where improvements might be made to support the vision. These include:

- **Improving the speed of decision-making:** this will more closely align the imposition of a sanction to the behaviour that triggered the sanction, thereby improving both the clarity and effectiveness of the system;
- **Improving clarity and communication:** awareness and knowledge of rules are important to making an effective sanctions regime. People will not necessarily comply if they do not understand what is required of them. The Review suggests three areas where clarity and communication could be improved: an early warning system for those at risk of triggering a sanction; a stronger set of rules around attendance at mandatory meetings; and a move in the longer-term towards a system of fixed fines to aid comprehension; and
- **Dealing more effectively with repeat offenders:** most claimants comply with benefit conditions, but there remains a hardcore minority who repeatedly fail to comply with their obligations. To ensure all claimants meet their responsibilities and take on the support offered to them, the Review recommends the introduction over the longer-term of a clear and simple sanction escalation process for all failures to attend an interview or appointment without good cause, based around mandatory activity as a backstop.

The Review also recommends that the long term ideas are considered within a root and branch review of sanctions, rather than in isolation.

## Next Steps on Adviser Flexibilities

There are already flexibilities in the system for both Jobcentre Plus and private and voluntary sector (PVS) advisers: **legislative easements** provide for a person, in certain circumstances, to be treated as either meeting, or exempted from, the usual conditionality requirement; **policy flexibilities** allow the policy maker to change the policy on the application of conditionality; and **adviser flexibilities** in some circumstances give the adviser flexibility to decide the conditions that will apply.

Building on this to devolve more decision-making to advisers is a key element of a future more personalised conditionality regime. However, there is not a great deal of evidence that points to which adviser flexibilities would drive better outcomes, and on how these should best be structured and operated.



There are a number of ways in which the Government can start to build this evidence to test whether and how increased flexibility delivers better outcomes, as well as providing claimants with a better service and delivering innovation. The Government should learn lessons from the adviser flexibility pilots announced in the most recent Welfare Reform Green Paper, *No One Written Off*, and later from the evaluation of Provider-Led Pathways and the Flexible New Deal.

The Government should also go further and test, in particular, whether **increased discretionary funding for Jobcentre Plus** advisers between 6-12 months of a JSA claim **could drive better outcomes**. The headline recommendation is to develop a trial where Jobcentre Plus would receive additional resource in this period in return for financially being held to account. The trials should ensure that, amongst other things, the correct performance management framework is in place to provide proper accountability.

## Delivering More Effective Support

The Review's vision means both increasing conditionality and broadening the groups of claimants to whom those requirements apply, bringing a wider range of claimants into the system as well as breaking down traditional benefit boundaries. As such it is crucial to consider how support and the delivery of that support need to react. Four key areas are:

- i. **Offering effective support based on need.** Entry into specialised support should be based on individual need rather than type of benefit received or length of time on that benefit. The Review recommends that the Government continues to explore the possibility of multi-client group (MCG) contracts.

These could be effective in helping individuals with multiple barriers to work, back into employment, and provide the opportunity to consider linking back-to-work support with, for instance, specialist help with health, drugs, disability and skills problems. However, there are challenges, such as developing a pricing model to ensure that provision is equally accessible to all groups, even the very hardest to help.

The most attractive pricing model to deliver this is the accelerator model, where payments to providers increase as more individuals from a particular cohort find work. However, this is an innovative but untested model of funding and so given the complexity of the model, it is recommended that it should be piloted.

- ii. **Employer engagement and work experience programmes.** As people spend more time on benefits it is right that both the expectations of them and the support for them increase. However, individuals who have been out of the labour market for a long time are likely to face two key barriers to work: lack of work experience; and employers' reluctance to hire them. Work experience programmes and policies to engage with employers can help to tackle these barriers.

One form of work experience programme is embodied in the intermediate labour market (ILM) model. This differs from a pure workfare model as it offers work placements coupled with additional support and assistance required to help individuals move into mainstream employment. The ILM model is generally seen as a useful means of tackling the barriers that the most disadvantaged individuals face, and so it is recommended that providers should be encouraged to provide these as an option for support. It is also recommended that ongoing support and jobsearch assistance as per the ILM model are built into the Work for Your Benefit pilots proposed as part of the Flexible New Deal.

Policies aimed at engaging employers such as work trials and work tasters can help to tackle employers' reluctance to hire disadvantaged individuals. There are a range of initiatives, including Access to Work and the Job Introduction Scheme, which are currently in place that aim to actively engage with employers. The Government should continue to monitor and evaluate these measures.

- iii. **Availability of childcare.** It is proposed that lone parents with younger children should be part of the Progression to Work group, which represents an increase in conditionality compared to the current regime. For many parents, particularly lone parents, the availability of high quality and affordable childcare is central to enabling them to balance their family commitments with work.

The Government is already doing a lot to address this issue, such as the provision of universal affordable childcare for children aged 3-14 years, early education places for all three and four year olds and a Sure Start children's centre in every community by 2010, as well as providing assistance with childcare costs through the Working Tax Credit.

If the Government can deliver on these policies then it will remove one of the key barriers to work faced by a large number of parents. However, it will be essential to ensure consistent delivery of these aims on the ground.

- iv. **Skills, progression and young people.** As we get better at moving people into work, it will become increasingly important to focus on retention and progression. The Review recommends the Government continue to test and evaluate the ideas tried in the Employment Retention and Advancement (ERA) pilots and ensure that the appropriate package is available for young people, so that the majority in this age group gain the necessary skills and qualifications both in and out of work.

## A Single Working Age Benefit and the Vision for Conditionality and Support

The recommendations of the Review can be realised within the current benefit structure (comprised of JSA, ESA and Income Support). However, the personalised conditionality and support regime suggested in this Review will not be as effective as it could be while there is still a complex, frequently confusing and administratively expensive benefits structure overlaying it.

The Government's most recent Welfare Reform Green Paper, *No One Written Off*, talked about the possibility of a **Single Working Age Benefit**. The Review believes that the personalised conditionality regime could be even more effective if a single benefit were in place. In particular it would make it clear that the most important objective for both Jobcentre Plus and the claimant is to work together and jointly plan a return to employment, not to assess which benefit is appropriate.

However, establishing a genuine Single Working Age Benefit obviously raises a large number of complicated issues, so the Review recommends that the Government should take forward work to address these issues. As part of this work, the Government should consider **two issues** in detail:

- i. Whether a more sophisticated approach can be developed to identify which claimants should end up in the Work-Ready or Progression to Work groups. The ultimate goal should be that, rather than placing people on the basis of their general characteristics, identification could be based on a much wider range of factors linked to their distance from the labour market such as time since last job, work prospects and motivation.

The key issue here is that assessment will need to be based on a tool or questionnaire that effectively places individuals into the appropriate group. However, evidence suggests that it is challenging to design a screening tool that is accurate enough to both improve outcomes for those it is intended to help and be cost effective. Nonetheless, the Government should continue to explore these possibilities.

- ii. Whether, in the longer-term, it should separate out financial support for carers and move towards a more integrated system of support. Also whether it can give those with significant caring responsibilities a recognisable status to identify the fact that they are different from most other benefit recipients and should be protected from the usual requirement to be heading towards paid employment.

The Review considers that the creation of the Single Working Age Benefit gives the Government the opportunity to do this. It should consider whether, beyond meeting basic income needs, extra support for carers would sit better outside of the benefits system and more closely integrated with social care and individual support packages. The Department of Health's fundamental review of care and support is examining the future of social care, and the Government should ensure that the needs of carers are considered and catered for in any long-term proposals.

## Conclusion and Next Steps

Since the Review was commissioned the economic situation has worsened considerably as a result of global shocks of an unprecedented size and nature. The number of people dependent on benefits is likely to increase, but if anything that makes the proposals set out here even more important, as they are primarily about building a new regime for the subsequent recovery and the longer-term.

The recommendations in this Review are wide-ranging and challenging and will keep the UK in the vanguard of nations reforming their welfare systems in a progressive manner. Nonetheless they fundamentally build on what is already good about the current system, and some of the major changes and pilot activities planned in coming years (for example the changes to ESA planned for 2010, the introduction of the Flexible New Deal and many of the proposals made in the Green Paper, *No One Written Off*, earlier this year) can be seen as partial stepping stones towards the vision.

Given the pressures facing Jobcentre Plus and the Departments as a whole, the Review recommends that the Government consider adapting this planned activity where appropriate in ways which enable testing of the key aspects of the vision.

Adopting this approach would enable the Government to continue to prioritise its response to the rising claimant count whilst also reforming the welfare system in the future. This would allow a period of experimentation and learning over the next few years, putting the Government in a strong position to then **bring together its work on personalised conditionality and the Single Working Age Benefit** and take final steps towards shaping a fundamentally fair and progressive welfare system for the future.

Inevitably the vision means increased investment. The Government has already started to think creatively about **funding models** that could allow upfront investment in return to work activity paid for through future benefit savings (the so-called AME-DEL financing mechanism). This approach has the potential to provide investment and deliver improved outcomes whilst also achieving long-term savings. The Review recommends that this innovative work between the Department for Work and Pensions and Her Majesty's Treasury continues and, if successful, forms the basis of a longer-term funding settlement to deliver this vision.



# Chapter 1: The Role and Purpose of Conditionality

## Summary

The principle that benefit receipt should be conditional on the recipient fulfilling certain conditions has a long history. However, over the last 20 years, the role of conditionality has widened to incorporate an ever greater number of working age benefit recipients and deepened to increase the obligations that the unemployed face. In addition, conditionality is now a central component in the delivery of a range of policy objectives including tackling child poverty.

The need for a conditionality regime and its extension over the last 20 years can be explained by the large increase in the number of individuals across many developed countries that had become dependent on benefits. This meant that more and more families were failing to enjoy the financial and non-financial benefits of paid employment.

To tackle this growing social problem many developed countries have responded by increasing the conditionality and the support available to benefit recipients.

## What is conditionality?

Conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions. Three of the most common forms of conditionality that apply within the current system require the individual to:

- Fill out forms and provide accurate and up-to-date information on their status, income and household situation;
- Attend assessments that judge capacity for work or level of disability; and
- Undertake work-related activity such as attending interviews, taking part in a training programme, undertaking jobsearch or applying for jobs. This is usually known as labour market conditionality.

The terms of reference for the Review (see Annex A) focus on the third of these. In particular they focus on making recommendations for a vision of conditionality that enhances current requirements and also makes them more personalised.

## The evolution of conditionality and support

Placing conditions on the receipt of benefit is not a new idea. To some degree entitlement has always been expressed as a social contract between the state and the individual. As early as 1911 a person could be disqualified from claiming unemployment insurance benefit if they refused a suitable job offered to them by the Unemployment Exchange and the sanction for refusing employment without good cause dates from 1930.

In 1942, the Beveridge Report built on these ideas to create a clear understanding that rights to benefit and support were conditional for the unemployed and that the right behaviours had to be shaped. Beveridge said:

*'The unemployed should be required, as a condition of continued benefit, to attend a work or training centre, such attendance being designed as a means of preventing habituation to idleness and as a means of improving capacity for earnings'.*

This progress has continued and over the past two decades the concept of labour market conditionality, coupled with appropriate support, has become increasingly central to welfare policy in many of the major economies of the developed world.

However, the scope and purpose of conditionality have expanded over this period, in particular:

- The reach of labour market conditionality has been widened to incorporate an ever greater number of working age benefit recipients (for example those previously only ever considered as 'inactive' recipients) and deepened to increase the obligations that the unemployed face; and
- Labour market conditionality and the associated support systems are now used as more than a simple tool to match the unemployed to available jobs and facilitate the smooth running of the labour market. Instead they are a central component in the delivery of a range of policy objectives including tackling child poverty, reducing inequality and promoting social inclusion.

This has led some commentators to argue that conditionality is now the central organising principle on which access to benefits is based.

## The purpose and risks of labour market conditionality

The over-arching objective of conditionality is to influence the behaviour of as many working age benefit recipients as possible in order to move them into work, avoid long-term benefit receipt and protect the taxpayer. The use of conditionality as a tool to deliver this outcome is supported by Government and has broad support within the wider stakeholder community.

The **main arguments in favour of conditionality** are based around:

- **Participation.** That a framework of conditionality directly or indirectly increases movements into work;
- **Clarifying rights and responsibilities.** Those who receive state payments whilst not working should be obliged to do all they can to get back into work as soon as possible;
- **Advocacy.** That a framework of conditionality allows us to support people to act more consistently with their own aspirations; and

- **Promoting social inclusion.** That imposing requirements on individuals will shape behaviours and mean they acquire new skills and habits that will improve both their own and their family's life chances.

However, there are also **notable risks associated with conditionality**. In particular:

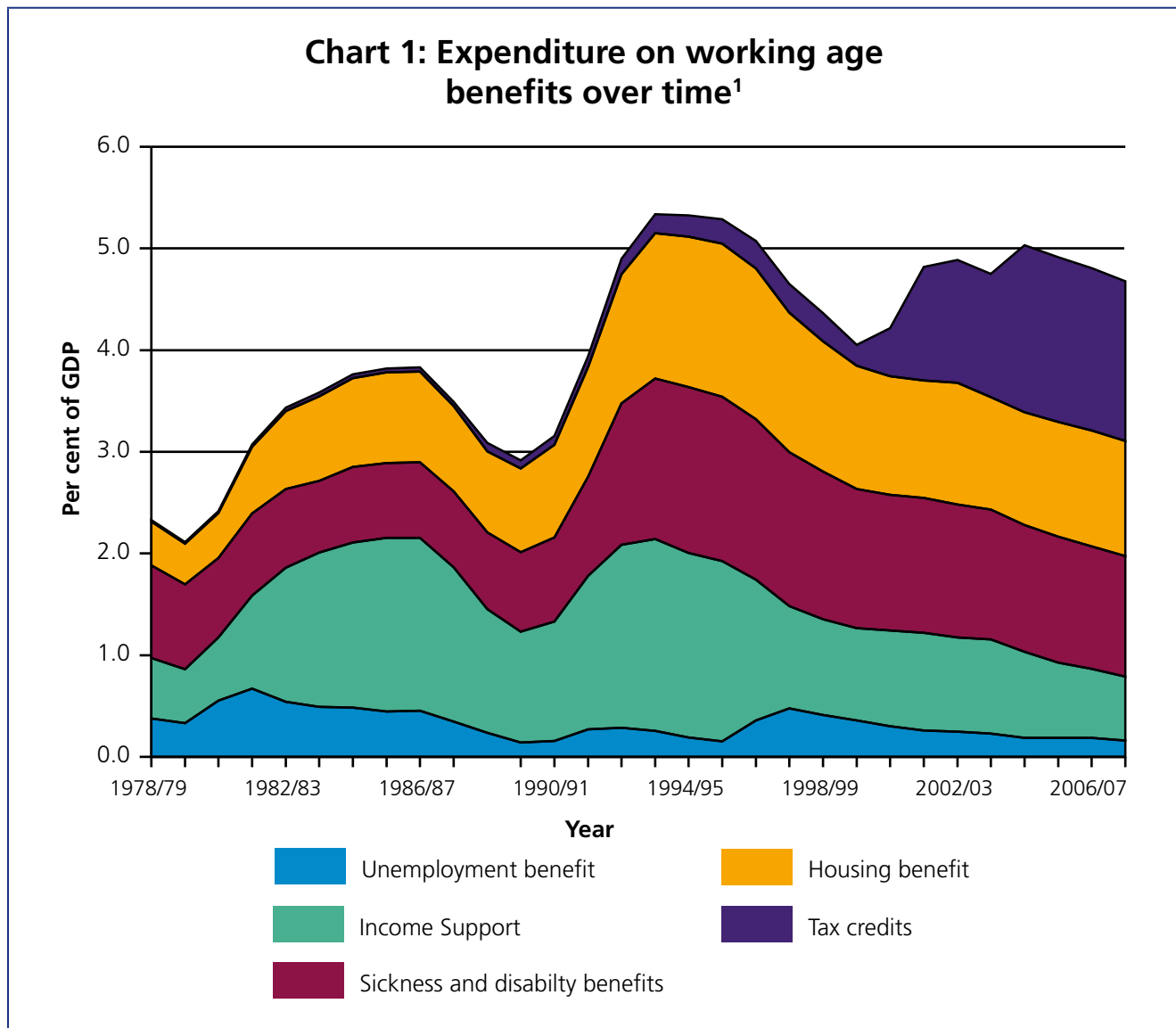
- **Impact on vulnerable people.** Conditionality runs the risk of both worsening the position of the most vulnerable and reinforcing disadvantage (either by reducing financial support as a result of sanctioning, or pushing people into inappropriate work); and
- **The contribution argument.** That conditionality fails to recognise wider contributions that individuals make beyond paid employment, for example unpaid caring.

## The need for conditionality

The need for a regime of labour market conditionality and its growing importance over the last two decades reflects the changing economic context of this period.

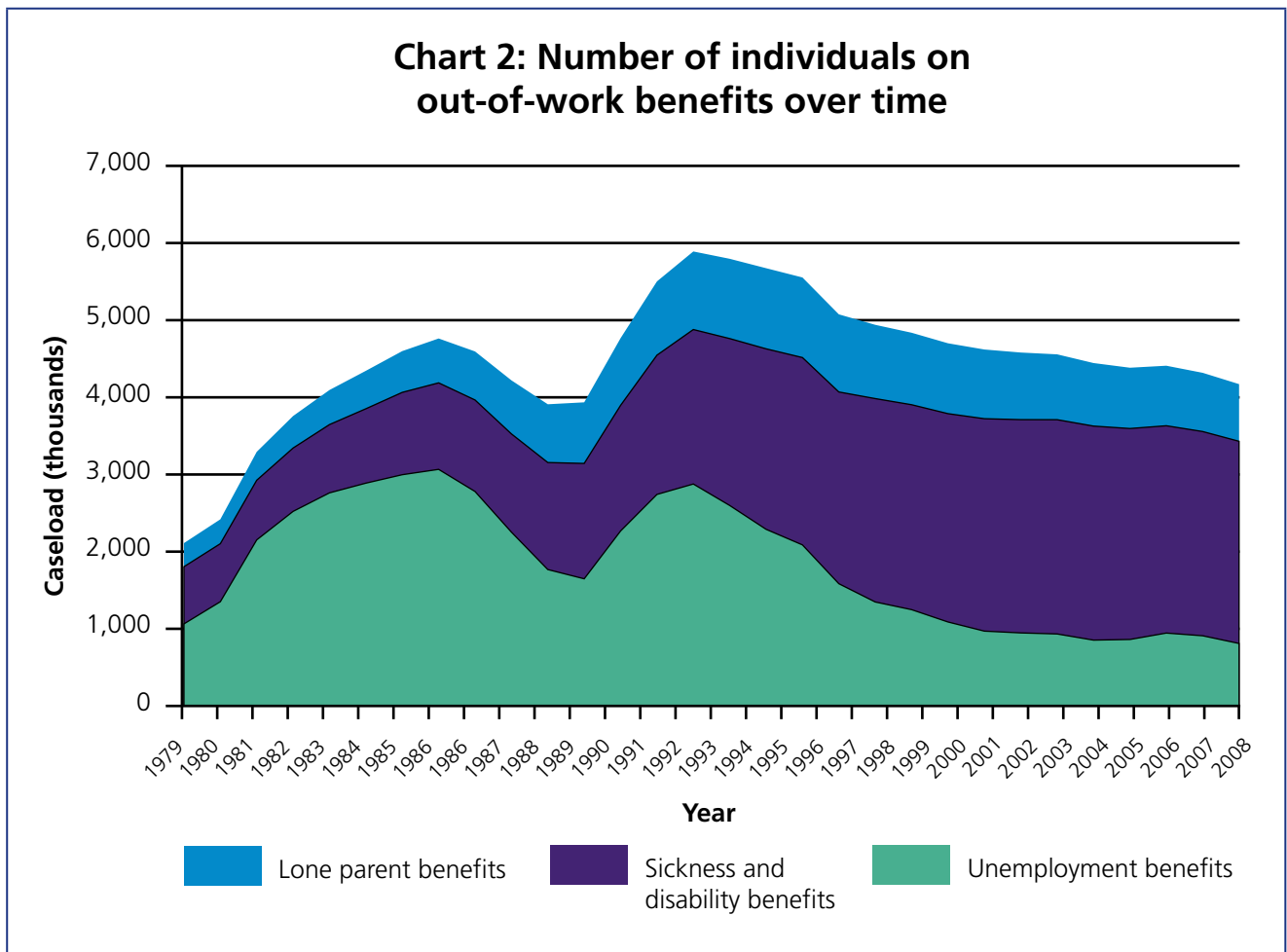
Between 1979 and 1996 the nature of benefit dependency in the UK fundamentally changed. The number of benefit claimants tripled from around two million to six million, and although the value of these benefits remained broadly constant in real terms over this time period, the large increase in caseload resulted in Government expenditure on out-of-work benefits for the working age population rising rapidly in the years preceding 1997 (Chart 1).





As seen in Chart 2, this rise in caseload was concentrated on those claiming sickness and disability benefits and lone parents. In particular, although the number of individuals claiming benefit on the grounds of sickness and disability or lone parenthood broadly matched those on unemployment benefits in 1979, this ratio rose to around four to one by 2007. This largely reflects the steady rise in sickness and disability benefits over the period.

<sup>1</sup> Housing Benefit and Tax Credits are received in and out of work. Unemployment Benefit pre-1996 covers only contributory Unemployment Benefit.



This rise in dependency meant that by 1996 employment rates for lone parents and the disabled were some 30 or 40 percentage points below that of the rest of the population. In turn this meant that fewer individuals and families were enjoying the benefits, both financial and non-financial, that paid employment can provide. Box 1 explores the benefits of work in more detail.

### Box 1: Why is work the desired outcome?

It is widely documented that employment reduces the incidence of poverty and persistent low income and that being out of work reduces future earnings and employment chances.

There are also wider gains from work to both the individual and society. Evidence shows that work has a positive impact in terms of health, happiness and life satisfaction both within and across generations.

Research has shown that **unemployment and worklessness are linked to, and can cause, ill-health** (Brenner, 2002; Bartley, 1994), reduced psychological well-being (Murphy & Athanasou, 1999; Winefield et al, 1991) and suicide (Blakely et al, 2003). Conversely, employment is shown both to be good for physical and mental health and well-being and to reduce the negative impacts of earlier unemployment. This result is true for otherwise healthy people and for many disabled people and people with common health problems (Waddell & Burton, 2006).

It has also been shown that **children can gain from their parents being in work** (Millar & Ridge, 2001). This is true both in terms of a reduced incidence of poverty and because persistent low parental income is associated with poorer health outcomes. For instance, if lone parents had the same employment rate as the overall population some 300,000 children would be lifted out of poverty<sup>2</sup>. Furthermore, the prevalence of psychiatric disorders among children aged 5-15 in families whose parents have never worked is almost double that of children whose parents are in low-skilled jobs.

However, research has also shown that **there are limits to the benefits to be gained from working**. For example, evidence suggests that work may not be beneficial for those with certain health conditions and, for children under 12 to 18 months old or who are very ill, parental employment can be detrimental to their development and health in certain circumstances (Waldfoegel et al 2002). This highlights the need to manage the trade-offs between work and family life and acknowledge the special circumstances that exist for some families, which mean that work is not always a suitable goal.

