

## WRITTEN SUBMISSION FROM DEPARTMENT FOR WORK AND PENSIONS

1. The Department for Work and Pensions welcomes the opportunity to present evidence to the Scottish Parliament Welfare Reform Committee and to provide information on the active benefit system. We hope that our evidence will give the Committee a more detailed understanding of the Government's policy intention and operational practice and the positive impact this system has on claimants and the wider economy in Scotland and across the United Kingdom.

### An Active Benefits System

2. The International evidence is clear, active benefit regimes work. That is why most developed economies attach conditions to the receipt of benefits for people who are not working. The OECD said recently

*"There seems little reason to doubt that, especially in countries with high levels of benefit coverage of the non-employed working age population, the success of activation policies in relation to unemployment is critical to achieving high employment rates. Thus, the country reviews confirm that the design and delivery of benefit systems, their eligibility conditions and employment services are important influences on the level and persistence of employment and benefit dependency."*<sup>1</sup>

3. A study of the Swiss system by Frolich and Behncke, quoted in the same OECD report<sup>2</sup> found that four critical factors could lift employment rates by 2-4%; Good relations with employers, "tough" rather than co-operative attitudes of caseworkers, the use of work first strategies over training and the organisational separation of counselling from sanctioning.

4. Successive UK governments have recognised that there should be a link between entitlement to benefit and engagement with the labour market. Historically conditions have always been applied to the payment of jobseekers benefits. The introduction of Jobseeker's allowance has been reckoned to have reduced unemployment by up to 200,000<sup>3</sup>. More recently the creation of Jobcentre Plus is reckoned to have raised national GDP by 0.1%, something worth £5.5bn to the UK economy by 2015<sup>4</sup>

5. Recent developments in the UK and Scottish labour markets, which strengthened, despite until recently GDP growth being sluggish, demonstrate the value of an active regime. Employment is now at record levels – up nearly 700,000 over the last year, the largest annual rise in nearly 25 years. In Scotland employment has risen by 2.7% (68,000) over the last year, compared to a 2.3% rise in the UK as a whole. The number of people claiming the main out-of-work benefits has fallen by 670,000 (over 42,000 in Scotland) since 2010. As the Bank of England said recently in its February 2014 quarterly inflation report

<sup>1</sup> OECD Employment Outlook 2013, activating Jobseekers: lessons from seven OECD countries <http://www.oecd-ilibrary.org/docserver/download/8113181e.pdf?expires=1398183155&id=id&accname=oid025803&checksum=C1EE20F119AAFAC188A40902CC9C8FF>

<sup>2</sup> p166 OECD Employment Outlook 2013, quoting the 2007 study Influence des ORP sur la reinsertion des demandeurs d'emploi

<sup>3</sup> DSS research reports 111 and 116

<http://webarchive.nationalarchives.gov.uk/20130314010347/http://research.dwp.gov.uk/asd/asd5/rrep116.pdf>

<sup>4</sup> DWP research report 781

*“ Other factors, such as changes to government benefits..., are also likely to have encouraged more people to seek work<sup>5</sup>*

### **The role of Sanctions in the system**

6. It is a mistake to see sanctions as a punitive measure or seek to consider them in isolation of the broader system in which they sit. Sanctions form part of a wider framework of policy designed to support and encourage claimants to return to work. Support is given with job-searching and skills but at its heart the system relies on people seeking employment for themselves. It is therefore critical to get people to comply.

7. And for the most part where people do comply with conditions of entitlement, the majority leave benefit quickly, some three quarters of new claims to JSA have left the benefit within 6 months. However others require additional support, and given the criticality of compliance with the rules in the functioning of the system and helping the return to work there must be a response for people who do not comply.

8. The reasons for non-compliance are varied but it is worth recognising that for some individuals unemployment is a distressing and deeply unsettling experience. And the longer it goes on the more distressing it can become. People respond in different ways. Some remain positive and stay engaged. It is reasonably easy to engage with these groups and return them to employment.