In addition to the benefits of work, **a return to work fits with the expectations and aspirations of the majority of benefit claimants**. This is even true for those traditionally seen as inactive, since around 80 per cent of lone parents and 90 per cent of new Incapacity Benefit (IB)/Employment and Support Allowance (ESA) claimants say that they want to get back to work.

<sup>2</sup> Note that this is before housing costs and assumes that the lone parents enter minimum-wage employment of 16 hours a week. Should the additional lone parents enter higher-wage employment or work longer hours, then the impact on child poverty would be greater. The overall population employment rate used for this analysis is calculated using the DWP Policy Simulation Model.

## Conclusion

Conditionality is fast becoming the central tenet of the benefit system. The ambition of the incoming government in 1997 was to break the pattern of increasing welfare dependency and encourage the maximum number of people to move from benefit to paid work through a framework of conditionality and support. The next section considers evidence on the success the Government has had in securing the benefits that increased conditionality can bring and in managing the associated risks.



## Chapter 2: The Effectiveness of Current Conditionality Regimes

### Summary

There is a wealth of evidence on how successful increased conditionality has been in raising employment and allowing more people to enjoy the benefits of paid work.

The UK jobseeking regime is a largely rules-based system that requires claimants to focus quickly on job search. Evidence suggests that the requirements to actively seek and be available for work, alongside personal support and programme provision for those who do not find work quickly, have been effective in helping people off benefit.

While a similar regime would not be appropriate for some lone parents and those who claim benefit due to a significant health condition or disability, conditionality has increased for these groups through the application of Work-Focused Interviews (WFIs). The aim of the WFI regime is to improve take-up of voluntary support available through the New Deal programmes and Pathways to Work, and it has had a lot of success, particularly for those claimants closer to the labour market.

These successes have also been seen in countries that have used similar initiatives to deal with the growing numbers of those dependent on benefit. However, there are lessons to be learnt both from the UK and international experience, and risks to conditionality that need to be managed.

There are two broad conditionality regimes within the current benefit system: one is the jobseeker's regime that applies to the unemployed; the other is the Work-Focused Interview (WFI) regime that applies to lone parents and those claiming benefit because of a significant health condition or disability. Increases in conditionality over the last two decades provide a wealth of evidence over whether conditionality regimes can be successful in helping more people to enjoy the benefits of paid work.

### Jobseekers conditionality regime

The jobseekers' regime is a largely rules-based system, where receipt of Jobseeker's Allowance (JSA) is dependent on meeting a conditionality requirement that places a clear and immediate emphasis on claimants to be available for and actively seeking work. Box 2 presents an overview of the main features of the regime.

## Box 2: Details of the conditionality regime for jobseekers claiming JSA

**Basic requirements that apply to jobseekers on JSA** are that they should be:

- **Available for work:** normally for at least 40 hours per week, people must attend any job interviews and be ready to move into work immediately;
- **Actively seeking work:** in practice this means demonstrating that they are doing at least three work-related activities every week. These could include, for example, writing a CV or speaking to employers;
- **Entered into a Jobseeker's Agreement;** and
- **Attending a Jobcentre Plus office,** typically, every fortnight.

The primary focus of the JSA regime is **independent job-search and a speedy return to employment for the majority of claimants**. During the first six months of a claim, Fortnightly Jobsearch Reviews form the key part of the JSA intervention regime. There are roughly 22 million of these short, focused reviews conducted each year, with jobseekers expected to demonstrate that they are available for and actively looking for work.

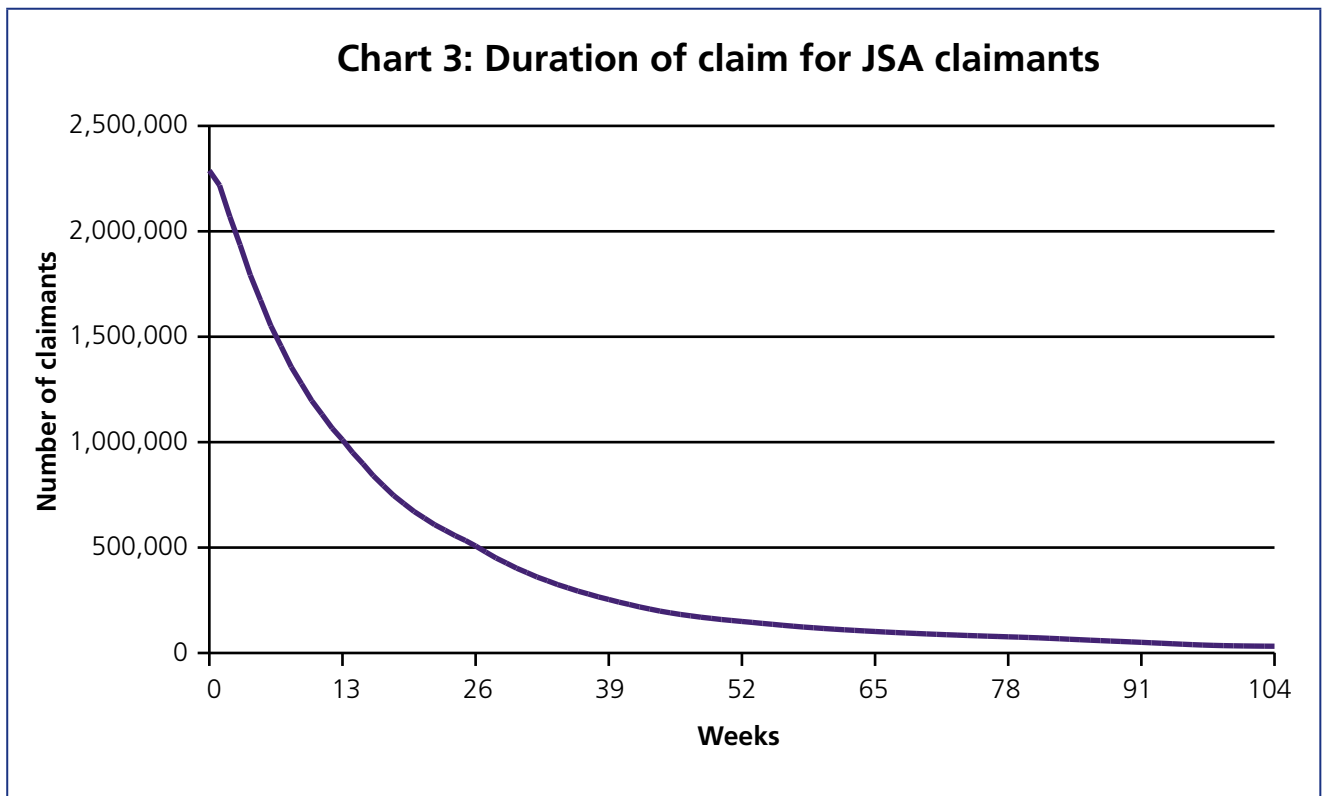
As their claim progresses, conditionality escalates in a series of stages and a Personal Adviser is allocated who can provide more intensive support and refer them to appropriate provision. They can also direct them to complete specific activities that will improve their employment prospects through a Jobseeker's Direction.

All of these actions are mandatory, and so failure to comply can result in a benefit sanction or disqualification. Some easements to these rules can apply, for instance to lone parents with older children and people with a health problem who are subject to the JSA regime.

Alongside the conditionality regime for jobseekers there has been a significant investment in personal support through the New Deals, and increased adviser flexibility since 1998. Access to the more personalised assistance available through the New Deal programmes is generally based on the claimant reaching a specified duration on benefit. However, this additional adviser flexibility provides the option to refer claimants to personalised support, which is essential to mitigate the risks associated with the conditionality requirements, in particular to ensure that those finding it most difficult to secure employment can get support and encouragement to maintain progress rather than drifting into non-compliance and hardship.

## Evidence on the impact of conditionality and support for jobseekers

**The overall performance of the jobseekers regime is impressive** with around 60 per cent of claimants leaving within 13 weeks, around 80 per cent leaving within 26 weeks and 90 per cent leaving within a year (Chart 3).



There is a great deal of research on the more specific impacts of JSA, the New Deals and the associated increase in both conditionality and support. Key points include:

**Conditionality backed with a regime of sanctions improves outcomes.** The introduction of JSA increased the flow out of benefit by eight to nine percentage points (Manning, 2005). The impact of conditionality was confirmed by a pilot making the Intensive Activity Period mandatory for jobseekers aged over 50 years. This boosted jobseekers' chances of entering employment by over 25 per cent (Dorsett & Speckesser, 2006).

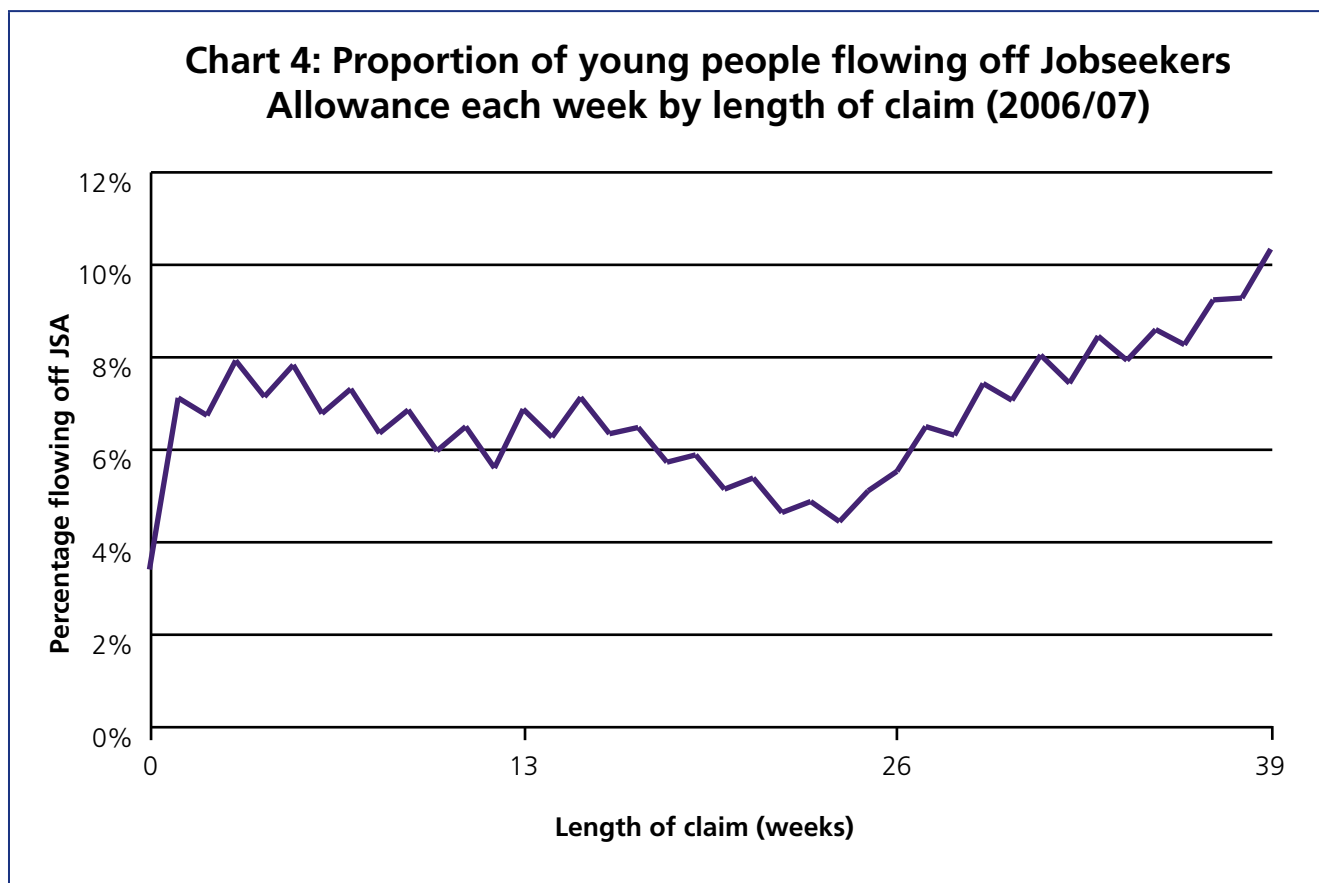


Evidence also suggests that the system of sanctions encourages claimants to actively seek work. Over half of JSA claimants say that they are more likely to look for work because of the threat of sanctions and only around one in seven of those who enter the programme are sanctioned. Of these, three quarters are only sanctioned once and most say that they would not repeat the behaviour that led them to being sanctioned (Peters & Joyce, 2006).

**The system has also been shown to provide value for money.** There is clear evidence that fortnightly signing and face-to-face contact with Personal Advisors improve off-flow rates (Eccles & Lloyd, 2005).

**Combining conditionality with increased personalised support improves exit rates from benefit.** The positive impacts of increases in both conditionality and personalised support from the introduction of the New Deals are demonstrated in patterns of exits, for instance:

- The introduction of the New Deal for Young People Gateway stage at week 26 radically increases the off-flow rates from JSA (see Chart 4) (DWP, 2008); and
- The proportion of New Deal 25+ participants leaving to employment jumped from 20 per cent to 30 per cent after the Intensive Activity Period (the phase of full-time activity) became compulsory for Jobseekers aged 25 to 49 in 2001 (DWP, 2008).



**Personalised support boosts well-being and improves outcomes for some of the hardest to help groups on JSA.** Qualitative evidence shows that more personalised support for jobseekers at the New Deal stage has improved the frequency and quality of job search activity and jobseekers' confidence and motivation. It has encouraged jobseekers to open up and overcome barriers such as problems with alcohol, drugs, basic skills, mental and physical health issues that they face.

Further experiments have shown the value of conditionality combined with personalised support provided within a more flexible environment (compared to the more rules-based provision of the New Deal programmes). In particular Employment Zones (EZs), which offered a more flexible package of support, appeared to help significantly more jobseekers into unsubsidised work than the New Deals, although this effect could not be separated out from the higher funding they received.

**There are also areas where more progress can be made and where risks need to be managed:**

Some recent research is indicative of a less positive impact from the increase in conditionality associated with the introduction of JSA and suggests coherence between benefit regimes is an important issue. There is some evidence that whilst the introduction of JSA moved people off unemployment benefits it also led to an increase in numbers applying for other benefits with less conditionality, for instance incapacity benefits (Petrongolo, 2007). International evidence (Blank & Kovak, 2008) also suggests that, for the US, inappropriately targeted conditionality (such as time limits or work requirements) can lead to growing numbers of 'disconnected families' that are outside of both the labour market and benefit system; and

For certain groups of the most disadvantaged, it has been harder to help them move off benefit and into work. For example, the evidence shows that, compared to the national average, claimants who have previously spent time on Incapacity Benefit because of a health condition or disability flow off JSA more slowly, are only half as likely to flow off JSA into employment and are five times more likely to move onto other benefits.

## Work-Focused Interview conditionality regime

The Government's approach to people who do not have a job but are not immediately ready to take one up (so called 'inactive' claimants) is different to the JSA regime, which works from the premise that claimants are immediately capable of looking for work. Instead, the WFI regime attempts to balance the benefits that can be gained from employment with the acknowledgement that many of the claimants have genuine, and wide ranging, personal and external barriers to work. These barriers will most commonly mean that claimants cannot enter the labour market immediately, nor should they be expected to.

The WFI moves the focus away from immediate job search to encouraging claimants to engage with a personalised mix of support services and employment programmes to help them move closer to employment. In contrast to the position before 1997, where little support was available for these groups, a wide range of support is now available through, amongst other things, the New Deal for Lone Parents (NDLP) and the Pathways to Work programme for people with a health condition or disability.

A range of different claimants are engaged in variants of the WFI regime<sup>1</sup>. The current regimes vary significantly in terms of number and frequency of interviews and depending on whether someone is new to benefit or has been claiming for a long time. This, in part, reflects the varying barriers to work that each group faces and their size. However it also means that, when seen as a whole, the regime can appear disjointed. For the purposes of assessing the evidence this section concentrates on the regime as it applies to lone parents and those with a health condition or disability. Box 3 presents an overview of the main features of these regimes.

<sup>1</sup> These include lone parents and partners with children and those who claim incapacity benefits (Employment and Support Allowance for new cases from end October 2008).

**Box 3: Overview of the conditionality regime for lone parents claiming Income Support and those claiming benefit because of sickness or disability (from October 2008)**

**Basic requirements that apply to all lone parents on Income Support are to:**

- Attend and participate in a mandatory WFI when the initial claim is made and a further one every six months (for as long as the claim continues);
- Agree an Action Plan with their Personal Adviser (though there is no obligation to follow the contents of the plan); and
- Attend quarterly WFIs in their last year of eligibility for income support before they move across to become jobseekers (assuming they are capable of work).

**Basic requirements that apply to new ESA claimants are to:**

- Attend a Work Capability Assessment (WCA) and Work Focused Health Related Assessment (WFHRA) at the start of their claim and at further points during the lifetime of the claim;
- Attend and participate in a mandatory WFI at week 8 of their claim, a further five WFIs at broadly monthly intervals and further irregular WFIs on the occurrence of certain trigger events; and
- Agree an Action Plan with their Personal Adviser (again there is no obligation to follow the contents of the plan).

**There is no requirement to be actively seeking or available for work.** Instead, the primary focus is to encourage movements into voluntary support initiatives (for lone parents, the NDLP and provision delivered as part of Pathways to Work for those on ESA) to help move the claimant closer to employment.

Benefit sanctions can be applied if any claimant fails to attend the WFI without good cause, but advisers have the ability to postpone the meetings or waive them where this is deemed appropriate. Protective measures (e.g. home visits, reminder contacts) are also in place to ensure we do not sanction people who for good reason cannot comply.

## Evidence on the effect of conditionality and support from the WFI regime

There is a great deal of research on the more specific impact of increases in both conditionality and support for lone parents and those with a health condition or disability. Key points across the two groups include:

**Increased personalised support helps individuals into employment.** Moving these groups into work often requires claimants overcoming multiple barriers to work, and personalised support has proven successful in providing the help claimants need to do this. For example:

- The New Deal for Disabled People (NDDP) had very positive outcomes for those who participated; and
- Evidence (Dolton et al, 2005) suggests that participation in NDLP increased transitions from benefit to work by over 20 percentage points (measured over three to nine months).

However, while 90 per cent of new IB claimants and 80 per cent of lone parents say that they want to work, very few took up the voluntary support provided through the New Deals:

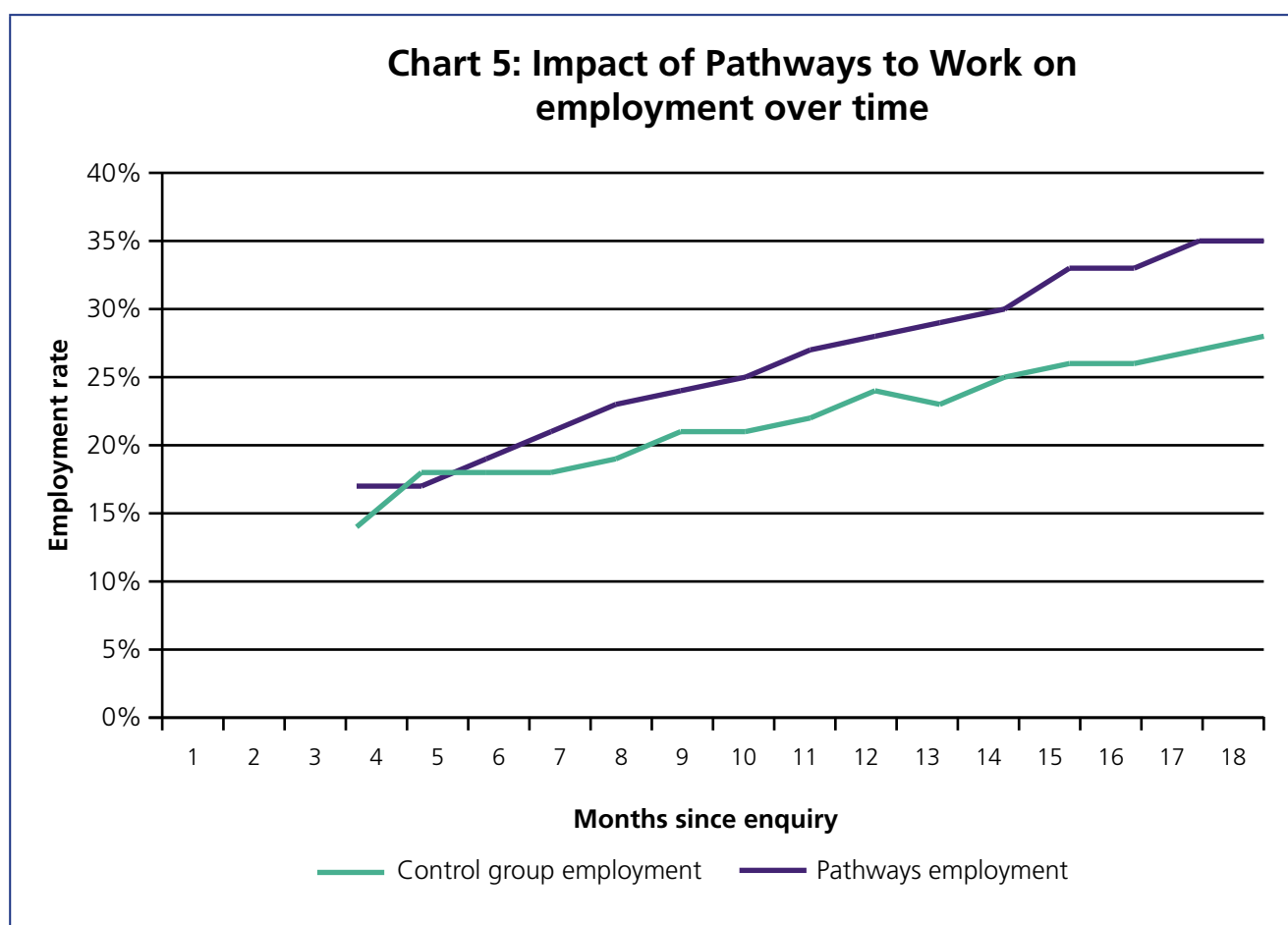
- Only around three per cent took up the support available through NDDP (Stafford et al, 2007); and
- Before 2001, only around seven per cent of lone parents participated voluntarily in NDLP (Cebulla et al, 2008).

**Combining personalised support with WFI conditionality enhances take-up of the support and movements into work.** With the successful outcomes but low take-up of NDLP and NDDP in mind, from 2001 the Government started to introduce conditionality through the WFI regime to encourage take-up of provision<sup>2</sup>. Key findings on the impact of these initiatives include:

- Increased conditionality has supplemented the success of NDLP in encouraging more lone parents into paid employment. Mandatory WFIs have been particularly effective in encouraging lone parents to engage with the support available through NDLP, with both participation in and the effectiveness of NDLP increasing as a result of the lone parent WFI initiative (Knight et al, 2006);
- The impact of conditionality, plus this wider range of effective support available through Pathways, meant that the proportion of sick and disabled claimants joining some return to work activity increased to around 21 per cent; and

<sup>2</sup> WFIs were introduced for certain lone parents in April 2001, and extended to all lone parents claiming IS by April 2004, and review meetings were introduced and rolled-out nationally from 2002. For those on incapacity benefits, the Pathways to Work package of reforms ('Pathways') was introduced on a mandatory basis for 10 per cent of the new caseload in 2003, and then rolled out so it was available nationally for new claimants from April 2008.

- As shown in Chart 5, Pathways increased employment in the eligible group (18 months after first enquiring about IB) by seven percentage points (or around a quarter) (Bewley et al, 2007). In contrast to early evidence, research soon to be published shows that employment effects are seen across a wide spectrum of IB claimants including amongst those with a mental health condition.



**Personalised support and conditionality works for many people and can improve health outcomes and claimants' outlook:** There is also evidence that suggests positive impacts that are wider than increased participation in employment. For example:

- Evidence shows that Pathways reduced the probability of individuals reporting that they had a health problem that limited ability to go about everyday activities "a great deal" by nearly 11 percentage points (Bewley et al, 2007); and
- Even if participation did not lead directly to employment, evidence shows that it improved claimants' self-confidence and increased their optimism about future work (Thomas et al, 2003). Participation was also highlighted as motivating individuals to think actively about seeking work (Hasluck and Green, 2007), or to undertake training (Thomas, 2007).

**The system works best where the claimant believes the process is intended to be supportive and has co-ownership of the return to work process:** In particular, WFIs have proved particularly effective for those claimants who have already decided that they want to get back to work (Hosain and Breen, 2007). However, for those with deep rooted negative attitudes about work they have been far less effective (Thomas, 2007).

Perceptions of the whole system can also have an impact on outcomes. For instance, a large number of lone parents felt the main aim was to get them quickly into employment and some saw this work-first nature as a negative aspect of the regime (Goodwin, 2008). Where this was the case lone parents tended to feel like they were being pushed to enter work even when this was not appropriate, and this could lead to a lack of co-ownership and might hinder engagement with the regime.

As well as the problem of how the WFI regime is perceived by some claimants, there are a number of **other areas where more progress can be made and where risks need to be managed:**

- **Engagement is still low.** Compared to the very large majority of claimants who say they wish to work, very few are engaging in the back to work support available through NDLP and Pathways to Work programme;
- **The system does not work so well for those further from the labour market.** Evidence suggests that those closer to the margins of the labour market have been particularly helped by the initiatives (Thomas, 2007; Ray et al, 2007; Hossain and Breen, 2007; Jenkins, 2008, Brewer et al, 2007). The WFI regime has struggled to bring those further from the labour market on board;
- **Harder to help groups might become more prominent.** If the WFI regime continues to be successful, it becomes more likely that the harder to help individuals, and those who have been claimants longer will become more prominent in the caseload. The WFI regime has been least effective at helping these groups. This raises questions over whether the initiatives will retain such strong outcomes as the more disadvantaged become a higher proportion of the overall caseload; and
- **There is mixed evidence on the success of the system of sanctions.** Sanctions generally work well and underpin increasing engagement. However, while sanctions have increased attendance at WFIs, there is less strong evidence of the effectiveness of the current sanctions regime in increasing engagement or enthusiasm (Mitchell & Woodfield, 2008). Furthermore, there are a number of qualitative reports that highlight a lack of understanding of the sanctioning regime for both lone parents and IB claimants (Goodwin, 2008). This lack of understanding could undermine the ability of the conditionality regime to drive claimant behaviour whilst potentially creating hardship.

## International Evidence

Evidence from the UK suggests the impact of combining increases in conditionality and support available to benefit claimants has been positive. There is also a range of international evidence on the impact of similar policies in other countries, from which lessons can be drawn.

Overall, the international evidence suggests that increased conditionality, linked with an emphasis on assistance in job search and, in some cases re-employment bonuses, have been effective in reducing unemployment in many OECD countries (Martin and Grubb, 2001).

However, for many developed countries, receipt of inactive benefits increased rapidly until the mid 1990s and, on the whole, has not fallen substantially since then. This increase has, on average, left the size of the group on inactive benefits over two times larger than the group on unemployment benefits. As a result, a wide range of countries have attempted to reform their benefit systems to address the problem.

As well as the UK, countries including the US, Canada, Denmark, the Netherlands, Australia and New Zealand have all introduced reforms with this aim. These reforms have tended to take on two forms: one that focuses on limiting access to inactive benefits for those who are able to work, with the impact of moving some people back on to unemployment benefits; and another that increases requirements related to benefit receipt for a significant proportion of those left on inactive benefits (Carcillo and Grubb, 2006). In combination the reforms have created strong links between increased support and an increased requirement for individuals to take up the support provided. This is particularly true in the Scandinavian countries and others where strong conditionality is matched with significant investment in personalised support. Box 4 provides details of reintegration programmes in the Netherlands.



#### Box 4: Reintegration programmes in the Netherlands

In the Netherlands, individuals deemed to be furthest away from the labour market and unable to find a job straight away (20 per cent of those registering as unemployed) have a conditionality regime where they are required to pursue a personalised reintegration programme specifying the activities they need to undertake in order to assist them back into work. These activities may include, for example, basic skills training and assistance in job search techniques, followed by temporary job placements.

The agency responsible for the individual (e.g. the municipality) will generally procure these services from a private provider. The main ways in which these services are delivered are:

- **Trajectories:** providers submit bids to deliver packages of services (trajectories) targeted at particular client groups, sectors and regions.
- **Individual Reintegration Agreements (IROs):** these allow individuals to negotiate a personalised plan with the reintegration provider about the package of services they will use to help them go back to work. They are generally used for the long-term unemployed who have more complex barriers to employment and therefore may require more specialised services.

Under both of these programmes the individual will agree an action plan with the agency responsible for them. This consists of the diagnosis of their circumstances, the intensive employment activity they will be placed in and when this will commence.

The reintegration provider will then report back to the agency responsible on the individual's progress. If they deem that the individual has not been cooperating they will inform the agency responsible who will decide whether to sanction the individual.

Reintegration providers are usually paid according to the job outcomes of individuals referred to them. If at the end of a trajectory the individual has not found work, then they will be referred back to the agency responsible for a new assessment and a referral to a more appropriate programme.

**International research highlights some general conclusions** that come from the implementation of these reforms:

- Increased conditionality relating to being available for work, for those who are able, or to engage in employment preparation programmes for those with limited capacity or caring responsibilities, has been successful in increasing participation and reducing benefit caseloads;

- Increased requirements have been most successful where they have been backed up with a sanction regime that acts as an effective “last resort mechanism” (Tergeist & Grubb, 2006). Sanctions have been shown to have a positive effect on re-employment rates (Abbring et al, 2005; van den Berg et al, 2004; Wilke, 2003);
- There is general support for the need for sanctions, even amongst those who have been sanctioned (Zandvliet et al, 2006). However, where personal advisers have varying degrees of discretion and willingness to impose sanctions on those who do not comply, this can lead to a seemingly arbitrary application of sanctions. If this is not managed effectively, it can work against the principles of transparency, clarity and credibility that underpin an effective sanctions regime (Tergeist & Grubb, 2006);
- Having a disability is not incompatible with the desire or ability to work (OECD, 2003). International surveys suggest that significant proportions of disability benefit recipients do not consider themselves as disabled, and that disabilities are often compatible with some type of employment; and
- Increases in conditionality need to be matched with policies that manage the risks of conditionality. US evidence suggests that inappropriately targeted conditionality has led to the creation of very poor ‘disconnected families’, who are neither in work nor receive state support (Blank & Kovak 2008). There is also evidence that suggests negative outcomes of full-time maternal employment for very young children.

Some countries have gone further in implementing conditionality. The most extensive of these require participation in unpaid work activities in return for receiving benefits (known as ‘workfare’). While these initiatives have been successful in reducing benefit caseloads, recent research (Crisp & Fletcher, 2008) demonstrates that if they reduce job search activity and prevent the attainment of skills, they can actually damage employability. This means that to be effective such policies must combine full time activity with work search and wider support to address barriers to work.

## Conclusion

Taken as a whole, evidence on the conditionality and support available through both the jobseeking and WFI regimes demonstrates the effectiveness of conditionality, especially when it is delivered within a package that also includes:

- **Personal advisers** with a high level of ability and flexibility to engage, support and motivate;

- **Regular ongoing contact** focused on the individual and the barriers they face;
- **A clear and continuing focus on an eventual return to employment** and bringing the claimant on board so that they take ownership of their own return to work process (and in the case of jobseekers, job search activity);
- **Action Plans** with an agreement over the return to work process that claimants are bought into; and
- **Availability of a range of support** that is flexible and personalised.

These conclusions are also supported by a wealth of international evidence. However, there are still areas where the regimes can do more to support these positive elements than they presently do, and to encourage more vulnerable claimants to engage with the support available and take steps to get back to work. These areas are considered in Chapter 3.

## Chapter 3: Overall Assessment of Current Conditionality

### Summary

Chapter 2 highlights the significant successes the UK system of conditionality and support has had. Nonetheless there are several areas where the current system can be improved to help more people into work.

The key areas of weakness are:

- Levels of participation in back to work activity amongst the non-JSA groups are still low;
- Current conditionality tools for the non-JSA group have genuine limitations;
- Some groups in the JSA regime need earlier personalised support;
- Support can vary significantly across benefit boundaries; and
- The visibility and effectiveness of the sanctions regime could be improved.

There is a clear need for further changes to the current system of conditionality and support to address these weaknesses. This is best addressed by setting out a clear vision for the future.

The last two decades have seen an increase in labour market conditionality, matched with a step change in the use of, and investment in, personalised support. A return to work is increasingly seen as the most appropriate goal for most individuals and this also reflects claimants' own aspirations. The role of the state is to provide support and encouragement for the individual to realise that goal and enjoy the benefits that paid employment can bring.

### Areas for improvement in the current system

The previous chapter makes clear that there are huge strengths in the UK approach that have brought significant successes and have started to address the need to move from a passive to a more active and personalised welfare system. Nonetheless there are several areas where the evidence suggests the current system can be improved.

- **Levels of participation in back to work activity could be much higher amongst the non-JSA groups.** There is a strong desire to work amongst large numbers within this group, but levels of take-up for current programmes are low. Those further from the labour market who are more likely to be disillusioned or disadvantaged appear to be most likely to miss out. This problem is likely to increase as the effectiveness of these regimes continues and the hardest to help become more prominent in the remaining group;

- **Current conditionality tools to help and engage the non-JSA group have genuine limitations.** The current WFI conditionality is an important tool that has engaged large numbers of people who would not otherwise have found work. Nonetheless it is clear that it engages and supports only a proportion of those who want to work again, those who are more ready to choose to engage in back-to-work support. It currently fails to provide such effective support to the much wider population who need more sustained and personalised engagement to make a reality of their aspirations, and who are often likely to need a significant period of time before they are fully ready to seek work;
- **There are some groups in the JSA regime that need more personalised support, more quickly, to navigate their way back to work.** The basis of relying on duration of benefit to ration greater investment and personal support is basically sound. However, there needs to be greater flexibility to provide early support than is currently the case. Such flexibility would target those most at risk and move more people back into work more quickly, breaking down benefit dependency at its root;
- **Support can vary significantly across benefit boundaries.** If we want to increase responsibilities then we need to break down the current boundaries that limit the support available to people on the basis of the benefit they are on rather than the individual needs they have. It is also imperative to consider what additional support might be needed for those further from the labour market; and
- **The visibility and effectiveness of the sanctions regime could be improved.** Evidence from behavioural economics suggests that sanctions will only drive behaviour if they are clear, transparent and clearly understood. There is concern that the current system does not do enough to provide these things. In particular, levels of understanding around sanctions are low, there is a lack of consistency around how failures to engage are handled, and there is a need to focus on how those who are sanctioned several times are treated if we want sanctions policy to drive behaviour more effectively.

## Conclusion

There is a clear need for further changes to the current system of conditionality and support that address the current weaknesses. This is best addressed by setting out a clear vision for conditionality and support that the Government should head towards and which it can evaluate and build on over time.

## Chapter 4: A New Personalised Conditionality and Support Regime

### Summary

There is a need for a vision of a more personalised conditionality and support regime which addresses the weaknesses of the current system. Setting out such a vision will give more of a sense of direction and coherence to welfare policy and delivery over the next few years and greatly assist long-term planning within and outside Government.

**The vision laid out in this Review is one where virtually everyone claiming benefits should:**

- Be required to engage in activity that will help them to move towards, and then into employment;
- Have an adviser who is sufficiently empowered, with whom they agree a route back to work;
- Be obliged to act on the steps that they agree will help them;
- Have a clear understanding of the expectations placed upon them (and why) and what the consequences are for failure to meet these; and
- Be able to access a wide range of personal support on the basis of need, not the benefit they happen to be claiming.

The best way of achieving this vision will be for the Government to give clear recognition, in law, policy and practice, that there are two main groups within the regime, with both groups moving back towards work, but with different requirements. These two groups and their requirements are:

A 'Work-Ready' group for people who are immediately job-ready. The regime will be predominantly based on the current JSA regime. It will be largely rules-based and self-directed with standard job search requirements. Most people in this category will not need much help to make a quick return to work; and

A 'Progression to Work' group aimed at those where an immediate return to work is not appropriate but is a genuine possibility with time, encouragement and support and where the conditionality will:

- Reflect the claimant's co-ownership of the return to work process;
- Be tailored to their capability and built around their circumstances;
- Be based on activity that supports the clients own path to work; and
- Links up with effective support.

A third group of people, the 'No Conditionality' group should not be required to meet any work conditionality requirements whatsoever because it would not be reasonable to require them to undertake any form of work-related activity or take steps back to work.

Progress on this vision should fundamentally change expectations amongst Jobcentre Plus staff, providers and claimants themselves about what it means to be on benefit, as well as increase employment rates and reduce child poverty.

Chapter 3 highlights the areas it will be important for the Government to address if it wishes to further improve the effectiveness of its conditionality and support regime. The work of the Review has identified the way this should be done, and this is set out in Chapters 4 to 8. The Review **recommends** that the best way for the Government to do this is to take forward these recommendations as a framework for future conditionality and support. This will greatly assist long-term planning for Jobcentre Plus and providers and set a clear basis for future discussions with stakeholders and communication with claimants.

## The vision for a personalised conditionality and support regime

The Review **recommends** a vision for a personalised conditionality and support regime where, for the first time, **nearly everyone who is claiming benefits and not in work should:**

- Have a clear understanding, underpinned through legislation, that they need to be engaging in activity that will help them to move towards, and then into, employment;
- Have an adviser who is sufficiently empowered, with whom they will be able to express their own views, expectations and aspirations, as part of agreeing and jointly owning a routeway back to work;
- Be obliged to act on the steps that they agree will help them;
- Have a clear understanding of the expectations placed upon them (and why) and what the consequences are for failure to meet these; and
- Be able to access a wide range of personal support on the basis of need not the benefit they happen to be on.

## The personalised conditionality and support regime

The key principle underpinning the new regime must be that virtually all claimants are on a clear path back to work. The Review considered various ways in which it would be possible to achieve this. One option would be simply to place all claimants on the JSA jobseeking regime. There are some arguments in favour of this; namely the jobseeking regime has a clear framework for requiring people on the benefit to be consistently taking steps to find work and offers some flexibilities where people face particular barriers to work.

However, the Review **recommends** that the Government should clearly rule out that option as being neither a realistic nor an effective way of delivering a personalised conditionality and support regime. The JSA jobseeking requirements are strongly focused on immediate, sustained jobseeking activity – that is its strength. However, it is not capable of easily meeting the needs of the large majority of people currently dealt with through the WFI regime, given the barriers they face and their much lengthier and unpredictable route back to work. It would inevitably lead to sanctions and the negative consequences for vulnerable groups would be likely to be far too high.

The only way to accommodate these wider groups within the jobseeking regime would be to expand significantly the easements that currently exist to enable advisers to relax the jobseeking requirements (if, for example, a person is ill or has suffered a bereavement). However the breadth of easement that would be required would significantly weaken the jobseeking regime for those perfectly capable of actively seeking work from the outset and add in huge complexity to current procedures.

Therefore, the Review **recommends** that the Government builds up a single personalised conditionality regime but ensures that within this framework there is clear recognition, in law, policy and practice that there are two main groups within the regime, with both groups moving back towards work, but with different requirements and expectations (see Chart 6). These two groups and their requirements are:

**The 'Work-Ready' group.** A largely rules-based, primarily self-directed set of conditionality requirements based around active jobseeking and availability for work for those considered able to return quickly to work; and

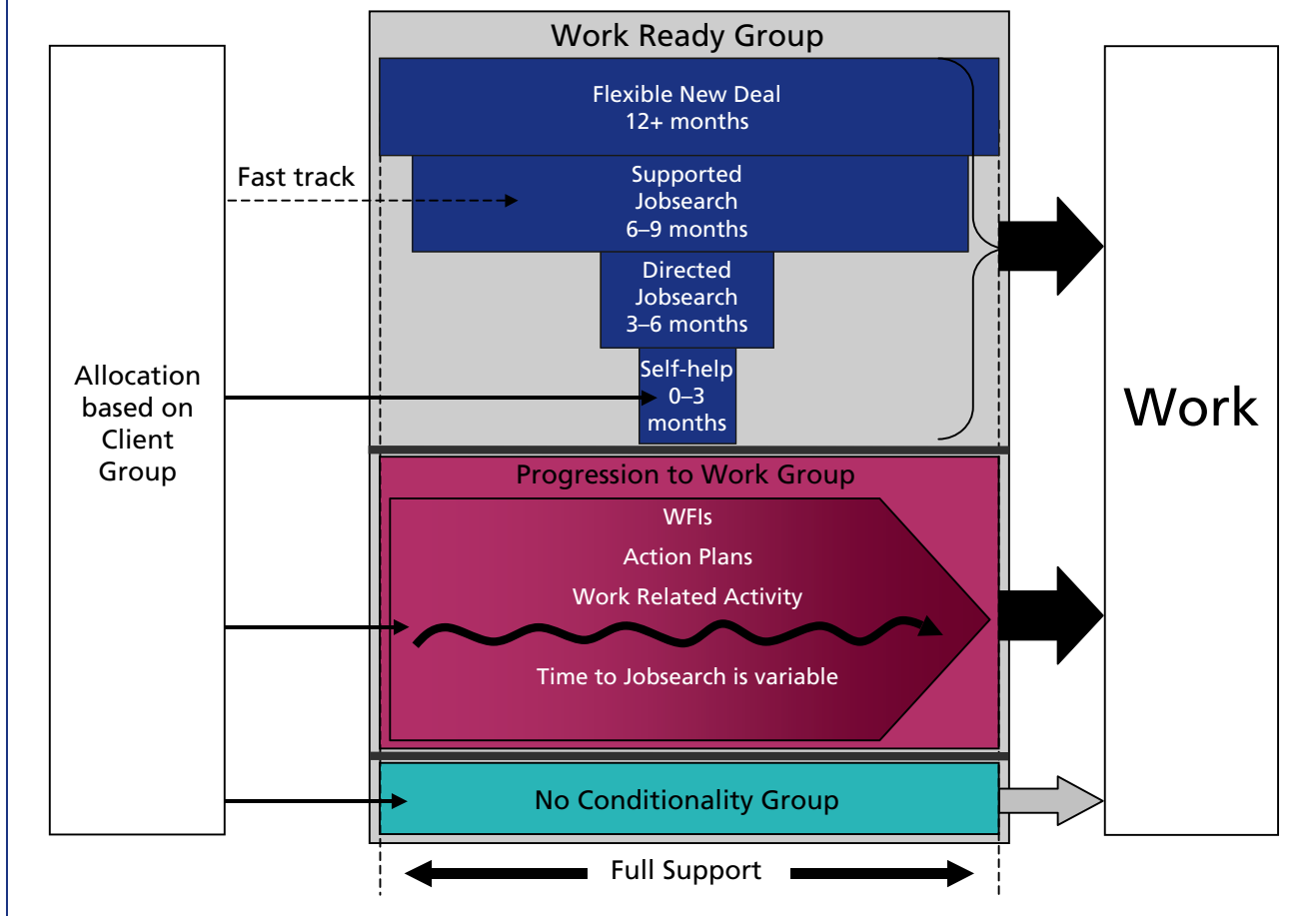
**The 'Progression to Work' group.** A more personalised set of requirements for people where an immediate return to work is not appropriate but is a genuine possibility if they have sufficient time, encouragement and support, and where the conditionality is:

- Based around the claimant's co-ownership of the return to work process with their skilled adviser;
- Tailored to their capabilities (which may vary significantly and improve or worsen over time);
- Based around the claimant undertaking activities which support their own path back to work; and
- Clearly linked up with effective support.

In addition the review **recommends** that the Government clearly identifies a third group of claimants who should not be required to meet any work conditionality requirements whatsoever. For this group any return-to-work activity would be entirely voluntary. This is termed the **'No Conditionality' group**.



**Chart 6: An overview of the personalised conditionality regime**



There are a number of **common features that should underpin expectations of both the Work-Ready group and Progression to Work group**. With both groups there would be:

- A clear focus on the objective of active job search and a return to work;
- Appropriate support available through advisers who have a high level of ability and flexibility to engage, support and motivate;
- A need to secure genuine engagement in the return to work process;
- A need for mandatory action plans setting out agreed actions to return to work;
- Regular contact with an adviser to review what has been done and to support further progress towards work; and
- Many different individual routes back to work.

Nevertheless, there are some important differences in the way groups will experience the overall regime and the requirements that would be placed upon them.

## Conditionality and support for the Work-Ready group

The Review **recommends** that the Government continues to identify a group of people who can be expected to make a prompt return to work and that the requirements that are applied should largely reflect the current JSA jobseeking requirements (subject to the adjustments suggested in later chapters). These requirements are based around:

- An immediate and continuous focus on high levels of jobsearch and an ability to take up work at the earliest possible opportunity;
- Self-directed activity to find work;
- The availability of personal support and programme activity but generally only once certain benefit durations have been reached; and
- Increased support being accompanied by increasingly strong conditionality requirements.

The evidence in Chapter 2 clearly identifies the underlying effectiveness of the current conditionality regime for those most capable of moving into work. The large number of claims per year and the rapid movements of jobseekers off JSA indicate that the current approach is effective. It will be important not to lose that.

**The evidence also shows the advantages of more personalised support for certain groups of claimants** to help navigate their way through the JSA conditionality requirements (available at present through the various New Deals and, in the future, from Flexible New Deal provision). That approach needs to continue for the Work-Ready group as well, and Chapter 5 makes some recommendations as to how the system can be personalised further.

## Conditionality and support for the Progression to Work group

The Review **recommends** that the second main group who should be identified within the personalised conditionality regime is the Progression to Work group. The expectations underpinning this group have some similarities with those underpinning the Work-Ready group, but there are also important differences. In particular, this group would be suitable for people where the prospect of an eventual move into employment is a reasonable one, but where any immediate requirement to actively seek work is unlikely to be.

To be effective in helping claimants achieve sustained employment this group needs a highly personalised approach from the outset. To achieve this, the Review **recommends** creating through law, policy and practice a set of four inter-locking requirements for claimants to:

- i. Attend WFIs with their adviser at appropriate points;
- ii. Design and agree an action plan with the adviser that sets out the work-related steps they agree to take to help them back to work;
- iii. Undertake work-related activity to support their own route back towards work, with progress monitored through WFIs; and
- iv. Follow short, focused adviser directions when required.

### **i. Attending Work-Focused Interviews**

Any claimant in the Progression to Work group should begin a process of meeting and working with their adviser from around the beginning of their claim.

The purpose of the **initial WFI** would not, as now, be to 'sell' the support available and hope the claimant continued to engage on a voluntary basis. Rather, the adviser would use it to start **to build a good rapport with the claimant** and to ensure a deeper exploration of the claimant's situation, aims and aspirations. It would also be used to start to explain the practical, personal and financial support that can be made available to support any transition back into work.

#### **Further WFIs with the adviser would serve two key purposes:**

- To ensure continuing contact to offer support and encouragement and to start to identify and deal with the personal barriers and bridges to work they face; and
- To agree and update their action plan setting out the work-related activity the claimant had agreed to undertake between the WFIs.

#### **When would WFIs occur?**

The Review **recommends** that this pattern of WFIs should continue for the entire duration of the claim to benefit. There is little merit in imposing a crude cut-off point when any mandatory requirements to move towards employment should cease.

The Review also considered what the pattern of timings should be between WFIs. Current legislation sets the spacing between repeat WFIs as anywhere between monthly, six-monthly and three-yearly depending on the client group and the point of the claim.

There is a risk that if the gaps between contact are longer than one or two months then the impact of any messages imparted or agreements made can be reduced. That is important when the objective of the WFI is to help a claimant make sustained progress. Nonetheless, even if the default position is, for example, monthly WFIs the Review **recommends** that sufficient flexibility is given to advisers and claimants to agree an appropriate pattern of attendance that reflects their circumstances and the timing of the work-related activity they agree to undertake.

## ii. Work-related activity

The Review **recommends** that claimants in the Progression to Work group are therefore required to undertake some work-related activity between WFIs for as long as the WFI regime remains in place. The activity which they agree with their adviser can be anything that both parties agree would support an eventual return to work.

### What constitutes work-related activity?

There is strong evidence that claimants' routes back to work vary a lot and frequently involve addressing issues that have very little to do with jobseeking directly. The requirements that would apply to the Progression to Work group need to reflect this and provide a tailored and supportive regime rather than requiring claimants to undertake only employment programme provision and jobseeking activities. Work during the passage of the 2007 Welfare Reform Act has resulted in a very broad definition of what could count as work-related activity. **This includes any activity that helps claimants:**

- **Stabilise their own/family situation** (e.g. assessing childcare options, seeing a debt adviser about stabilising financial situation, resolving a housing situation or joining a Children's Centre);
- **Manage their health for work** (e.g. Condition Management Programmes, drug and alcohol rehabilitation, 'Progress to Work' for drug misusers or therapy or physiotherapy for a common health condition);
- **Improve their skills for work** (e.g. undertaking a basic skills programme or attending a Jobcentre Plus or external training programme);
- **Look for work** (e.g. working with an NDLP or NDDP adviser to consider jobseeking ideas or independent job search); and
- **Prepare for full-time employment** (e.g., through work tasters or work trials, permitted work, volunteering or preparation for self-employment and part-time working).

The Review **recommends** that this broad approach continues to be the basic framework for defining work-related activity and that there is also discretion for other activity to be accepted if it is relevant and necessary in an individual's case. The Review also **recommends** that access to provision to help take work-related activity forward should be available from the outset of the claim and on the basis of need rather than the benefit they happen to be on (see Chapter 8 for more detail).

Such an approach can ensure the requirements that claimants sign up to are genuinely tailored to their own situation. The timing of WFIs to monitor work-related activity can therefore be built around what activity a person undertakes and when that activity is being completed.

### **When would work-related activity commence?**

The Review **recommends** that a requirement to undertake work-related activity should *not* be applied automatically from the outset of the claim. There would need to be an initial phase where it could be explained to claimants what requirements were to be placed upon them. This would allow them to consider and prepare for the new regime and support information gathering between both the claimant and the adviser. For people with a health condition or disability this period could also allow for some settling of the person's condition (e.g. movement beyond the acute phase). For others, for example lone parents with young children who had only recently separated, it would similarly allow a reasonable period of adjustment.

Advisers would need flexibility to deliver a more personalised approach but this would need to be backed up to ensure that work-related activity commenced in all cases within a certain period, such as three months, to ensure some degree of fairness.

### **iii. Designing and agreeing an Action Plan**

Although claimants undertaking WFIs already have to contribute to the completion of an Action Plan, this is currently an underdeveloped tool that has little meaning.

Given the importance of action planning in supporting returns to work the Review **recommends** transforming the role of the Action Plan and giving it a more central, enforceable status in the ongoing discussions and relationship between claimants and advisers.

The Action Plan should cover the agreement with the claimant to take steps to move towards work search and employment, even if those destinations and the timescales for achieving them are very uncertain.

The Action Plan should also set out the specific steps the individual and adviser have agreed will be undertaken between now and the next WFI. **The Action Plan therefore embodies the co-operation and co-ownership of the back to work process.**

As with the Jobseeker's Agreement for the Work-Ready group, it will be important to ensure claimants are aware that they should follow the activity they have agreed to undertake in their Action Plan. On each subsequent WFI the adviser's role would be to monitor progress and review and revise the Action Plan accordingly to set the next phase of agreed (mandatory) activity.

### **What would happen if the agreed actions were not followed?**

Where the agreed action had not been undertaken this would be potentially sanctionable. However, the Review **recommends** that any referral to sanction for failure to follow activity agreed through the Action Plan should be **subject to three safeguards**:

- i. Good cause provision in the event the claimant was, for example, too ill to undertake any activity;

- ii. If the individual had changed their approach and undertaken a different, perfectly valid work-related activity then they should not be penalised (although claimants would need to be strongly encouraged to discuss changes between WFIs with their adviser); and
- iii. If an individual is willing to undertake several activities they should not face a significantly greater risk of sanction compared to an individual who only agreed one activity. One way to do this would be to distinguish between the activity the claimant needed to undertake and those that were additional.

#### **iv. Following short, focused adviser directions when required**

The requirements that apply to claimants in the Progression to Work group are built around a system of encouragement, agreement and co-ownership. This personalisation should underpin the Government's approach. So dealing with a situation where no agreement can be reached between the claimant and the adviser is a challenge that acts against a fully personalised regime. However, even though the system should not be driven by the logic of direction, the Review **recommends** that the advisers helping claimants should be able to direct them to undertake a specific work-related activity in some limited circumstances.

#### **When could a direction arise?**

The Review **recommends** that an adviser direction could arise in the following circumstances:

- Where a claimant has a proven, significant barrier to work which they have been encouraged to address but have failed to do so (for example attend a drug treatment programme);
- Where a claimant has been sanctioned for failing to undertake any work-related activity or does not agree to undertake any work-related activity as part of the action planning process; and
- Where a claimant's return to work activities are proving ineffective and they are unwilling to consider other options.

The Review also **recommends** that the following checks and balances would be required to ensure any direction was applied reasonably:

- Advisers would always need to encourage, negotiate with and support people into activity they genuinely felt was necessary first before direction became an option;
- When any activity was directed then it would be important for the claimant to have the right for that decision to be looked at again by a third party where appropriate; and
- The aim would be to end the need for direction at the earliest possible opportunity.

### What activity could an adviser direct a claimant into?

The Review recognises the need for particular sensitivity and careful evaluation in this area but **recommends** that an adviser should be able to direct a claimant into any activity that fits within the definition of work-related activity.

The only clear limits to these powers would be around directing claimants into, for example, invasive medical treatments or those that would clearly fall foul of human rights legislation or violate medical codes of practice. In addition, the Review **recommends** that any powers of direction should never be used to force claimants to apply for specific jobs, attend job interviews, take any particular form of employment, or to sanction an individual for failing to do so. This would prove counter-productive in establishing the right requirements for the Progression to Work group. In addition, in the context of those with more serious health conditions on ESA, there is no assessment tool available to reliably inform an adviser as to whether any particular individual can cope with any particular job given their condition.

### Would claimants need to move between the two groups?

**The need for movement between the two groups should be minimal.** This is because both groups can support people to progress all the way into work. There is no need for claimants to swap from one to the other as they get closer to the labour market and start to become capable of looking for jobs. Any movement between groups would only be necessary when a person no longer met the conditions for being within a particular group (for example where they no longer met the WCA threshold – see Chapter 5 for which claimants are in which group).

### The No Conditionality group

The Review **recommends** that the Government clearly identifies some groups of claimants as not needing to meet any work conditionality requirements whatsoever. These individuals would sit outside the two main groups and should not even be required to face a WFI regime. Any support should continue to be available for this group but entirely on a voluntary basis. Claimants might fall into this group for two reasons:

- i. Because it would not be reasonable to expect and require them to undertake any form of work-related activity; or
- ii. Because they are undertaking activities that mean a requirement to take steps back to work is inappropriate.

## Conclusion

This section starts to map out a vision for a personalised conditionality and support regime that could apply to everyone on benefits. This vision fits with the available evidence and addresses the key weaknesses identified in earlier sections. It should increase employment rates, reduce child poverty and fundamentally change expectations amongst Jobcentre Plus staff, providers and claimants themselves about what it means to be on benefit. As long as this can be done in a way that is built around the individual's own circumstances and their co-ownership of the return to work process, then this should be a very positive step. The alternative, leaving the most disadvantaged on benefits without ongoing contact and personal engagement, is a profound waste of human potential.





## Chapter 5: Identifying the Three Groups

### Summary

The personalised conditionality and support regime needs to identify two core groups heading back towards employment: a Work-Ready group and a Progression to Work group. In addition some claimants should face no mandatory activity whatsoever.

The Review considered carefully the best way of deciding which claimants should be in which group. In principle, we could aim for a more individualised and sophisticated assessment of distance from the labour market to identify who goes where. However, the Government needs to tread carefully whilst there are still differences in payment levels and conditionality regimes built into separate benefits, so **initially entry should continue to be on the basis of general characteristics** (e.g. lone parenthood and age of youngest child). This is not a fully personalised approach but it has the advantage of being simple and well understood

**The Work-Ready group should consist of** all those currently required to claim JSA and those lone parents and partners with older children. To take forward the vision of a personalised conditionality regime for this group, two changes should be made:

- Speeding up access to the more personalised parts of the JSA regime for harder to help groups; and
- Improving support for people on JSA with a health condition or disability.

**The Progression to Work group should consist of:**

- People who claim/are entitled to ESA and meet the Work Capability Assessment (WCA) threshold but who are not in the ESA Support Group;
- Lone parents with a youngest child aged between one and seven; and
- Partners with a youngest child aged between one and seven.

The conditionality requirements set out for this group in Chapter 4 build on the proposed requirements for ESA claimants from 2010. They are however a significant step forward for lone parents, but this is justifiable in light of the evidence of the effectiveness of the current WFI regime.

**The No Conditionality group should consist of:**

- The ESA Support group;
- Lone parents and partners with a youngest child aged up to one; and
- Carers receiving, or entitled to, Carer's Allowance or a Carer's Premium.

## Introduction

Chapter 4 started to map out a vision for a personalised conditionality and support regime that could apply to everyone on benefits. Under the regime nearly all claimants would be placed within one of two main groups, both of which would be moving claimants back towards employment:

- A Work-Ready group is for those considered able to return to work promptly; and
- A Progression to Work group is for those where a return to work is a realistic prospect but immediate jobseeking activity is not.

In addition alongside these two groups there would remain a small group of claimants facing no mandatory activity whatsoever.

This section sets out recommendations around how the Government should decide which claimants should be within different parts of the new personalised conditionality and support regime. It then identifies what changes will need to be made to current policy direction and proposals from the Green Paper, *No One Written Off*, to realise the vision.

## Allocating claimants – moving beyond benefit boundaries

The Review considered carefully **how the Government should decide which claimants should be in which group**. If the recommendations in this Review were implemented then it would mean that the two core conditionality requirements are much more aligned than they are currently, since there is a very significant disparity between the jobseeking and WFI regimes. This potentially offers scope for the Government to adopt a very different approach towards deciding which claimants go where.

In principle, sorting out which claimants should be allocated into which group could be based on a much more individualised and sophisticated assessment of distance from the labour market rather than the much more simple assessment based on general characteristics (such as whether a person is a lone parent and the age of their youngest child) that currently applies to both benefit receipt and associated conditionality.

A potential advantage of this approach is that it could enable the Government to identify more marginal groups, currently defined as Work-Ready, who might be better supported through the conditionality of the Progression to Work group. Alternatively a number of people in the latter group may equally be helped more effectively if they were treated as Work-Ready.

However, there are **strong reasons to be cautious:**

- This approach towards identification works much better when there is a single benefit structure with no differences in payment levels or durations. However we are not yet in that territory and re-directing people from one group to another on the basis of a more individual assessment of job readiness raises profound difficulties when there are still a number of different benefits in existence and payments levels vary;
- There is no proven, effective screening mechanism that can be applied across all claimants to enable Jobcentre Plus to identify how difficult it is going to be for a person to find work and whether the Work-Ready or Progression to Work group is more suitable for them. International models provide some interesting insight (see Box 5 overleaf) but there is no readily accessible tool; and
- A complex screening mechanism could seriously weaken the entry-point to the Work-Ready group if claimants were able to argue for minimising their own conditionality requirements.

Chapter 9 covers the issues in more detail in the discussion of the Single Working-Age Benefit. Nonetheless, initially, the Review **recommends** that entry into the Work-Ready or Progression to Work group should continue to be on the basis of general characteristics e.g. lone parenthood and age of youngest child, and degree of incapacity as a result of a health condition or disability. Even though this is not a fully personalised approach, it has the advantage of being simple and well understood, and fits well within a system where there is still more than one benefit and numerous payments levels.

### Box 5: Screening of the unemployed in the Netherlands

Since 1999, the Netherlands has used jobseeker profiling as a way of filtering out easier and harder to place categories of jobseekers, and using this as a basis to determine the level of assistance they receive.

When an individual registers as unemployed they undergo an initial interview which is used as a basis to categorise them into one of two groups:

- Job ready (80 per cent of individuals)
- Those requiring further assessment and assistance (20 per cent of individuals)

The main focus of the interview is to assess the individual's ability to search for jobs independently. The adviser will also take account of factors such as the individual's level of education, their knowledge of the Dutch language, duration of benefit dependence, their health status, motivation and personal circumstances.

Individuals deemed to be job ready will be expected to look for jobs themselves for the first six months, with assistance as necessary from the Centre for Work and Income (CWI).

Those requiring further assistance will be passed on to either the Institute for Employee Benefit Schemes (UWV) or the municipalities, who will carry out a further assessment to determine their reintegration requirements. These assessments generally combine information on the individual's personal circumstances, the advice of their CWI advisor and statistical information on combinations of job vacancies and personal circumstances to determine the individual's distance from the labour market and what reintegration package would be most appropriate for them.

Individuals are then passed over to a private reintegration provider (the municipalities provide some services in-house) who will then conduct a further assessment of the individual and put them onto a reintegration trajectory, consisting of a package of work activities which the individual will undertake in order to return to employment.

### Which claimants should be in the 'Work-Ready' group?

The Review **recommends** that, initially, all the claimant groups who are currently required to claim JSA, as well as those lone parents and partners with older children currently in the process of moving into the JSA jobseeking regime, should be considered as part of the Work-Ready group.

In addition, the Review **recommends** that the nearly all of the key features of the current JSA regime (as proposed through the Flexible New Deal and Work For Your Benefit proposals) should continue. This will start to take forward the vision of a personalised conditionality regime.

Under the Flexible New Deal model more personalised support is available from the six month point of the claim. At this point all those still in the Work-Ready group will be allocated a personal adviser and have greater scope to work through a more tailored and challenging Jobseeker's Agreement (based around specific efforts to find work combined with activity to improve employability). From 12 months those still left will be referred for further specialist help through a Flexible New Deal provider who will be able to provide tailored programmes and work-related support.

However the Review does **recommend** that some further changes are made to ensure the Work-Ready group face a system of conditionality and support that is sufficiently personalised.

## Refining the JSA jobseeking regime to deliver more personalised support for the Work-Ready group

### **Speeding up personalised support in the JSA regime for harder to help groups**

The proposed JSA regime balances the very quick turnaround of most claims against the provision of personal support by rationing the latter, primarily on the basis of claim duration. This means that only those who have shown they are unable to find work by actually being on benefit for some time are automatically eligible for extra support.

The Review is content with this approach as a way of ensuring resources are not wasted on the very large numbers who return to work quickly. However the Review does think there is a real need to ensure the JSA regime becomes more personalised for a number of groups where broader evidence suggests a significant disadvantage in the labour market.

### **The Review is particularly concerned about people who would form part of the Work-Ready group on JSA who fall into the following categories:**

- Ex-offenders;
- People with a health condition or disability (particularly those moving onto JSA having not met the threshold for the WCA within ESA);
- People who are homeless; and
- People who are drug misusers.

The Review has found no clear evidence to suggest these groups should be taken out of the Work-Ready group. However, providing more personalised support through an adviser and giving access to employment provision has been shown to improve the frequency and quality of jobsearch activity, and has improved confidence and motivation. This is particularly the case where the individual has problems with alcohol, drugs, basic skills or mental and physical health issues. Furthermore, there is some evidence that this will increase off-flow rates. As such this help should become available before claimants are disillusioned or move on to other benefits or inactivity more generally.

**At present there is a mechanism that allows claimants to gain immediate access to the more personalised stage of JSA that normally starts at six months.** This is known as fast-tracking. The only groups who are required to be fast-tracked into this more personalised part of the JSA regime are those who make a new claim to JSA having previously spent at least 22 out of the last 24 months on the benefit, and some young unemployed people.

Other groups are able to volunteer for this provision. Those who can volunteer include the key groups identified above and other groups such as jobseekers who have been in residential care and those who have language, literacy or numeracy problems.

Simply relying on these groups to volunteer for early access (given that they will often be marginalised and disillusioned) means that many will end up losing out on the offer of personalised support for long periods. The Review **recommends** that the most effective way of personalising the regime for the Work-Ready group is to automatically move all of the groups identified above so they can immediately benefit from the more personalised support available after six months.

### **Improving support for people on JSA with a health condition or disability**

To offer an effective and supportive service to all of the Work-Ready group the Review believes that more needs to be done within JSA to properly support people with more moderate but still limiting health conditions or disabilities. This is both those who report a health problem whilst on JSA and those who have been claiming ESA but have not met the WCA threshold and have subsequently claimed JSA.

The relative weakness of the JSA regime in helping such people back to work is well documented. Compared to the overall JSA population, **those who claim JSA after a period of time of IB/ESA have a notably slower off-flow rate and are five times more likely to flow off into inactivity or to try and claim another benefit again, and only half as likely to move into work as other claimants.**

A number of very broad easements are also in place within JSA. These could allow this group to bypass almost completely any back to work requirements resulting in a potentially lower level of conditionality than claimants would be required to meet in the Progression to Work group. Current requirements which automatically push claimants off JSA after a fixed number of short periods of sickness appear likely to confuse claimants as well.

**The changes to the threshold that have accompanied the introduction of the WCA** are likely to mean that the jobseeking regime will have to deal with greater numbers of people with a genuinely limiting health condition or disability. Much of this increase will come from those with a higher level of impairment than the regime has previously had to deal with.

Therefore, the Review **recommends** that an immediate focus is placed on ensuring the JSA regime offers more tailored, appropriate and personalised support for those people in the Work-Ready group with a health condition or disability. The Review **recommends** that the Government considers **four interlocking approaches** that would enhance the speed with which this claimant group moves off benefit and the proportion that move straight into work. These are:

- i. **Automatically fast-tracking those claiming JSA who have failed to meet the WCA threshold into the six month stage of the jobseeking regime** (where a Personal Adviser is allocated and programme support is more readily available);
- ii. **Improving information sharing between the ESA and the JSA regime.** As part of the new WCA process a claimant will also have had to complete a WFHRA. This will provide a doctor's assessment of the positive capabilities a claimant has and how their work aspirations fit with their health condition. This report is currently ignored when a claimant fails to stay on ESA and moves across to JSA. It needs to be automatically shared with the JSA adviser to ensure suitable plans can be developed and, if necessary, provision can be identified to help that claimant back to work;
- iii. **Making more support available to help those with notable conditions to manage their health more effectively.** Knowledge of how to support people to manage their health condition is increasing through, example, the Condition Management Programmes in Pathways to Work. Some form of suitable support needs to be made available to help reduce the impact of the health condition on jobseeking; and
- iv. **Re-considering the broad easements that currently apply within the jobseeking regime** to ensure claimants will not be left on JSA without effective support and encouragement and with lower levels of conditionality than apply to others within the Progression to Work group. The Government should also look at those rules which might quickly remove them from JSA again if they have a number of short periods of sickness.

#### **How can disadvantaged groups be most effectively supported in the longer-term?**

The Government needs to build greater personalisation into the regime which applies to the Work-Ready group without fundamentally changing the boundaries between the two groups. In the longer-term, there may be greater scope for considering whether certain groups currently supported through the Work-Ready group (ex-offenders, known drug misusers, and lone parents with older children) could be helped more effectively through the Progression to Work group. This is on the basis that the latter approach gives much greater scope for stabilisation, preparation and personal engagement as a precursor to finding work. The Review **recommends** that the Government considers piloting a study to assess the relative merits of allocating harder to help claimants to the Work-Ready and Progression to Work groups. This may be combined with the work to develop a Single Working Age Benefit, discussed in Chapter 9.

#### **Which claimants should be in the No Conditionality group?**

As Chapter 1 noted, when considering the efficacy of the current conditionality regime it is important to assess whether it is effective in helping Government to achieve its goals and whether these goals are appropriate.

In light of this, the Review **recommends** that three main groups should fall outside the main Work-Ready and Progression to Work groups and into a group where no conditionality whatsoever is applied.



However, **the Review is not suggesting these groups should be written off**. Full support will be available from the outset of their claim on a voluntary basis, but there should be a recognition that their status makes it appropriate that the decision whether to take steps to get back to work, or not, is a purely individual one. There are three main categories of claimants that fall within the No Conditionality group:

### **Individuals currently fitting within the proposed ESA Support Group**

The new WCA has already identified certain groups where it would not be reasonable to mandate even modest amounts of work-related activity. The Review is aware that this was developed with experts in disability assessment medicine, stakeholders and Parliament. It seems sensible to continue to work from this base. The Review **recommends** that this group continue to have no conditionality applied to them. **This includes claimants**

- With the most severe mental health conditions;
- Undertaking intravenous chemotherapy treatment;
- Who are terminally ill; and
- Who cannot speak or write or use British Sign Language.

The Review also **recommends** that when the WCA is reviewed again the requirements that will apply under the Progression to Work group are considered as a context for identifying which people should not be required to undertake any compulsory work-related activity.

### **Lone parents and partners whose youngest child is under 12 months<sup>1</sup>**

The Review **recommends** that lone parents and partners with children under the age of twelve months should have no conditionality whatsoever applied to them. This is **for two key reasons:**

- i. Although there is a lack of a clear story, there is **some evidence to suggest that there are negative impacts on children if the main carer works when the child is aged below twelve or eighteen months**. For example, employment of the mother in the first year of a child's life tends to be associated with poorer outcomes in reading later on (Joshi and Verropoulou, 2000). Similarly, Gregg et al (2005) found a small but negative effect on children's cognitive outcomes as a result of maternal employment in the first year after birth. However, as mentioned in Section 1, authors using American data found a more considerable impact on child outcomes. Waldfogel et al (2002), using data from the United States National Longitudinal Survey of Youth (NLSY), found significantly poorer cognitive outcomes for the children of mothers who had worked during the first year of their lives. and

<sup>1</sup> and anyone claiming IS on the grounds they are due to give birth within the next six weeks

- ii. The Government has increasingly taken steps to protect the position of most working parents in the first year of a child's life through extensions to parental leave and pay provisions. **This is to ensure that most working parents have the right and the ability to look after, and bond with, their child during that period.** A decision to return before the 12 month point is much more down to family choice than it has been previously. It seems sensible to try to mirror that broad approach and not apply any conditionality requirements during this period.

The Review therefore **recommends** that the current WFI conditionality requirements that apply to lone parents and partners with children under the age of 12 months are removed. It also **recommends** that the Government gives active consideration to how, in the longer-term, it can give parents with very young children a separate status within the benefit system. This would recognise the fact that they are different from most other benefit recipients and protect them from the usual requirement to be heading towards paid employment during this period.

**Carers fulfilling the criteria for carer's allowance/carer's premium** (i.e. providing a minimum of 35 hours of care a week to a person in receipt of higher levels of DLA)

Of the 4.3 million working age carers in this country, two thirds are able to combine paid work and caring. However a significant number, including the majority of the Carer's Allowance caseload, experience significant obstacles to doing so, often based on the needs of the person cared for. Whilst caring and working may be the ideal outcome for some carers, there are **two significant complexities with applying the conditionality associated with the Progression to Work group to carer's benefit recipients:**

- i. Fulfilling caring obligations (at levels of 35 hours plus) should be seen as a form of work, albeit unpaid and compensated for through Carer's Allowance and Carers' Premiums in Income Support. Carers are fulfilling their social responsibility by caring. The Government cannot assume that moving carers into work would be the best outcome, especially if it came at the expense of quality of care for the person they are caring for. If a person wishes to combine their caring with paid employment then that is a positive choice which the Government should actively support. However it should not be looking to supplant caring with paid employment.
- ii. There is no effective welfare to work programme in place for this client group. This is important in considering the justification for conditionality, as there is no evidence that the Review is aware of that conditionality is likely to make work a more realistic outcome.

As such the Review **recommends** that the conditionality requirements are not appropriate for carers and conditionality should be removed for those also claiming Income Support (there are no WFI requirements on those claiming Carer's Allowance on its own).

The Review also **recommends** that the Government gives active consideration to how, in the longer-term, it can give those with significant caring responsibilities a recognisable status to identify the fact that they are different from most other benefit recipients, and protect them from the usual requirement to be heading towards paid employment. This issue is returned to in Chapter 9 when discussing how the proposed conditionality regime fits with a Single Working Age Benefit.

## Which claimants should be in the Progression to Work group?

Given the coverage of the Work-Ready group and those affected by the no conditionality requirements the Review **recommends** that all other main claimant groups are situated within the Progression to Work group. This means the main groups being covered would be:

- People who claim/are entitled to ESA and meet the WCA threshold but who are not in the ESA Support Group;
- Lone parents with a youngest child aged between one and seven; and
- Partners with a youngest child aged between one and seven.

Under the Progression to Work grouping the conditionality is more personalised than at present, reflecting the fact that many claimants in these groups have genuine personal and external barriers to work, and will not be capable of working immediately. However, while the current WFI conditionality regime has helped many of the more job ready amongst this group attain work, it has been less effective for the more disadvantaged or disillusioned. As set out in Chapter 4 **the conditionality regime proposed here addresses this by combining personalised support with a requirement for claimants to:**

- i. Attend WFIs;
- ii. Work with an adviser to design and agree an Action Plan which records suitable steps back towards employment;
- iii. Take the agreed steps that support their own route back towards work; and
- iv. As an ultimate recourse, act on directions provided by their adviser.

## Refining the proposed ESA conditionality regime to help more claimants on their progression to work

The conditionality requirements under the Progression to Work group are similar to that already planned for some new ESA claimants from 2010 as part of the Government's most recent Green Paper, *No One Written Off*, proposals. This combines WFIs with a limited work-related activity requirement overseen by a supportive Personal Adviser. Nonetheless the Progression to Work group requirements take us beyond the Green Paper proposals. In particular the Review **recommends** that we build on the proposals by:

- Making movement into job search and work a clearer underpinning goal;
- Making the Action Plan more central to the process, more clearly jointly-owned, focused on the prospect of an eventual return to work and potentially sanctionable;
- Giving advisers the power to direct claimants into a wide range of activities (short of requiring them to apply for specific jobs, attend job interviews or take any particular form of employment); and
- Keeping the requirement to provide adviser support and enable progress towards employment an ongoing requirement as long as benefit continues.

Finally the Review **recommends** that the Government continues to look to develop the WFHRA. This appears to be a crucial tool for linking together health and work advice. In particular, the Review **recommends** that it is developed further to facilitate:

- **Adviser support for their claimant.** It would be useful if it could identify whether additional help to manage a condition would be useful, and give both claimant views and **a doctor's insight** into whether they appear appropriate. This will prove useful in the event that someone failed the WCA and ended up on the JSA side;
- **Adviser direction.** Identification of whether a particular need for drug or alcohol support has been identified; and
- **Ad-hoc advice.** This would enable advisers to refer claimants to get a separate assessment, outside the normal cycle of WCAs where necessary, if that would support the claimant to undertake a wider range of work-related activity.

## Helping more claimants on their progression to work – refining the lone parent regime

The requirements that apply to those in the Progression to Work group are very different from current requirements for lone parents with younger children. At present the regime only combines WFIs with Personal Adviser support. The Review therefore **recommends** that we take forward the current lone parent regime for those with younger children by:

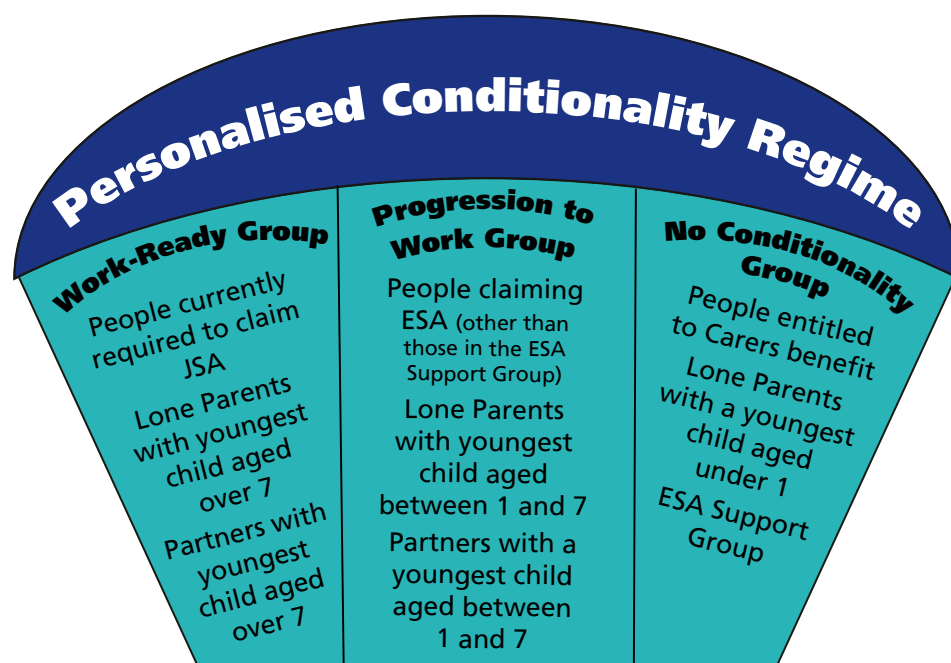
- Building in a much **more frequent but flexible pattern of WFIs** than at present and a mandatory requirement to undertake work-related activity (as per ESA claimants) after an initial planning period;
- Keeping the requirement to progress towards employment an **ongoing requirement** as long as benefit continues or the age of youngest child means a move to the Work-Ready group;
- Making the **Action Plan more central to the process** and more clearly jointly owned as for ESA claimants;

- Requiring clients to undertake some level of agreed **work-related activity** in-between each WFI; and
- Giving advisers the **power to direct claimants** to undertake specific work-related activity, as for ESA claimants.

## Conclusion

This section sets out recommendations around how the Government should decide which claimants should be within different parts of the new personalised conditionality and support regime (see Chart 7 for a summary). The proposals are consistent with the direction of travel as laid out in the Green Paper, *No One Written Off*, and are intended to build on this to lay down a sensible set of next steps for key groups of claimants.

**Chart 7: An overview of which claimants are in the three groups**



## Chapter 6: The Role of Sanctions

### Summary

Conditionality backed by sanctions has long been a part of the benefit system. This approach has had a great deal of success, in the main without adverse consequences. However sanctions should still be seen as a last resort. The review believes an effective sanctions regime is one that drives behaviour to increase the chances of finding work, and penalises non-compliance, without creating excessive hardship. The key principles are that a sanctions regime should:

- Increase compliance with labour market requirements, particularly attending meetings with advisers;
- Be clear and easy to understand;
- Be fair, timely, and consistent in the way it is imposed; and
- Be proportionate and not create excessive hardship.

Whilst the current regime is broadly effective and certainly increases compliance with labour market conditions, there is also widespread acknowledgement that it is not as “clear and crisp” as it could be, and there are areas to be addressed. The review has a series of recommendations around the themes of speed of sanctions, clarity and communications, and repeat offenders.

In the short-term the focus should be more on speed, clear communication and ensuring that appointments are attended wherever possible. In the medium to long term the Government should explore clearer fixed fines and more innovative approaches for repeat offenders.

### Background

The sanctions process is complex, reflecting the duty under the European Convention on Human Rights and legislation to apply principles of natural justice, consideration of evidence, standards of proof, and application of relevant law. In that context a claimant who is unsatisfied with a decision can appeal to an independent tribunal. Around 18,500 such appeals were received by the Tribunal Service in 2007-2008, and 7,500 heard (with around one quarter in favour of the claimant).

A system for making objective decisions, applying sanctions and a right to appeal is a given within a conditionality framework. If claimants fail to comply, there needs to be a mechanism to make decisions on whether non-compliance is acceptable and, if not, to administer the penalty.

In the year to August 2008, over 800,000 labour market sanction decisions were made, of which about one third related to failing to attend an interview or appointment, and around another third related to losing a job through misconduct or leaving a job voluntarily.

Decision Making referral volumes and disallowance rates (i.e. in favour of DWP) over 12 months to August 2008		
Reason for the referral	Number of Referrals	Disallowance rate
Failure to attend an interview or appointment	324,587	70%
Leaving a Job Voluntarily	233,857	54%
Misconduct	76,706	44%
Actively Seeking Employment	71,479	87%
Others (incl. jobseekers' directions and Jobseeker Allowance Agreements)	48,842	66%
Refusal of employment	43,000	71%
Availability questions	19,377	64%
<b>Total</b>	<b>817,848</b>	

Chapters 1 and 2 outlined how conditionality backed by sanctions has long been a part of the benefit system and showed that this approach has had a great deal of success, in the main without adverse consequences. However, that does not mean that the system cannot be improved. This Chapter lays out key principles for a sanctions regime to support the vision for a personalised regime of conditionality and support and makes several recommendations for changes based around key themes.

## Principles underpinning a more effective sanctions regime

The vision laid out in this review makes clear that everyone should be engaging in activity to move themselves closer to and ultimately into work. Sanctions are an important element within the system, to be used as a last resort when individuals fail to attend meetings without good cause, when all avenues to work with the individual have met with resistance or when the basic conditions for receiving benefit are not met. The Review believes an effective sanctions regime is one that drives behaviour to increase the chances of finding work, and penalises non-compliance without creating excessive hardship. **The key principles are that the regime should:**

- **Increase compliance** with labour market requirements, particularly attending meetings with advisers;
- **Be clear and easy to understand;**

- **Be fair, timely, and consistent** in the way it is imposed; and
- **Be proportionate** and not create excessive hardship.

Whilst the current regime is broadly effective and certainly increases compliance with labour market conditions, there is also widespread acknowledgement that it is complex and difficult to understand. The process is also, in some circumstances, time-consuming and costly to operate. This means that the system is not as “clear and crisp” as it could be, which reflects the piecemeal development of conditionality across different benefits, based on different legislation, different regulations and different case law. As such, the rest of the section covers recommendations around the themes of speed of decision-making, clarity/communications and dealing more effectively with repeat offenders.

## Speed of decision-making

The speed with which decisions are made depends on the nature of the decision being taken. Decisions related to failing to attend an interview or appointment with a Jobcentre Plus adviser are typically made within 15-30 minutes of the referral being made, as they are often relatively straightforward. However, other decisions, such as on leaving employment voluntarily, are more complex and take longer to resolve as Jobcentre Plus normally need to write to the customer and employers and give them time to give their side of the story.

The position with lone parents and people with a health condition or disability on Pathways to Work is different to that of JSA in that lone parent and Pathways advisers directly make decisions about whether someone has a good reason for failing to attend an interview. Evidence from Pathways suggests that the Personal Adviser tended to apply a sanction when they viewed the reason given for failing to attend as unacceptable; especially where there was a pattern of repeatedly re-arranging interviews.

In a personalised system, where advisers play a more central role, the Review proposes that more decisions should be moved closer to the adviser, like in the example above concerning WFT attendance, rather than taken by a centralised team away from the front line. As such, the Review **recommends** aligning the failure to attend process in JSA with that of lone parents and Pathways and giving Jobcentre Plus personal advisers decision-making powers, where they are suitably trained and experienced to do so, to make a decision on whether the reason given for non-attendance is good cause. Where the reason is unacceptable, the adviser should explain this to the claimant, including any likely impact on their benefit. This will help the claimant understand the reasons for the decision and clarify any areas of dispute in the event of an application for an appeal. There is a synergy with proposals discussed below around simplified guidance on what is acceptable “good cause”, supported by a new notification principle.



This approach is appropriate for the majority, but there will still be cases where circumstances are sufficiently complex to warrant higher consideration by a specialist decision maker. In that context a referral should be made to them as now.

However, the Review **recommends** that Personal Advisers should, be locally supported to improve the administration and quality of referrals around these difficult cases, disseminate good practice and provide advice, for example gleaned from specialist decision makers. These local support teams will act as a link between advisers and specialist decision makers and help smooth the process for making front line decisions.

Given the importance of local support, the Review also **recommends** giving specialist provider advisers the same access to the local support teams as Jobcentre Plus advisers to facilitate the smooth running of the system, building on the Pathways and Flexible New Deal model. To ensure this is applied fairly and efficiently, the Review proposes that the entire process is quality assured using the existing external inspection approach (England and Wales only). This approach will give an independent public account of the extent of quality and fairness, help bring about improvement by identifying strengths and weaknesses, and highlight good and poor practice.

## Clarity & communication

Awareness and knowledge of rules are crucial elements underpinning an effective sanctions regime. It is unreasonable to expect people to comply if they do not understand what is required of them. Research shows that while the majority of claimants feel they have some understanding of the rules they have to follow, there is a significant minority (up to 20 per cent) who claim to have little or no knowledge. Even where general knowledge is high, awareness of the precise detail can be lacking. It is not surprising that lower levels of understanding tend to be exhibited by those with literacy problems, those with English as a second language, and new claimants. For example, a survey found that the second largest reason for a sanction (leaving employment voluntarily which attracts over 230,000 referrals a year) was understood by only two per cent of people who responded. Not surprisingly, repeat claimants show a greater level of understanding of the rules, especially those related to sanctions.

The Review has three proposals in this area: an early warning system for those at risk of triggering a sanction; a stronger set of rules around attendance at mandatory meetings, and a move over the longer-term towards a system of fixed fines to aid comprehension.

## A system of “warnings”

When claiming JSA, the rules and obligations that must be followed are set out at the initial interview and reinforced in a Jobseeker’s Agreement agreed and signed by the claimant. This agreement is specific to the claimant in that it reflects their particular circumstances and the action they will take to find work, for example the minimum number of steps they must undertake each week to remain entitled to benefit and the consequences of not doing so. Despite this, evidence shows that only around 60 per cent of claimants say that they had been told their benefit might be stopped or reduced if they did not comply with certain conditions. There also tends to be a lack of awareness and understanding on specific detail such as possible length of a sanction and types and amounts of benefits affected. A lack of understanding is also apparent for non-JSA groups such as lone parents, where some do not always identify reductions in benefit as a sanction.

As such the Review **recommends** that the Government introduced an early warning system that sends a clear message about the consequences of any further non compliance through a written warning. The aim of this is that the awareness and threat of a sanction should be sufficient in itself to drive the right behaviours. This could build on the current process for JSA claimants who fail to sign at their local Jobcentre Plus office at the right time.

## A new “prior notification” principle

To support clearer communications the Review **recommends** that a principle of prior notification is introduced and publicised to give a powerful signal to claimants on the importance of engaging with support from Jobcentre Plus and Specialist Providers. This principle would establish a *prima facie* condition, requiring a claimant to give at least 24 hours notice of their non-attendance and reason, so that resources are not wasted on preparing for claimants that simply do not show up. The Review **recommends** that the principle should be reinforced by a tighter, crisper, and consistent set of acceptable reasons for non-attendance. Acceptable reasons could be:

- Essential and unplanned childcare, e.g. taking a young child for medical treatment;
- Temporary caring responsibilities;
- A temporary period of sickness;
- A domestic emergency, e.g. looking after a relative who is ill; and
- Working for the benefit of others in an emergency, e.g. manning a lifeboat or being a part-time fire-fighter.

Where contact has not been attempted this should be treated as non-compliance and a decision to sanction made on that basis, unless there is exceptional good cause. Similarly, where contact has been made but the reason for non-attendance is unacceptable, a decision to sanction should be considered as now.

## A principle of “fixed” sanctions

The piecemeal development of conditionality has led to a situation where there are highly variable sanctions for the same offence, for instance non-attendance at a WFI is currently handled differently in different benefits: the penalty for a lone parent not attending their interview without good cause is a loss of 20 per cent of the income support personal allowance; Incapacity Benefit claimants receive a similar penalty, with each failure to attend attracting a cumulative 20 per cent sanction for each offence leading to a maximum of 100 per cent loss of benefit, or in the ESA regime, claimants who breach the general Work Related Activity (WRA) requirement receive a sanction of 50 per cent of their WRA allowance (£12) rising to 100 per cent (£24) for a second offence.

To simplify and remove any confusion related to percentage reductions over the longer-term we should move towards a system of fixed sanctions for all decisions on failing to attend an interview or appointment without good cause. The actual detail depends on the long-term benefit structure, but this could mean claimants in the Work-Ready group losing one week’s JSA, and the Progression to Work group losing the equivalent of the existing ESA WRA allowance.

## Dealing more effectively with repeat offenders

Evidence shows that most claimants comply with benefit conditions, for example around 87 per cent of all JSA claimants never receive a sanction. Of the 13 per cent that do, around 92,000 are sanctioned once, and a further 15,000 go on to receive two or more. While this indicates the current system is having the desired effect on the majority, there remains a hardcore minority who repeatedly fail to comply with their obligations.

Attending discussions with advisers is at the heart of the vision. To ensure all claimants meet their responsibilities and the take on the support offered them, the Review **recommends** the introduction of a clear and simple sanction escalation process for all failures to attend an interview or appointment without good cause. The escalation across the two groups could be:

- **First offence:** this would lead to a formal warning (in line with the recommendation above) spelling out the consequences of any subsequent non-compliance within a 12 month period;
- **Second offence:** a fixed sanction equivalent to a complete loss of one week’s JSA for the Work-Ready group; and a loss of e.g. the equivalent of 50 per cent of the ESA WRA premium for the Progression to Work group;
- **Third offence:** two week’s loss of JSA for the Work-Ready group; and a loss of 100 per cent of the ESA WRA premium for the Progression to Work group;
- **Fourth offence:** there would be an investigation by Jobcentre Plus, involving others as necessary, e.g. an advocate acting on the claimant’s behalf, to determine the underlying reason for repeated failure to comply with conditions. This has some costs but evidence indicates that for instance there are only around 1200 JSA claimants in this group per year. This would be

followed by a non-financial sanction, for example mandatory community based work activity, for those deemed to be playing the system. For the Progression to Work group this may not be full time; and

- **Fifth** offence: non-compliance with the non-financial sanction activity results in disqualification to benefit for a period of four weeks for the Work-Ready group. Benefit payments for more vulnerable claimants in the Progression to Work group would be transferred to a third party, also for a four week period, who would be responsible for ensuring that essential bills were paid.

## A root and branch review of sanctions

This Review has noted the piecemeal development of conditionality and related sanctions regimes, and highlighted some of the inconsistencies associated with this. The Review has proposed several long-term ideas above, including the fixed sanctions idea, most fully expressed in the context of the proposal for repeat offenders. The Review hopes that these ideas will be taken forward but also **recommends** that they are considered within a longer-term review that would also examine:

- **The fit between benefit sanctions and the rest of the benefit system.** Even when a sanction is applied, any premiums and increases for dependants are still paid in full and passported benefits such as Housing and Council Tax Benefits are not affected. For some, therefore, the financial impact can be very small (see case study below) and some may not be aware that benefit has been reduced due to the imposition of a sanction;

### Case study

Lone Parent – 1 child (2008/09 rates – weekly amounts)

CTC Child Element	40.10
CTC Family Element	10.48
Child Benefit	18.80
JSA(IB) Personal allowance	60.50
HB	59.40
CTB	21.19
<b>Total</b>	<b>£210.47</b>

In this example if a lone parent was sanctioned and awarded hardship where a 20 per cent reduction was made to their personal allowance, their weekly benefits would be reduced to £197.90 a loss of £12.10 or the equivalent of nine per cent of their disposable income after housing costs.

- **The fit between the sanctions and hardship regime.** Just as the sanctions regime needs to be developed looking at all groups simultaneously, the sanctions and hardship regime need to be developed together; and
- **The impact of a sanction on benefit deductions.** Deductions can be made directly from a claimant's benefit for a range of costs, for example housing, fuel, council tax and child maintenance. In some circumstances when an individual is sanctioned, deductions will be suspended until the end of the sanction period. This can create a perverse incentive where the impact of any sanction is potentially outweighed by the effect of deductions not happening. Around 53,000 JSA claimants and 367,000 Income Support claimants have one or more deductions made against their benefits.

## Conclusion

The sanctions regime largely works well, but will need a few refinements over the long-term to truly support the vision. In the short-term the focus should be more on speed, clear communication and ensuring that appointments are attended wherever possible. Beyond that the Government should explore clearer fixed fines and more innovative approaches for repeat offenders.

## Chapter 7: Next Steps on Adviser Flexibilities

### Summary

The devolution of decision-making to advisers is a key element of a future more personalised conditionality regime. The problem is that there is not a great deal of evidence over which adviser flexibilities would drive better outcomes. In the short/medium term the Government should learn lessons from the adviser flexibility pilots announced in the Green Paper, and later from the evaluation of Provider-Led Pathways and Flexible New Deal.

Over the longer-term the Government should go further and test, in particular, whether increased discretionary funding for Jobcentre Plus advisers during the 6 to 12 month stage of a JSA claim could drive better outcomes. The headline recommendation is to develop a trial where Jobcentre Plus would receive additional resource in this period in return for financially being held to account.

Chapters 2 and 3 argued that the devolution of decision-making to front-line staff is a key element of a more personalised conditionality regime. However, we need to recognise that the current regime is a cost effective starting point with adviser flexibilities for both Jobcentre Plus and private and voluntary sector (PVS) advisers, as well as acknowledge there genuinely is not much of an evidence base on which flexibilities would improve performance further. This chapter looks at the current flexibilities, suggests some areas that should be considered further, and looks at how to build the evidence base for the future.

### Current flexibilities

Advisers already have a range of flexibilities at their disposal. These include:

- **Legislative easements.** These provide for a person to be treated as meeting the conditionality or exempted from the usual requirement. For example, a jobseeker can be treated as available for work if he is looking after his child while his partner is temporarily absent from the UK for up to eight weeks. This is not a flexibility exercised by advisers directly but an easement to the normal conditionality rules set out in legislation. However, a jobseeker's access to such easements is most likely to be established in the course of an advisory intervention. If there is a doubt on whether an easement is allowable a decision is normally made by a formal "Decision Maker" rather than the adviser;
- **Policy flexibility.** Within a given legislative framework, there is flexibility to change the policy on the application of conditionality. For example, the legislative condition that a jobseeker "shall attend at such place and time" is the basis of the policy of fortnightly attendance at a Jobcentre. However, the legislation provides the flexibility to require attendance more or less frequently and this is something, in practice, for the policy maker to determine rather than the front-line adviser (e.g. the policy of weekly attendance for jobseekers after a certain number of weeks on JSA); and

- **Adviser flexibility.** This covers situations where, within the legislative and policy framework, an adviser is afforded the flexibility to decide the conditions that will apply. The decision to waive or defer a WFI for a lone parent or IB claimant is an example of this type of flexibility. However, even in these circumstances, the decision takes place in the context of detailed guidance setting out the policy intent. A further example is that Flexible New Deal providers have few restrictions on how often they engage with each claimant.

The above categories are not mutually exclusive and the flexibility around the normal conditions is often a combination of legislative flexibility, policy decisions and advisers' interpretation and judgement.

## Areas for further analysis

There are several areas the Government should explore further:

**Adviser Discretionary Fund (ADF):** This is a ready made vehicle to provide scope for adviser discretion. It is designed to help claimants make the transition from claiming benefits into employment, although eligibility controls have been put in place to ensure expenditure is controlled. The ADF is currently available to all claimants participating in New Deal programmes, otherwise claimants have to have been in continuous receipt of benefits such as JSA, IS and IB for 26 weeks or more.

When considering whether making an ADF award would be appropriate, advisers currently need to use their professional judgement to decide whether it would make a significant difference to the claimant's chances of obtaining or accepting a job offer or remove a barrier that prevents the claimant from moving into the labour market. But advisers are instructed that there are a number of occasions when ADF cannot be used:

- Once a claimant has started a job;
- As an inducement to take up a job;
- To pay for goods/services if funding is available from other sources;
- If the claimant has capital available to them that could be used to fund the need;
- To cover living costs;
- To cover the costs of Criminal Record Bureau (CRB) disclosure certificates; or
- If the claimant has reached the maximum of £300 in the previous 12 months, unless there is a Business Case approved by the Business Manager.

**Cases where we offer different flexibilities to PVS providers, either compared to Jobcentre Plus or between different contracts.** For example, the ‘black box’ approach being adopted for Flexible New Deal means that there are very few process requirements on the contractor, but providers delivering Pathways to Work do not have a similar level of flexibility and have to deliver the Pathways WFI regime as specified in legislation. This is partly to ensure that a minimum level of intervention and support is offered to vulnerable groups, but this is a complex balancing act and there may be other mechanisms. This will be discussed further in Chapters 8 and 10.

**Jobcentre Plus has limited flexibilities over the first year of a JSA claim.** The Government should look in particular at whether increased flexibility in the 6 to 12 month stage of the claim would enable Jobcentre Plus to:

- **Improve outcomes.** The Flexible New Deal was developed to take advantage of the ability of specialist providers to tailor services to provide better outcomes for the most disadvantaged. The Government needs evidence on how Jobcentre Plus might be given similar discretion to offer flexible services to deliver better outcomes;
- **Improve customer service.** Many claimants are ‘job ready’ and find work quickly, but we know others need additional help. The Government needs to understand how Jobcentre Plus can intelligently deliver small amounts of cost effective help quickly, before claimants become harder to help; and
- **Deliver innovation.** Greater devolution of decision-making will allow Jobcentre Plus to have greater autonomy to experiment with differing methods to help its claimants, outside of a standard programme. This will encourage Jobcentre Plus to operate on a similar footing to many providers who are already able to innovate and learn from diverse approaches to claimants.

## How we build the evidence base for change

Giving advisers greater flexibility has many possible dimensions. These include everything from more discretion over support (perhaps via ADF as discussed above) to the operation of the conditionality regime (for example timing and frequency of mandatory meetings with benefit claimants), and the evidence base on what dimensions of flexibility are important is still growing.

## Short to medium term

In the short to medium term the Government should look closely at the evaluation of Provider Led Pathways and later of Flexible New Deal to establish what benefits may be associated with PVS delivery. In terms of Jobcentre Plus advisers it will be crucial over this period to learn from the current adviser flexibility pilots, which started in September 2008. These trials are looking at how, within the current fixed resource, there is scope for increasing discretion across the system and are starting to test a wide range of flexibilities including:



- **Making the existing ADF available from day one;**
- **More effective working with Local Employment Partnership (LEP) employers** to offer more tailored packages of support to certain claimants, including pre-employment support, and work-trials;
- **Testing what form of contact channel is most cost effective**, for example text, telephone or e-mail. This includes expanding the use of group sessions to jobseekers, building on the Flexible New Deal jobseeking regime and lone parent approaches;
- **Allowing advisers to vary the timing, length and content of the WFI**; with more intensive case-loading for some;
- **Determining the minimum level of conditionality standards** to be applied to all jobseekers, for example the frequency of attendance;
- **Giving earlier access to employment support and contracted employment programmes.** This is to cover relatively cheap but effective support such as help completing an electronic CV or with online job applications in the first six months of unemployment. The trial is also considering how to extend the Condition Management Programme to relevant claimants irrespective of the benefit claimed;
- **Fully exploring the capacity of the European Social Fund, Working Neighbourhood Funds, City Strategies and voluntary and specialist providers to deliver training and support**, building on LEPs. Where this does not deliver the needed help; exploring how low-value procurement can be used to deliver bespoke provision; and
- **Looking at ways to reduce procurement “bureaucracy”** so advisers and claimants can quickly access provision.

## Further steps

The adviser flexibility pilots are crucial for building the evidence base. However, there are no additional resources attached, and over time the Government should go further and test whether increased discretionary funding for Jobcentre Plus advisers during the 6 to 12 month stage of someone’s JSA claim could drive better outcomes. We know that Jobcentre Plus is a first class back to work agency, and that the boundary that has been established between it (high volume business) and providers (working with longer-term claimants and the hardest to help) looks broadly right. So establishing where additional resource would make a difference is not easy.

However, the model for Jobcentre Plus delivery between 6 and 12 months arguably leaves insufficient headroom to ensure claimants get the help they need, at the right time, to get into work. So the Review **recommends** that the Government should explore a model where Jobcentre Plus has additional resource over this period in return for being closely held to account for any spend. If these resources could be deployed effectively it would reduce provision costs over the longer-term.

## Developing the model

In developing this trial it will be crucial for the Government to establish:

**The right level of funding.** This is essential to deliver real incentives to Jobcentre Plus and to enable significantly improved outcomes to be delivered.

**What training and skills are needed.** Moving towards a world as laid out in the vision for conditionality clearly requires a step change in what is asked of front-line staff and their managers and will need to be balanced with increased training. As part of the adviser flexibility trials Jobcentre Plus is already planning to review its portfolio of adviser learning and development to ensure it supports advisers in making best use of greater flexibility and discretion to achieve job outcomes, and this should continue.

Supporting the vision will require shifting the culture of conditionality to one where there is a presumption of employability or what the Dutch call “work above benefit”. This will require greater emphasis on sales techniques and advisers’ skills in using the language of opportunity to engage claimants and help them to visualise being in work, even if that is some way off.

**Considering more quality based targets.** Jobcentre Plus adviser managers currently use a number of hard output measures to help manage performance, for example the number of job submissions made. In a more flexible world these output measures will be less valuable. In the future it is likely that adviser managers will need to place greater emphasis on measuring the quality of adviser interviews and understanding through case conferencing how and why advisers have packaged programmes of help in certain ways to move people towards employment.

**A broad framework that encourages risk taking.** This is essential to encourage innovation amongst personal advisers. Reducing current restrictions (for example around the ADF) and incentivising success will provide strong motivation to local managers to learn what works best for individual claimants in a similar way to Flexible New Deal contractors. Naturally this move from a risk-averse, more prescriptive and process driven system to a flexible approach does involve a risk that there will be inappropriate spend. So alongside increased flexibility needs to sit strong performance management and an accountability framework.

**An appropriate performance management framework.** The Government should move towards holding Jobcentre Plus to account using the same measurement systems as are being developed for contracts with the PVS. These are based on using “claimed” job starts and checks on whether the individual is not in receipt of benefit 13 weeks after the date of the claimed job start and to see if that person has spent 26 out of 30 weeks off benefit. PVS volumes are relatively low (compared with the high volumes of job starts from Jobcentre Plus who deal with short term customers as well as longer term claimants), but if flexibilities afforded to Jobcentre Plus advisers were focused on relatively small groups, such as the 6-12 months JSA group, or sub-sets of the IS and IB groups, it should be possible to use the same accountability framework for Jobcentre Plus as the PVS in terms of measured job starts to ensure the focus is on the right outcomes.

**An appropriate accountability framework.** Whatever model is adopted, it is important to ensure that Jobcentre Plus can be held to account to balance increased flexibilities.

At the bare minimum this should involve:

- **Published performance data.** To allow detailed scrutiny of performance, both from within the Department through constructive challenge of Jobcentre Plus performance and productivity and through ad hoc evaluation and benchmarking of Jobcentre Plus performance against that of the private sector. This will expose differences between Jobcentre Plus districts. Poorly performing districts can be held to account and learn from the excellent ones; and
- **A clear understanding that any additional discretionary funding would be withdrawn.** If Jobcentre Plus could not demonstrate overall savings in provision spending through reduced numbers going across to providers delivering the Flexible New Deal.

But the ideal model would have full financial accountability, with Jobcentre Plus sharing in the financial benefits if it were able to demonstrate improved outcomes against an agreed baseline, but facing the possibility of having to pay back the discretionary funding if it could not.

One model could involve Jobcentre Plus receiving additional resource in a form of bond that it could spend during the 6 to 12 month stage of a JSA claim. The model would need to be explicit as to how a financial penalty would operate if Jobcentre Plus was not successful at moving additional claimants into work during the 6 to 12 month stage of a JSA claim. This would ideally be through repayment of elements of the bond to a level to ensure adequate resource was provided to the Flexible New Deal provider at no overall increase in exchequer cost.

The Government would also benefit from looking at operational contestability mechanisms over the longer-term such as:

- **Holding local Jobcentre Plus management accountable.** With the ultimate sanction of local management being replaced if they were performing poorly, as might happen with a poor performing school. Local management would also need a clear understanding of how they would be rewarded for success; and
- **Contesting the 6 to 12 month stage of the JSA regime.** If evidence showed that Jobcentre Plus performance was poor and that it was unable to improve performance, the Government should consider whether Flexible New Deal providers should have earlier access to certain groups of harder to help customers through the new 'Right to Bid' process rather than wait until the 12 month stage of the JSA claim.

## Conclusion

Increased adviser flexibility goes hand in hand with personalised conditionality, and is essential to ensure that the right support is available at the right time. In particular the Government should explore the incentives and resources for Jobcentre Plus advisers in the 6 to 12 month stage of a JSA claim. The next Chapter explores a range of further issues around expanding and improving support to help deliver the vision.

## Chapter 8: Further Development of Support

### Summary

The vision means we will need to help a wider range of claimants back to work, and deliver support based on need not what benefit people are on. Four key areas for further development are:

Offering effective support based on need. The Review recommends that the Government continues to explore the possibility of contracts with providers to deliver support to multiple benefit groups. The most attractive pricing model to deliver this is the accelerator model, where payments to providers increase as more individuals from a particular cohort find work. However, given the complexity of the model, it is recommended that it should be piloted.

Employer engagement and work experience programmes. These can help to tackle two key barriers to employment of the long-term unemployed and disadvantaged: lack of work experience and employers' reluctance to hire them. The Intermediate Labour Market (ILM) model, which offers work placements along with the additional support and assistance required to find mainstream employment, can be particularly useful as a means of tackling these barriers and providers should be encouraged to provide these as an option for support.

Availability of childcare. This is an important barrier to parental employment. The Government is already doing a lot to address this issue, such as the provision of universal affordable childcare for children aged 3-14 years, early education places for all 3 and 4 year olds, and a Sure Start children's centre in every community by 2010, but it needs to make sure the offer on the ground matches these aspirations.

Skills, progression & young people. As we get better at moving people into work, it will become increasingly important to focus on retention and progression. The Review recommends the Government continue to test and evaluate the ideas tried in the Employment Retention and Advancement (ERA) pilots and consider the appropriate package for young people, to ensure that the majority in this age group gain the necessary skills and qualifications.

### Introduction

The vision outlined in Chapters 4 and 5 is that the majority of benefit claimants should have the clear understanding and expectation that they need to be engaging in activity that will get them back to work. The availability of a fully personalised range of support to help the individual achieve this goal is key to making this a reality. Chapter 2 discussed how provision delivered as part of the New Deals and Pathways to Work has been particularly effective in helping people back to work, and the Government is already testing even more flexible packages with the Flexible New Deal and Provider-Led Pathways. However, the vision means we are both increasing responsibilities and broadening the groups of claimants to whom responsibilities apply, as well as breaking down the traditional benefit boundaries. As such, it is crucial to consider how support services and the delivery of that support need to react.

This section examines a number of key areas:

- Contracting to offer effective support for all, based on individual need rather than benefit label;
- Work experience and employer engagement;
- Childcare; and
- Job retention and skills support, especially for young adults.

## Offering effective support to all without benefit boundaries

The vision means that nearly everyone will be focused on the end goal of returning to work, but that the route will vary for each individual, regardless of the benefit that they are on or the group they are in. Such an approach would make traditional distinctions of the availability of provision based on benefit boundaries largely irrelevant, even more so were a Single Working Age Benefit in place (see Chapter 9).

Instead, **the availability of support needs to be tailored to the individual, with entry into specialised support based on individual need rather than type of benefit received.**

For instance, if the Personal Advisor felt it necessary, JSA claimants with mild health conditions could be given access to support like the Condition Management Programme, previously only directly accessible to ESA claimants. Such an approach implies the need for contracts with providers that enable them to offer individualised access to a range of support services and focus on achieving sustainable job outcomes. Interest in multi-client group (MCG) contracts was expressed by the Government in its most recent Welfare Reform Green Paper, *No One Written Off*, and the approach fits well with the vision.

Such a **blackbox approach** could be more effective at helping individuals with multiple barriers to work, back into work, and provides the opportunity to consider linking back-to-work support with, for instance, specialist help with health, drugs, disability and skills problems. However, there are **significant risks**.

Firstly, the current Jobcentre Plus JSA regime is effective at getting a large proportion of jobseekers back to work quickly and cheaply. Provider-run, MCG contracts would risk undermining the cost-effectiveness of this system by targeting provider services at those who would otherwise enter employment without any substantial support. However, this should be mitigated against by maintaining this role for Jobcentre Plus over the first year of a claim.

Secondly, combining traditional claimant groups into a single programme comes with the risk that providers will simply target those who are easiest to help, and “park” the harder-to-help individuals. Such parking would mean that those who are most disadvantaged and stand to gain most from personalised provision are likely to be the ones that, in practice, are helped least. This highlights the need for provider contracts with payments that are both outcome based and offer incentives to support all claimants.

There are three main funding models that could fit this description:

- i. **Paying providers more for helping certain claimant groups into work, for example having an ESA-claimant premium.** While this is simple, the approach is unattractive as it works against the MCG principle and explicitly assumes that one claimant group is by definition harder to help than another. This generalisation is likely to be inaccurate since each claimant group encompasses individuals with a wide range of labour market readiness.
- ii. **Paying providers based on an assessment of the distance from the labour market and needs of claimants at the point of referral.** This option has advantages in terms of providing the right incentives to providers and fitting with the MCG principle. However evidence from a range of countries suggests it is very difficult to assess accurately in advance how much support a claimant will need.
- iii. **The accelerator/escalator model.** This is an outcome based funding model where payments to providers increase as more individuals from a particular cohort find work. In practice this means paying less for the first few successful outcomes, which are likely to have occurred in any case, and paying more for later successful outcomes, which are likely to be people who face more significant barriers to work and would otherwise have found it more difficult to move into a job.

### **The Accelerator/Escalator model**

This option has many **appealing characteristics**:

- It avoids the problems of the first two options as it removes the need to categorise individuals either by claimant group or distance from the labour market. Under this system, those furthest from the labour market self-identify based on how long it takes them to find work relative to those in their cohort. Providers would be paid on the basis of who was the hardest to help in practice rather than those predicted to be;
- There would be no incentive for providers to lengthen the process artificially since payments are not based on duration on benefit, but rise as more of the cohort enters into work; and
- Incentives to park the harder to help claimants would be reduced, as concentrating resources on the easiest to help would not bring in larger payments.

While the accelerator model is the most attractive funding model, such a system would be a distinct shift from the current funding system that provides a flat rate payment for each successful outcome. This approach has been very successful in driving value in the Provider-Led Pathways contracts and a change in direction comes with **risks** that should be considered:

- The accelerator model is innovative but untested so rigorous evaluation will need to be in place to ensure we can learn lessons and improve the design for any future roll-out;

- The current system provides a simple way to allocate contracts to providers since the lowest-cost provider can clearly be chosen. This ensures that providers compete on price, thereby improving cost effectiveness. In an accelerator model, pricing structures can vary significantly across the cohort of claimants. This requires a much more complex procurement exercise, as well as a complex calculation of which provider provides the best value for money and fits closest to the Government's priorities; and
- While the system mitigates the risks over parking, no outcome-based system can ever eliminate the risk completely.

Overall the principle of MCG contracts represents a sensible long-term approach that works across traditional benefit boundaries to provide personalisation in both the provision of support and its associated conditionality. This fits well with the vision outlined in this Review. However, questions remain as to how such a system would work in practice and what pricing model would be used. The accelerator model provides a sensible first step in finding an answer but will need a lot of work to ensure that the contracts provide both the right incentives to providers, so that one claimant group was not disadvantaged over the other, as well as value for money. The Review **recommends** that Government should continue to explore these issues, but given the risks piloting would be advisable.

## Employer engagement and work experience programmes

The expectation that the majority of benefit claimants need to be engaging in activity that will get them back to work means that we will be asking more of those who may have been out of the labour market for a long period of time. An effective regime to support the vision of the Review needs to tackle the key barriers to work faced by these individuals, in particular:

- Individuals' lack of experience.** Spending long periods of time out of the labour market is likely to reduce individuals' capability to work. The support available therefore needs to provide those who have been out of the labour market for a long time with a bridge into the world of work to assist them in the transition into mainstream employment; and
- Employers' concerns about hiring long-term unemployed or disadvantaged individuals.** Research evidence suggests that employers sometimes screen out the long-term jobless because they have misconceptions or stereotypical views about their work experience or skills<sup>1</sup>. Furthermore, evidence from the Chartered Institute of Personnel and Development's (CIPD) 2005 Labour Market Outlook Survey indicated that many employers were reluctant to hire the most disadvantaged individuals, including individuals with mental or physical illness problems, drug or alcohol dependence, or those who are homeless. This is because employers view recruitment as risky and clearly it can be costly if firms hire the wrong person. As such, part of the solution is actively engaging with employers to try to tackle their concerns.

<sup>1</sup> For example, see Atkinson, Giles, and Meager (1996), *Employers recruitment and the unemployed*, IES Report 325 or *Employer perspectives on the recruitment, retention and advancement of low-pay, low-status employees* Atkinson J Williams M Cabinet Office July 2003.



Work experience programmes and policies to engage with employers can provide ways to tackle these two barriers. The rest of this section explores how work experience programmes have evolved in recent years and how they can help to tackle the above problems, and also discusses wider policies to actively engage employers and encourage them to recruit disadvantaged individuals.

## Work experience programmes

There are two distinct types of work experience programmes, with different philosophies. At one extreme, there are models which are usually aimed at jobseeking groups and are punitive in nature. The aim is to make continued benefit receipt unattractive relative to taking a low wage job based on the premise that the clients directed to these programmes are largely workshy. These can be referred to under the heading of pure **Workfare programmes**. They usually place people into unwaged community jobs as a condition for receiving benefits, but crucially in this typology, they offer no additional training or support and no incentive to place individuals into regular employment.

At the other end of the spectrum there are programmes which provide job placements along with additional support and assistance for individuals, to help them search for regular employment once their placement has finished. These are usually aimed at the traditional hard to help groups, and are more expensive. These can be thought of as more focused on work experience ahead of job entry, and cover models often referred to as **Intermediate Labour Market Programmes (ILMs)** or Transitional Jobs.

### Workfare programmes

**These are programmes that mandate participation in unpaid work activities, which typically have benefits for the wider community, as a condition to receiving benefits.** The United States is often seen as the originator of workfare policies, with a history of programmes going back to the 1970s. The UK has also experimented with this model, operating a large scale scheme in the 1970s and 1980s known as the Community Programme (CP). This provided temporary part time jobs to unemployed individuals paying 'benefits plus expenses' but was discontinued in the 1980s. More recently, Australia introduced its Work for Dole (WfD) programme in 1997, which initially mandated 18-24 year olds who had been unemployed for six months to engage in unpaid work experience (this was later extended to all job seekers under 50).

The aims of such programmes are usually to improve the employability and 'work habits' of participants. They are also designed to enforce the reciprocal responsibilities for those receiving benefits by engaging individuals in work that has a wider benefit to the community, and as a deterrent. The goal is often to encourage individuals to take work before, or soon after, they reach the mandatory activity phase. Typically, such programmes are in community jobs, for example New York City Parks department has relied significantly on unpaid workers from New York's Work Experience Programme (WEP).



**These programmes usually offer little or no training, additional support or assistance and there is generally no incentive on behalf of the provider to try to get participants into regular employment.** Evidence suggests that this type of scheme has some deterrence effect but has little impact on the employment outcomes of participants, as was strongly shown in an evaluation of nine workfare schemes in the US conducted by the Manpower Demonstration Research Corporation (MDRC) in 1993.

**This evaluation found that outcomes improved when work experience was combined with other support services as job search assistance and training.** As such, although there are exceptions we have seen a general shift away from using the traditional workfare model and towards greater use of the ILM approach, which offers additional support and assistance to help individuals overcome their barriers to employment and find mainstream employment in addition to the work placement. In New York, for example, negative evaluation of the large WEP workfare has led to a shift towards a less punitive model involving putting more people onto subsidised work placements that offer additional assistance, in particular for those with multiple barriers to work.

### **Intermediate Labour Markets**

Whilst there is no single definition of an ILM or Transitional Jobs programme, the common features are that they:

- Are local initiatives which are targeted at the long-term unemployed or people with other labour market disadvantages;
- Offer paid work on a contract (although some may offer work for benefits plus some allowance); and
- Include training, personal development and support for job seeking activities.

The **aim of these programmes is to provide a parallel labour market where the long-term unemployed can gain 'employability skills'** to assist them in competing effectively for mainstream employment. A crucial difference between ILMs and pure workfare programmes is the **emphasis on job outcomes of participants after they leave the programme.** ILM providers are incentivised to prepare their participants to move into mainstream employment as their contracts usually specify payments for actual regular job outcomes. The US equivalent of ILMs are known as Transitional Employment Programmes (TEPs), which differ only in terms of the fact that they are not always local initiatives but can be larger state wide programmes such as Washington State's 'Community Jobs' Programme, and work placements may be in private sector jobs as well as public sector projects.

Participation in ILM programmes may be either mandatory, via direct referral through the New Deal, or voluntary through direct recruitment by the programme provider. ILM providers reach out to claimants using a number of different avenues, for example by advertising in the local JCP offices or by organising awareness events. Participants will usually work in jobs which provide

some form of community benefit (e.g. the Wise Group concentrated on house insulation and landscape work), and will be provided with support to help tackle their barriers to employment, including job search assistance, help with childcare and benefits advice.

#### Box 6: The Wise Group: an example of an ILM programme

The Wise Group is the longest established and best known ILM in the UK. It has been running since 1983 and provides paid temporary work of community benefit for the long-term unemployed. This has tended to concentrate on house insulation and landscaping work although they have been diversifying into other areas in recent years.

The Wise Group ILM model involves a single organisation arranging the funding, employing the management, administration and supervisory staff, employing the programme participants and carrying out the work.

ILM programmes run by Wise Group schemes typically last for twelve months, with individuals usually serving a two month probation period during which they continue to receive benefits plus an additional weekly allowance. Following this period, participants then sign off benefits and undertake work experience, which usually consists of three to four days per week of work paid at minimum wage for the remainder of the placement. During the placement individuals would also receive job search assistance and training to help participants find permanent employment.

An evaluation of the Wise model conducted by McGregor et al. found that the ILM approach 'removes one of the barriers to re-employment faced by long-term unemployed people - the lack of a recent period of stable work experience' (McGregor et al. 1997, p.43). Specifically, it found that 68 per cent of trainees gained employment after leaving the program. Moreover, in contrast to some other employment programs, it concluded that significant 'creaming' did not occur, as 75 per cent of trainees were unemployed for more than a year, and more than 33 per cent were unemployed for more than two years

The combination of paid employment and additional support means that programmes tend to be **costly to run**. For example Marshall and Macfarlane (2000) reported that the median cost per job per year was £13,860 and Finn and Simmonds (2003) found that their comparative figure was £11,134 in 2002/03, though these figures do not reflect the value of any revenues produced from the work undertaken.

#### ILM effectiveness

There has been much debate about the effectiveness of ILMs in terms of leading to sustained employment outcomes for individuals, since the impact of ILMs may be diluted through deadweight, where some of those helped would have got a job anyway, and substitution, where participants get a job at the expense of other jobseekers. However, despite these issues the overall consensus is that ILMs have a useful contribution to make to improving the employability of the most disadvantaged individuals:

- A review by Brookings Institute (2002) of US ILM programmes found that the employment outcomes and earnings of individuals who participated in ILM programmes were greater than those of other programmes aiming to get the long term unemployed into work;
- Marshall and Macfarlane (2000) found that in established UK ILM programmes 20-30 per cent of participants dropped out of the programme before completing the contract period without a job to go into, compared to 50 per cent in comparison groups in the New Deal. However, there may be an issue of comparing outcomes of the New Deal (where participation is mandatory) with those of ILMs (where it is voluntary for some); and
- Finn and Simmonds (2003) distinguished between New Deal ILMs (where participants had been referred from the New Deal) and non-New Deal ILMs, and found that the job outcomes for New Deal based ILMs were greater than New Deal job outcomes, although they acknowledged that there were a number of issues in making comparisons between the two schemes.

### The role of ILMs

Overall the evidence suggests that, although expensive, ILMs can play an important role in helping the most disadvantaged individuals gain the relevant work experience necessary to find employment in the mainstream labour market, and by providing a signal to employers of the job readiness of these individuals. The Government should continue to explore this area, therefore the Review **recommends**:

- Providers should be encouraged to provide ILM activities as an option for support for individuals who have been out of the labour market for a long time for both Work-Ready and Progression to Work groups. Wherever possible this should include extra financial reward when the placement is not very short-term;
- Ongoing support and jobsearch assistance as per the ILM type approach should be built into the full time activity Work for Your Benefit pilots proposed for individuals who have not found employment at the end of the Flexible New Deal, to clearly delineate the proposals from a pure workfare style approach. Where appropriate, individuals should also have access to these activities before the two year point; and
- Across local and central Government, efforts should be made to build the social enterprise ILM sector through contracting for relevant services, with a view to constructing more specialist ILMs for groups with various disadvantages.

### Engaging with Employers

The focus of ILM programmes has tended to be on improving the work skills and experience of individuals. Engaging employers is also **vital to try and tackle the reluctance of some employers to recruit individuals** who have been out of the labour market for long periods of time and possess characteristics employers view, often incorrectly, as unattractive. There are a range of initiatives which are currently in place that aim to actively engage with employers, that the Review **recommends** the Government continues to test and evaluate:

## Work Trials

Work trials are small scale interventions that enable employers to take on unemployed and inactive benefit claimants for a trial period of up to six weeks. The work trial must be for an actual job vacancy and be non-competitive: in other words, the individual on the Work Trial is the only person being considered for the post. Under this kind of scheme, individuals continue to receive their benefits whilst in the programme, and in addition they receive travel and meal expenses.

The current work trial programme in the UK is inexpensive to administer and has a high success rate. In recent years it is estimated that around 15,000 people annually have taken up one of the existing 3-week work trials, with around a 50 per cent success rate. The success rate has been very stable over time, and actually may underestimate the success of the programme as those who move from a work trial into a different job than the one they have been trying out, either with the same or a different employer, are not recorded.

## Job Introduction Scheme (JIS)

This scheme offers an employer a grant of £75 a week towards the cost of employing a disabled person. It applies when either a claimant or potential employer are uncertain if a particular job will be suitable. The scheme will be discontinued when, in line with proposals set out in a public consultation, a new programme replaces WORKSTEP, Work Preparation and the Job Introduction Scheme from October 2010.

## Local Employment Partnerships (LEPs)

These are a joint partnership between employers and Jobcentre Plus to recruit disadvantaged jobless people. Under LEPs, the Government provides disadvantaged people with the preparation and training required for work and in return employers with vacancies give them a fair shot at a job. Over 70,000 people have been helped into employment since LEPs began.

## Access to Work

This is a specialist disability programme delivered by Jobcentre Plus, which involves paying up to 100 per cent of the cost of workplace adjustments to help a disabled person take up or retain paid work. Each year support is directly provided to 24,000 people, and in addition it is estimated that a further 16,000 people are continuing to benefit directly from equipment provided in the previous two years. The Green Paper, *No One Written Off*, announced that the Access to Work budget would be doubled by 2013/14.

## Availability of Childcare

Lone parents with younger children are part of the Progression to Work group, which represents an increase in responsibilities compared to the current regime. For many parents, particularly lone parents, the availability of high quality and affordable childcare is central to enabling them to balance their family commitments with work.

UK and international evidence suggests that integrated policies that include childcare are likely to have positive impacts on lone parents' employment rates. Furthermore, sustained periods out of employment increase the barriers for women to return to employment, and the likelihood of them not returning at the same level of earnings.

The Government is already doing a lot to address the issue. In December 2004, the Government published its **Ten Year Childcare Strategy** '*Choice for Parents, the Best Start for Children*', which set out its plans to create a sustainable framework for high quality services for children and families. Policies to deliver this include:

- Universal affordable childcare for families with children aged 3 to 14 years. By 2010 there will be a childcare place for all children aged between 3 and 14, 8am to 6pm each weekday;
- By 2010, all three and four year olds will be guaranteed a free, part-time early education place (15 hours per week) for two years before reaching compulsory school age;
- By 2010 all parents with children aged 5-11 will be offered affordable, school based childcare on weekdays between the hours of 8am and 6pm all year round;
- Every community will have easy access to a Sure Start children's centre by 2010; and
- Providing assistance to help with childcare costs through the tax credit system. At April 2008 the childcare element of Working Tax Credit was benefiting around 449,000 lower and middle income families.

If the Government can deliver on these policies it will remove one of the key barriers to work faced by a large number of parents, although most areas still have real progress to make to reach that goal.

## Retention, Progression and Skills

The Government is starting to think more about retention and progression within the welfare to work system, which fits well with a personalised system like that outlined in this Review. The aim should be not just to support job entry, but also to ensure that people are equipped to retain their job, and in due course to progress to higher skilled and better paid work. It is welcome that the DWP has developed a Public Service Agreement (PSA) indicator to measure employment retention, and that together, in support of Integrating Employment and Skills (IES) services, DWP and DIUS are committed to helping 100,000 people to enter work *and* gain a recognised qualification.

A lack of basic (literacy, numeracy, language) or employability (e.g. customer service, problem solving) skills acts as a major barrier to some jobseekers. It is vital that these are identified and overcome in order to support sustained employment. In IES areas, the Government is piloting the requirement for jobseekers to attend a skills health check after six months where the adviser believes this to be necessary. Going forward they will require appropriate skills training to address

barriers identified by the skills health check. This fits well the long-term vision as laid out in the report; the health check would be a tool used by the adviser to help claimants identify barriers, and the provision itself could act as work-related activity as laid out in the action plan.

However, **while there is a need for some to address skills barriers before work, the majority will benefit from a work-first regime with an active skills and training offer when in work.** Evidence suggests the greatest returns to vocational training are those based with the employer or work-related. The Employment Retention and Advancement (ERA) pilots offer strong evidence of the potential value of such in-work support efforts. ERA offered ongoing post-employment adviser support, financial retention incentives, and training allowances. Two years after participating, lone parents earned significantly more than they would have in absence of the programme, were more likely to work full-time than part-time, and were more likely to combine training or education with employment. The Review **recommends** the Government continue to test and evaluate the ideas tried in the ERA pilots, with a focus on retention and earnings progression as well as skills, and roll out the approach nationally once the right cost effective mix has been found.

The role of the **Adult Advancement and Careers Service (AACS)**, which is currently under development, will be crucial going forward. It will provide advice and support on a range of training options, and will need to work closely with employers, Further Education colleges and Jobcentre Plus to ensure those individuals entering work are then supported to progress in the labour market.

### **Skills for Young People**

Young people (those aged between 16 and 25), deserve some specific attention within the benefit system. While those aged 18 and over should rightly be treated as adults, it is right for policy to focus particular attention on the educational and training outcomes of this group to ensure their future working life is rewarding, valuable and productive.

#### **16 and 17 year olds**

There are approximately 40,000 16 and 17 year olds receiving a variety of benefits (6,000 Jobseeker's Allowance under hardship rules, 17,000 on Income Support of which 6,000 as lone parents and 7,000 claiming incapacity benefits). All claimants of benefits at this age are the responsibility of the Connexions service.

The Government will be raising the mandatory participation age so that young people will have to stay in education or training to age 17 by 2013 and 18 by 2015, but currently those on JSA must fulfil the normal regime, except that they may also look for training and suitable full-time education. Concessions are often made for 16 and 17 year olds so that they can restrict their job search to just positions offering suitable training. Those on Income Support or incapacity benefits/ESA must comply with the equivalent conditionality regime for those aged 18 and over. The exception is for those who are in education, where the WFI regime is not relevant and Education Maintenance Allowance (EMA) may also be payable.



Since April 2006, DCSF have been piloting **Activity Agreements** for 16 and 17 year olds who have been Not in Employment, Education and Training (NEET) for at least 20 continuous weeks. Activity Agreements are designed to encourage young people back into learning or to help them get a job (with training). 16 and 17 year old NEETs receive an allowance (pilots have tested allowances of £20 and £30 per week) in return for completing a series of activities tailored to their individual needs and designed to move towards learning or employment. The evaluation of Activity Agreements found evidence that the “something for something” approach worked for this group. The allowance acted as a hook for engagement and reminded participants of the value of their activity, intensive support from their personal adviser was highly valued, and advisers often negotiated with the young person to find a suitable activity to meet their individual needs.

Building on the principles of Activity Agreements, and in support of the objective for this age group to engage with education and training, the Government should consider the position of 16 and 17 year olds before the raising of participation age occurs. The short-term goal should be to **create something that looks and feels like the Progression to Work group to ensure young people re-engage with training and gain the skills required for success in the labour market.** For those moving into education and training, then the transition to Education Maintenance Allowance must be efficient.

To support this the Review **recommends** the Government consider bringing Activity Allowances and EMA together to create a Single Youth Allowance for 16 and 17 year olds focused specifically on training and education. For those not supported by their families a higher allowance could be paid at the same rate as out-of-work benefits. This should probably be delivered and administered by DIUS via Connexions rather than DWP.

### **Jobseekers aged 18 – 25**

Those aged over 18 are treated in the same way as older claimants to JSA. Many will flow off quickly from the count although some will require additional support. JSA works well for this group, but **more could be done to ensure that young people have the skills needed to sustain and progress in work.** This may be particularly true for those who, for whatever reason, have found it difficult to engage with the education system. For those who have been continually NEET for six months at their 18th birthday and are making a fresh claim for JSA (or continuing an existing claim from 17) DWP will fast-track them to Stage 3 of the jobseeker’s regime. This means that they can be mandated into activities to support them into work, including skills training in IES areas.

All new claimants to 18-25 JSA will receive a skills screen early in the claim, as well as skills health checks and appropriate skills training on entry into Stage 3 at six months. The Review **recommends** that health checks and appropriate skills training for this group are available after three months. While many young people will move into work in the first few months of claiming, it is not unreasonable to expect a mandatory skills health check after the first three months of claiming. Those with identified barriers should then be fast-tracked to Stage 3 of the jobseeking regime.

### **In-work training for all young people leaving benefit**

It is important that as young people enter work they are able to continue with any training they started on benefit, or start new training with their employer. A job with training is a sensible outcome for this group, but too often employers invest in only a minimal level of training. **The Government should therefore ensure that any employer recruiting a young person has the right incentives to invest in their training.** This could be achieved through introducing further flexibilities to the Train to Gain system, or by entitling the employer to a training subsidy, perhaps in the form of a voucher.

Any training started in work should not end if the person loses their job. It is important that once a period of training starts, that it is followed through to completion. Where the young person starts a training course and does lose their job, the subsidy should be transferred back to the Government so that it can continue to fund the young person's training provision, therefore creating an unbroken training offer through welfare into work.

One possible model the Government should explore is being tested by the **London Apprenticeship Programme (LAP)**. The approach is an example of a Group Apprenticeship Programme, which operates successfully in Australia, whereby the LAP employs the apprentice, and in so doing takes on some of the risk from the employer and deals with the administration of the employment. This approach, going live in 2009, hopes to be popular with small and medium employers, who would otherwise not be willing to take on an apprentice. However, if the match between the individual and employer does not work, then the individual can fall back within the apprenticeship programme and still take part in training and provision, while an alternative placement is sought. The Review **recommends** the Government should work with the London Apprenticeship Programme to evaluate the operation and outcomes, and consider whether such a model could be developed nationally.

## **Conclusion**

There has been a step change over the last decade in the quality of support available to help individuals back to work. But the vision implies asking more of a wider group of benefit claimants, with a wider set of potential barriers. Support is going to need to react to that, and alongside improvements in support we should increasingly look to deliver that support based on need, and complement support to help people move into work with that aimed at keeping them in work.





## Chapter 9: A Single Working Age Benefit and the Vision for Conditionality and Support

### Summary

The personalised conditionality regime will not be as effective as it could potentially be whilst there is still a complex benefits structure overlaying it.

The Green Paper, *No One Written Off*, set out the idea of a Single Working Age Benefit. The Review believes that the personalised conditionality regime could be more effectively delivered if a single benefit were in place. It would make clear that the most important objective is to work together and jointly plan a return to employment, not to assess which benefit is appropriate.

Having a Single Working Age Benefit would also enable the Government to consider two issues in more detail. First, is whether a more sophisticated approach towards identifying which claimants should be in the Work-Ready or Progression to Work groups is feasible. Rather than placing people on the basis of their general characteristics this could be based on a much wider range of factors related to claimants distance from the labour market such as time since last job and work prospects.

The key issue here is whether a mechanism exists that can accurately assess each claimant and identify which group they should be in. There is a lot of evidence that developing such an effective screening tool is extremely challenging. Nonetheless work should continue on this.

Second, the Review considers that work on a single benefit gives the Government the opportunity to consider whether extra costs payments for carers would sit better outside of the benefits system and be more closely integrated with individual support packages and social care. The Department of Health's fundamental review of care and support is examining the future of social care, and the Government should ensure that the needs of carers are properly considered and catered for.

### Background

Earlier Chapters have set out the Review's recommendations that the Government should establish a personalised conditionality regime. The specific recommendations made can be realised within the current benefit structure (predominantly comprising of JSA, ESA and Income Support).

Benefit structures were not specifically part of the remit of this Review. However, the active and personalised conditionality and support regime suggested in this Review will not be as effective as it could be whilst there is still a complex, frequently confusing and administratively expensive benefits structure overlaying it. In addition, having huge numbers of people at any one time being moved between benefits and seeking to clarify which ones they are properly entitled to also undermines the effectiveness of the proposed regime.

The Green Paper, *No One Written Off*, talked about the possibility of a Single Working Age Benefit, built around an income-related personal allowance that would be payable to all who qualify, regardless of their reason for claiming. Extra costs, for disability for example, could continue to be met as an addition to that benefit.

**Establishing a genuine Single Working Age Benefit obviously raises a large number of complicated issues.** Much thought will need to go into issues such as the availability and duration of contributory benefits, how to provide for additional needs, how much to distinguish between new and existing recipients and how to treat groups such as carers. Change would have to be delivered over many years and carefully monitored to analyse the impact on child poverty, work incentives and health.

That said, the Review **recommends** that the Government should take forward the work on the single benefit and believes that the personalised conditionality regime could be more effectively delivered if a single benefit were in place. All the key elements previously outlined (the three key groups within the regime, the specifics of the conditionality requirements) would fit equally well and be equally necessary within a single benefit structure. In addition **there would be a number of significant advantages.** Namely the single benefit would:

- Support the idea that the most important thing for Jobcentre Plus and for virtually all claimants is to work together and jointly plan a return to employment, not to assess which benefit people are entitled to;
- Support the idea that the provision of support should be based around the individual and their needs, rather than being limited to that available on their particular benefit; and
- Potentially enable a long-term shift in resources away from benefit administration and into personalised support.

As part of the process of establishing a single benefit the Review believes there are two further issues which the Government should consider.

## A more flexible approach towards allocation

As Chapter 5 made clear the Government should, in the medium term at least, identify which of the three groups (the Work-Ready group, the Progression to Work group and the No Conditionality group) people fall into on the basis of general characteristics e.g. lone parenthood and age of youngest child, degree of incapacity as a result of a health condition or disability.

However, if the Government can successfully establish a genuine Single Working Age Benefit then it moves decisively away from the current situation where different conditionality regimes are built within different benefits payable at different rates. By having a single benefit, payable at the same flat rate for all, **there is the potential for a much more sophisticated and individualised approach to identifying which of the three different groups claimants**

**should be allocated to.** This could be based on a wider range of factors such as time since last job, skill levels, motivation, health and lone parenthood.

**The purpose of this approach would be to ensure that as many people as possible are in a regime which best helps them to get off benefit and into sustained work.** As mentioned in Chapter 5 a major potential advantage from an effective model is that it could enable us to identify more marginal groups currently defined as work-ready who might be better supported through the conditionality of the Progression to Work group. Alternatively a small number of people in that group may be helped more effectively if they were treated as work-ready.

The key issue here is whether there is actually a mechanism that can be applied to all new benefit claimants to help identify which set of conditionality requirements would be appropriate and, if there is, whether it:

- Is better at predicting those who will need more time and support to get back to work than the current broad-based approach;
- Can be undertaken in such a way that it does not disrupt or slow down the entry-point to the Work-Ready group as claimants seek to minimise their own conditionality requirements; and
- Can avoid creating an incentive for large numbers of people in the Work-Ready group to try and negotiate down the requirements that apply to them.

**There is evidence to support the use of profiling tools** (see Hasluck et al 2004; Bryson et al 2003) and Bryson found profiling models for jobseekers outperformed random identification. The Dutch screening tool is explained in Chapter 5 and an attempt at profiling in Kentucky in the USA in the 1990s had some success (see Box 7):

#### Box 7: Profiling in Kentucky

The only useful evidence of the profiling attempts in the US used data from operations in the 1990s in Kentucky. Kentucky created a measure of the likelihood that a claimant would exhaust his/her benefits. They then mandated that those above a certain probability at the high end of the scale would attend a special re-employment services programme.

When the number of places available on the program became too great for the number of people who met the criteria places began to be allocated on a random basis. This created, by default, a randomized control trial in which outcomes for those chosen could be compared to those in the same risk category who were not offered places. The results were that for persons at the margin of referral to re-employment services the programme reduced duration of benefit receipt and thereby costs (Greenberg and Wiseman 2008).

However across all the evidence there are still a number of examples of research showing that **developing an accurate early identification tool for all jobseekers is a major challenge**. In particular:

- Significant proportions of those needing extra help are missed; and
- Significant proportions of those who do in fact get back to work quickly are incorrectly identified as needing extra help at extra cost.

The conclusion to be drawn from these profiling models is that the tools that are currently available are unlikely to be accurate enough to be cost-effective. The Review notes these conclusions. However, given the potential importance of finding a more sophisticated mechanism to identify the Work-Ready and Progression to Work group the Review **recommends** that the Government should look closely at emerging findings and use these to assess whether it is possible to develop a more accurate and individualised screening tool for use when a single benefit is in place.

## Supporting carers more effectively

In Chapter 5 of this report the Review recommended that carers entitled to either Carer's Allowance or the Carer's Premium in Income Support should be placed in the No Conditionality group.

The Review **recommends** that the Government should give active consideration to how, in the longer-term, it can give those with significant caring responsibilities a recognisable status to identify the fact that they are different from most other benefit recipients and are being protected from the usual requirement to be heading towards paid employment. Such an approach would fit with the objectives of the National Carers Strategy.

**The Review considers that the creation of the Single Working Age Benefit structure gives the Government the opportunity to do so.** In principle there seems no reason why low income carers could not fit within the scope of the single benefit. They could have access to the benefit in the same way as any other benefit claimant, with support appropriate to their situation. Those entitled to these payments would move to the No Conditionality group.

However, the Government also pays Carer's Allowance to some carers not in low-income households, as well as the Carer Premium (or additional amount in Pension Credit) to carers receiving low-income benefits. There are a number of potential rationales for these payments but part of their purpose is to meet the extra costs that a carer incurs. Under one potential model for the single benefit, those payments that relate to 'extra cost' could be paid separately, rather than incorporated into the main benefit.

Many carers find the interactions between the different support systems available to them difficult to understand and navigate. To deliver effective support for carers and so increase their ability to combine paid work with caring if they so choose, both the carer and the person being cared for must be supported.

Therefore the Review **recommends** that the Government should use the development of a single benefit to consider whether 'extra costs' payments for carers would sit better outside of the benefits system. In examining the 'extra costs' provision for carers, the Government should consider how carer support could be more closely integrated with social care, individual assessments and individual support packages. The Department of Health's fundamental review of care and support is examining the future of social care, and the Government must ensure that the needs of carers are considered and catered for in any long-term proposals.

The Department of Health review also provides an opportunity to think more radically about how the Government should use the resources currently provided in the form of Carer's Allowance and Carer Premiums. This Review **recommends** working towards a more integrated system of support for carers, which takes account of the level and nature of support that each carer needed (e.g. help with transport or financial support), along with whether the level and intensity of care that they need to provide necessitates respite or ongoing care. As part of the assessment, carers would also receive official recognition of their role. Where a carer still came into contact with the benefit system the local authority assessment would prove an extremely useful tool in identifying claimants who should be placed within the No Conditionality group.

## Conclusion

The vision for conditionality set out in this report fits well with, and would be enhanced by the proposals for a Single Working Age Benefit. In addition, the single benefit proposals could enable the delivery of a more effective support model for carers and the delivery of an even more personalised conditionality regime through individualised screening. However evidence of effectiveness of such screening tools is weak at present.



# Chapter 10: Conclusion and Next Steps

## Overview of the Review

In July this year the Review was asked by the Secretary of State for Work and Pensions to undertake a review of conditionality, and in particular to look at how more people can be helped off benefits and into work.

Since that time the economic situation was worsened considerably as a result of global shocks of an unprecedented size and nature. In the short-term it is clear that the numbers of people claiming JSA is likely to rise. However, if anything that makes the proposals set out here even more important, as they are primarily about **building a new regime to prepare people for the subsequent recovery and get the system into shape for the longer-term.**

The Review was tasked with setting out a vision for a more personalised conditionality regime. The regime set out here builds on the strengths of the current system and seeks to address the areas where further improvement can be made. This should ensure that more and more people can be helped off benefit and into work. It is a vision for a system where virtually everyone claiming benefits and not in work should:

- Be required to engage in activity that will help them to move towards, and then into employment;
- Have an adviser who is sufficiently empowered and with whom they agree a route back to work;
- Be obliged to act on the steps that they agree will help them;
- Have a clear understanding of the expectations the system placed upon them (and why) and what the consequences are for failure to meet these; and
- Be able to access a wide range of personal support on the basis of need not the benefit they are on.

**The Review sets out a number of recommendations (listed in full at Annex B).** There are a number of **other areas which the Review has had only the briefest time to consider (set out at Annex C).** Additional work in these areas may identify further ways of enhancing this overall vision.

If the Government is able to sign up to, and deliver, these changes then this should fundamentally change expectations amongst Jobcentre Plus staff, providers and claimants themselves about what it means to be on benefit, particularly for more marginal groups where the level of contact is still too limited. It should also provide an opportunity to work towards a Single Working Age Benefit.



## Taking forward implementation

This is an independent report. It is therefore not for the Review to set out how the Government should take forward these recommendations, should they choose to accept them. Nonetheless, given the current climate, it may be valuable to make a few observations.

**The recommendations in this Review are wide-ranging and challenging and will keep the UK in the vanguard of nations reforming their welfare systems in a progressive manner.** Nonetheless they try to build on what is already good about the current system and some of the major changes and pilot activities planned in coming years (for example the changes to ESA planned for 2010, the introduction of the Flexible New Deal and many of the proposals made in the Green Paper, *No One Written Off*, earlier this year) which can be seen as partial stepping stones towards the vision.

Given the pressures facing Jobcentre Plus and the Departments as a whole, the Review **recommends** that the Government consider adapting this planned activity, where appropriate, in ways which enable testing of the key aspects of the vision.

Adopting this approach would enable the Government to continue to prioritise its response to the rising claimant count whilst also reforming the welfare system for the future. This would allow a period of experimentation and learning over the next few years, putting the Government in a strong position to then **bring together its work on personalised conditionality and the Single Working Age Benefit and take final steps towards shaping a fundamentally fair and progressive welfare system for the future.**

## Longer-term funding

Government has already started to think creatively about funding models that could allow upfront investment in employment support paid for through future benefit savings (the so-called 'AME-DEL' financing mechanism). This approach has the potential to provide investment and deliver improved outcomes whilst also achieving long-term savings. The Review **recommends** that this innovative work between the Department for Work and Pensions and Her Majesty's Treasury continues and, if successful, forms the basis of a longer-term funding settlement to deliver this vision.

# Annex A: Terms of Reference

## Terms of Reference for the Review of Personalised Conditionality

- To set out a vision for a more personalised conditionality regime – and what this might look like in practice. This should be based on the objective that expectations and potential sanctions are challenging, appropriate and effective – given an individual's needs and circumstances.
- To consider the evidence about the impact and effectiveness of conditionality in the UK and from different international regimes – drawing out potential lessons for future reform.
- To consider the implications of the latest evidence from the fields of behavioural economics and social psychology for conditionality policy.
- To consider what reforms would be needed to the welfare system to deliver a more personalised conditionality regime. These are likely to involve changes both to policy and delivery, but should not be based on proposals with significant additional resource implications.
- To consider the potential trade-offs and tensions in delivering a more personalised conditionality regime – for instance balancing clear expectations and fair treatment with greater flexibility and discretion.



# Annex B: Summary Table of Recommendations

## A complete list of recommendations from the Review

Overarching Recommendations	
1.	The Government should set out a longer term-vision for a personalised conditionality and support regime to assist longer-term planning for Jobcentre Plus and providers and to set a clear framework for future discussions with stakeholders.
2.	<p>The vision for a personalised conditionality and support regime should be that nearly everyone who is claiming benefit and not in work should:</p> <ul style="list-style-type: none"> <li>• Have a clear understanding, underpinned through legislation, that they need to be engaging in activity that will help them to move towards, and then into employment;</li> <li>• Have an adviser with whom they will be able to discuss their expectations and aspirations, and be able to agree and jointly own their own route back to work;</li> <li>• Be obliged to act on the steps that they agree will help them;</li> <li>• Have a clear understanding of the expectations placed upon them (and why) and what the consequences are for failing to meet these; and</li> <li>• Be able to access a wide range of personal support on the basis of need not the benefit that they happen to be on.</li> </ul>
3.	The Government should clearly rule out the option of placing all working age claimants on the JSA jobseeking regime as a way of achieving that vision.
4.	<p>The Government should build up a single personalised conditionality regime with clear recognition in law, policy and practice that there will be two main groups within that regime.</p> <ul style="list-style-type: none"> <li>• A Work-Ready group; and</li> <li>• A Progression to Work group.</li> </ul>
5.	The Government should also identify a group where there would be no conditionality requirements whatsoever (a No Conditionality group).
6.	Allocation into either the Work-Ready group or the Progression to Work group should be initially defined by general characteristics.

### Recommendations on the Work-Ready group

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|-----|---|
| 7.  | The Government should identify a group of people who can be expected to make a prompt return to work. This is the Work-Ready group. The current JSA jobseeking requirements should largely apply to this group.   |
| 8.  | The Work-Ready group should include current people required to claim JSA as well as those lone parents and partners with older children currently in the process of moving into the JSA jobseeking regime.  |
| 9.  | Nearly all of the key features of the current JSA regime (as proposed through the Flexible New Deal and Work For Your Benefit proposals) should continue to underpin the conditionality and support requirements for the Work-Ready group.  |
| 10. | The most effective way of personalising the regime for the certain people within the Work-Ready group is to automatically move those people into Stage 3 of the JSA jobseeking regime, without them having to wait six months.  |
| 11. | The Government should provide more effective support to people on JSA with a health condition or disability through: <ul style="list-style-type: none"> <li>• Automatically moving those claiming JSA who have failed to meet the WCA threshold in Stage 3 of the jobseeking regime;</li> <li>• Improving information sharing between the ESA and the JSA regime;</li> <li>• Making more support available to help those with notable conditions to manage their health more effectively; and</li> <li>• Re-considering the broad easements and other rules that currently apply to this group within the JSA jobseeking regime.</li> </ul> |

### Recommendations on the Progression to Work group

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|-----|--|
| 12. | The Government should identify those people where an immediate return to work is not appropriate but is a genuine possibility with sufficient time, encouragement and support. These should make up the Progression to Work group. |
| 13. | The Progression to Work group should include all ESA claimants (other than those in the ESA support group) and also lone parents and partners with a youngest child aged between one and seven.                                    |

### Recommendations on the Progression to Work group *(continued)*

14.	<p>The Government should create through law, policy and practice a set of requirements for claimants in the Progression to Work group to:</p> <ul style="list-style-type: none"> <li>• Attend Work-Focused Interviews with their adviser at appropriate points;</li> <li>• Design and agree an Action Plan with the adviser that sets out the work-related steps they agree to take to help them back to work;</li> <li>• Undertake work-related activity to support their own route back towards work, with progress monitored through WFIs; and</li> <li>• Follow short, focused adviser directions as a last resort.</li> </ul>
15.	<p>The Government should expect claimants in the Progression to Work group to continue to meet these conditionality requirements for the entire duration of their claim to benefit.</p>
16.	<p>On the requirement to attend WFIs the Government should ensure that sufficient flexibility is given to advisers and claimants to agree an appropriate pattern of attendance that reflects their circumstances.</p>
17.	<p>On the requirement to undertake work-related activity the Government should expect claimants to participate in some work-related activity between each WFI and for the duration of their claim to benefit.</p>
18.	<p>On the requirement to undertake work-related activity the Government should define work-related activity in a very broad way.</p>
19.	<p>On the requirement to undertake work-related activity the Government should ensure access to provision and programme support to help the Progression to Work group from around the outset of the claim.</p>
20.	<p>The Government should not automatically expect claimants in the Progression to Work group to immediately commence work-related activity but should allow a short period of planning and adjustment whenever that is necessary.</p>
21.	<p>On the requirement to design and agree an Action Plan the Government should transform the role of the Action Plan for those in the Progression to Work group and give it a more central, enforceable status to underpin discussions between claimants and advisers.</p>
22.	<p>On the requirement to design and agree an Action Plan the Government should legislate so that where a claimant does not undertake the activity agreed through the Action Plan this should be potentially subject to sanctions subject to safeguards.</p>

### Recommendations on the Progression to Work group (continued)

23.	<p>On the requirement to allow adviser direction the Government should allow advisers to direct claimants to undertake a specific piece of work-related activity in some limited circumstances:</p> <ul style="list-style-type: none"> <li>• Where a claimant has a proven significant barrier to work which they have been encouraged to address but have failed to do so;</li> <li>• Where a claimant has been sanctioned for failing to undertake any activity or fails to agree to undertake any as part of the action planning process; and</li> <li>• Where a claimant's return to work activities are proving ineffective and they are unwilling to consider other options.</li> </ul>
24.	<p>The Government should ensure that before any direction is imposed the following safeguards should be applied:</p> <ul style="list-style-type: none"> <li>• The adviser would always need to encourage and support people into activity first before direction became an option;</li> <li>• When any activity was directed then it would be important for the client to have the right for that decision to be re-considered; and</li> <li>• The aim would be to end the need for direction at the earliest possible opportunity.</li> </ul>
25.	<p>The Government should enable advisers to direct a claimant into any activity that fits within the definition of work-related activity, other than those:</p> <ul style="list-style-type: none"> <li>• That would clearly fall foul of human rights legislation or violate medical codes of practice; and</li> <li>• That would require claimants to apply for specific jobs, attend job interviews or take any particular form of employment.</li> </ul>
26.	<p>The Government should enhance the current proposals for ESA claimants (including those set out in the Green Paper, <i>No One Written Off</i>) by:</p> <ul style="list-style-type: none"> <li>• Making movement into job search and work a clearer underpinning goal;</li> <li>• Making the Action Plan more central to the return to work process;</li> <li>• Giving advisers the power to direct claimants into a wide range of activity (short of requiring them to apply for specific jobs, attend job interviews or take any particular form of employment); and</li> <li>• Keeping engagement ongoing for as long as the claimant remains on benefit.</li> </ul>

### Recommendations on the Progression to Work group *(continued)*

27.	<p>The Government should enhance the current proposals for lone parents with younger children by:</p> <ul style="list-style-type: none"> <li>• Building in a more frequent but flexible pattern of WFIs and a mandatory requirement to undertake work-related activity;</li> <li>• Making the Action Plan more central to the return to work process; and</li> <li>• Giving advisers the power to direct claimants as per ESA claimants.</li> </ul>
28.	The Government should further develop the WFHRA as a crucial tool in linking together health and work advice.
29.	When the Work Capability Assessment is reviewed again, the requirements that will apply under the Progression to Work group should be considered as a context for identifying who should be in the ESA Support Group.

### Recommendations on the No Conditionality Group

30.	The No Conditionality group should include carers and therefore the current WFI conditionality requirements that currently apply to some of this group should be lifted.
31.	The Government should consider how, in the longer-term, it can give those with significant caring responsibilities a recognisable status to protect them from the usual requirement to be heading towards paid employment.
32.	The No Conditionality group should include the ESA support group.
33.	The Government should consider how, in the longer-term, it can give parents with very young children a separate status in the benefit system to make even clearer that this group are not required to be heading towards paid employment.
34.	The No Conditionality group should include lone parents and partners with children under one and therefore the current WFI conditionality requirements that apply to lone parents and partners with children under one should be removed.

### Recommendations on Adviser Flexibility

35.	The Government should explore a model where Jobcentre Plus has additional resource to cover the period when JSA claimants have been on benefit for between 6 and 12 months to try and prompt additional returns to work, in return for being financially held to account for any spend.
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### Recommendations on the support available

36.	The Government should continue to explore the potential for multi-client group contracts to deliver support based on client need rather than the benefit claimed, whilst using the accelerator funding model to encourage a focus on all clients.
37.	<p>The Government should continue to explore the use of Intermediate Labour Markets (ILMs) and therefore:</p> <ul style="list-style-type: none"> <li>• Providers should be encouraged to provide ILM activities as an option to support individuals who have been out of the labour market for a long time. This could be appropriate for both Work-Ready and Progression to Work groups;</li> <li>• Ongoing support and jobsearch assistance should be built into the full time activity Work For Your Benefit pilots proposed for individuals who have not found employment at the end of the Flexible New Deal. This will clearly distinguish these pilots from a pure workfare style approach. Where appropriate, individuals should also have access to these activities before the two year point; and</li> <li>• Across local and central Government efforts should be made to build the social enterprise ILM sector (a natural area being to support green projects).</li> </ul>
38.	<p>The Government should continue to test and evaluate the range of initiatives which are currently in place that aim to actively engage employers:</p> <ul style="list-style-type: none"> <li>• Work Trials;</li> <li>• Job Introduction Scheme (JIS);</li> <li>• Local Employment Partnerships (LEPs); and</li> <li>• Access to Work.</li> </ul>
39.	The Government should continue to test and evaluate the ideas tried in the ERA pilots, with a focus on retention and earnings progression as well as skills, and roll out the approach nationally once the right cost-effective mix has been found.
40.	The Government should consider bringing Activity Allowances and EMA together to create a Single Youth Allowance for 16 and 17 year olds focused specifically on training and education.
41.	The Government should introduce skills health checks and appropriate skills training for new claimants to JSA aged 18-25. These should be available after three months.
42.	The Government should work with the London Apprenticeship Programme to evaluate the operation and outcomes, and consider whether such a model could be developed nationally.

### Recommendations on sanctions

43.	The Government should align the failure to attend process in JSA with that of lone parents and Pathways and give Jobcentre Plus personal advisers discretion, where they are suitably trained and experienced to do so, to make a decision on whether the reason given for non-attendance is good cause.
44.	The Government should, in addition to having advisers, give them local support to improve the administration and quality of referrals, disseminate good practice and provide advice.
45.	The Government should give specialist provider advisers the same access as Jobcentre Plus advisers have to local support. This builds on the Pathways and Flexible New Deal move, to support referrals to Jobcentre Plus decision makers.
46.	The Government should have clear messaging on sanctions at the beginning of a claim and should introduce an early warning system that sends a clear message about the consequences of any further non-compliance through a written warning.
47.	The Government should introduce a principle of prior notification, for example, through WFIs and other mandatory meetings.
48.	The Government should introduce a tighter, crisper, and consistent set of acceptable reasons for non-attendance.
49.	The Government should introduce a clear and simple sanction escalation process for all failures to attend an interview or appointment without good cause. This should include non-financial sanctions for repeat offenders, such as mandatory community-based work.
50.	The Government should consider a root and branch review of sanctions that should consider these recommendations and consider: <ul style="list-style-type: none"> <li>• The fit between benefit sanctions and the rest of the benefit system;</li> <li>• The fit between the sanctions and hardship regime; and</li> <li>• The impact of a sanction on benefit deductions.</li> </ul>

### Recommendations on a Single Working-Age Benefit

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| 51. | The Government should take forward the work on the single benefit as the personalised conditionality regime could be more effectively delivered if a single benefit were in place. |
| 52. | The Government should assess whether it is possible to develop a more accurate and individualised screening tool for use when a single benefit is in place.                        |
| 53. | The Government should use the development of a single benefit to consider whether 'extra costs' payments for carers would sit better outside of the benefit system.                |
| 54. | The Government should move towards a more integrated system of support for carers, which takes account of the level and nature of support that each carer needs.                   |

### Recommendations on taking the vision forward

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|-----|---|
| 55. | The Government should look at their current planned activity and, where appropriate, consider adapting this in ways which enable testing of the key aspects of the vision.                          |
| 56. | The innovative work between DWP and HMT on the 'AME-DEL' financing mechanism should continue, and, if successful, should form the basis of a longer-term funding settlement to deliver this vision. |

## Annex C: Further Areas to be Explored

The Review sets out a broad set of recommendations. Inevitably, though, it also touched on a number of areas of the welfare system where reform could be of benefit, but which the Review did not have time to consider in detail. This Annex sets out those areas which the Government may wish to consider further.

### Rules simplification and flexibility

The current benefit system has a range of different rules and restrictions, usually based in secondary legislation, covering what activities claimants can undertake alongside being in receipt of benefit. Within JSA these include rules:

- Setting out that a claimant must be willing and able to take up employment immediately of at least 40 hours a week, but with exceptions for persons when they are providing certain services, undertaking voluntary work or caring responsibilities or doing part-time work;
- Limiting the hours a person can spend in education; and
- Specifying persons who cannot be treated as available for work.

Rules equally exist for people claiming benefits other than JSA. But because other client groups do not have the requirement to be available for employment they are not subject to the 'availability rules' in the same way.

In most cases there are very good reasons why these detailed rules have developed as they have and the Government does need to ensure that people remain close to work. While many reports have stated that advisers would welcome more flexibility, the evidence base to support areas where this would be particularly helpful is still to be fully established.

The move to run a more common system of conditionality offers an opportunity to reduce the variation across benefits. This should be aimed at reducing the range of non-permitted activities, where the "black box" principle of agreement of planned activities between the caseworker and claimant should be as flexible as possible.

There will, however, still be limits set through legislation on the range of activities a person can undertake when still claiming welfare benefits. But it would be useful for the Government to take a look at whether further flexibility could be built in. There would, of course, need to be safeguards to ensure this isn't abused by claimants, on the one hand, and isn't operated too inflexibly by advisers on the other.

## Housing Benefit

Housing Benefit (HB) has remained largely unreformed and remains a major barrier to transition into work, particularly among those in social housing. There are four major problems:

- Knowledge about in-work HB remains low, so that many people think they will get no help with rent when in work;
- There are minor incentives for HB offices **not** to help get people into work as their funding is based on caseload, not on movements into and out of work;
- The re-assessment of HB when an individual moves into work, and potential delays that can occur in this process, reduce the incentive to take jobs that are unstable and risk people getting into serious rent arrears; and
- Those in temporary or high cost specialist accommodation face even greater work disincentives and risks around transition.

In light of these issues the Government may wish to consider looking at the following issues in the Housing Benefit Review:

- A significant marketing campaign through HB offices and social landlords about the availability of in-work HB;
- Incentivising the same groups to support employment entry via better off in-work calculations (possibly via using web based tools) and wider initiatives and campaigns among social housing tenants;
- Turning HB into a fixed (for 3, or preferably 6, months) credit on entry into work so the person has time to try riskier jobs and sort out other benefit and tax credit transitions before HB is re-assessed; and
- Capping rent payments subject to HB for those in temporary or other high cost accommodation, turning the rest into a longer term non-means tested housing subsidy for the duration of residence in this accommodation.

## Pooled budgets for multiple deprivation

A sizable number of people on benefits have wider deprivation issues than just worklessness and more needs to be done to discuss how to deliver holistic multi-agency support. There are a number of possible models.

Under Progress2Work, for example, extra resources support a key worker or advocate to negotiate the wider services that the individual requires, but this advocate is funded by outcome related funding for job entry. Hence, as well as the key personal adviser with Jobcentre Plus there is a second advocate role but with a common aligned goal.

The evolving model for the delivery of Integrated Employment and Skills (IES) is, by contrast, one of a single contract key worker co-commissioned by two Government departments but with less clarity as to the extent to which the outcome related funding objectives will be shared.

A third alternative is for a single case manager to cover all aspects of a person's support but negotiate with relevant professionals to design the package of services to be delivered. Again there are alternative ways of doing this. They could:

- Head a team across the range of services the client may wish to access and action their delivery for, and in consultation with, the claimant;
- Secure services by advocacy, with advice from professionals, but with no direct budget; or
- Negotiate service delivery with a pooled budget held by the client.

There are clearly strengths and weaknesses in each of these models which means different approaches may be appropriate for different settings. An evidence base needs to be built to be able to draw clear conclusions on cost and effectiveness.

## National Statistics

The National Statistics data on unemployment and worklessness include the count of JSA claimants, those searching for work on International Labour Organisation (ILO) definitions and those participating in Government training programmes. Policy changes already in train, as well as those proposed in this Review, mean that the current definitions for the unemployed and workless may no longer be appropriate.

The other category that has some lack of clarity is those on Government support training schemes or employment. Those who join Intermediate Labour Market or Transitional Jobs schemes clearly fall into this group but there are a wider group of those receiving some training or other courses that support job search. The guidance in the Labour Force Survey questions needs to be clearer as to how these people should categorise themselves.

While decisions over alterations to statistics are clearly the remit of National Statistics, it may be appropriate to undertake a review of categorisations.



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