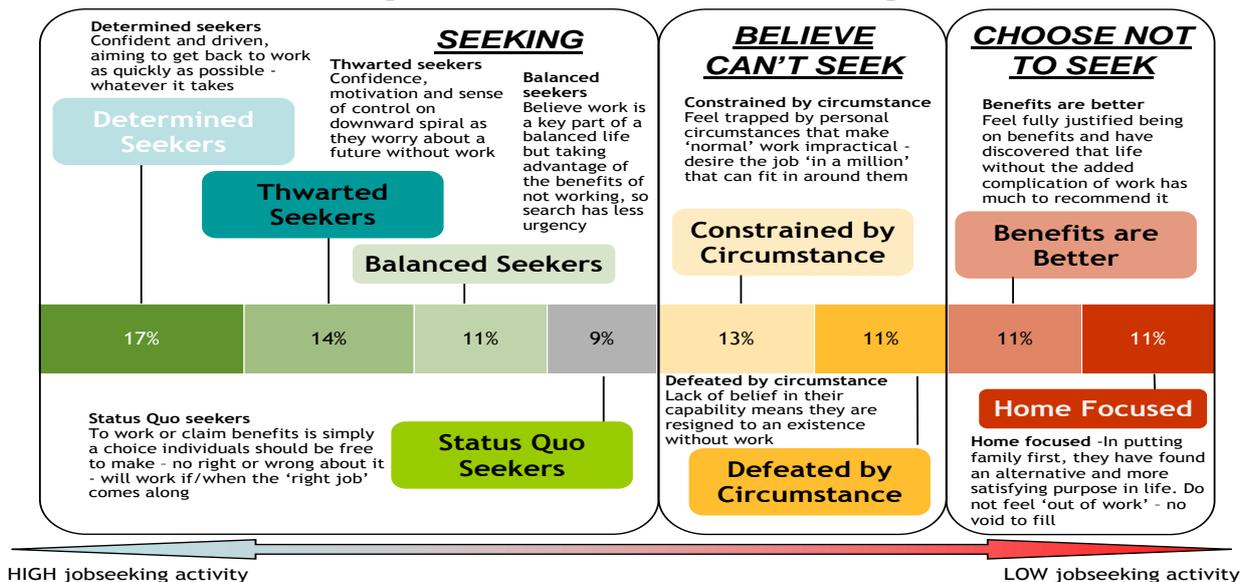
9. However, some jobseekers do not respond as positively. Psychologically they withdraw into dependency and denial. Attitudes abound such as “there are no jobs”, “I don’t have the skills” “I am happy on benefits” are a defensive psychological response brought on by the unsettling circumstances.

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<sup>5</sup> page 27 Bank of England Inflation Report February 2014.  
<http://www.bankofengland.co.uk/publications/Documents/inflationreport/2014/ir14feb.pdf>

10. Research carried out for the Department shows that people can have a range of different attitudes and responses to being out of work. This analysis, summarised in the table below, covered a broader group than just unemployed JSA claimants, including people claiming other out-of-work benefits and some people who were not claiming. It nevertheless illustrates the challenge we face to ensure that those who are required to actively seek work as a condition of receiving benefits do actually seek work and maintain that throughout the course of their claim.<sup>6</sup>

## The eight attitudinal groups



Figures do not add to 100% because of rounding and non-allocation of some respondents to a group

Figure 1: The three stages and eight attitudinal groups of jobseeking

11. These factors are often not apparent on the surface because benefit receipt relies on conditions of actively seeking employment and claimants know they have to say they are. When in fact they doubt their own ability to get a job or maintain themselves in it. Accordingly our policy response has to reflect the fact that we have to change people's behaviour and that confidence and real attitudes needed to be addressed and not what people say. And we use a system of positive support and incentives, positive and negative to seek to do that. The success of the active benefit regime and the effect of active engagement on the motivation of claimants, is likely to have supported the reduction in those claiming the main out of work benefits. In 1997 there were 5.2m people claiming out of work benefits with an employment rate of 71% (26.4m people). Today we see 4.1m people on benefits, a reduction of 1.1m, whilst number of people employed has increased to 30.4m, an employment rate of 72.6%.

12. This approach ensures that people continue to actively seek work rather than becoming discouraged and drifting out of the labour market into inactivity. It means most are able to find work again, even during a recession. It also helps to explain why the labour market is improving quickly now the economy has returned to growth, with

<sup>6</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/188294/cires-beliefs-about-work0311.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/188294/cires-beliefs-about-work0311.pdf)

the number of people claiming Jobseeker's Allowance down by a quarter, both nationally and in Scotland, over the last year.

13. Wider welfare reforms have also aimed to move more of those currently economically inactive back into the labour force. Inactivity, which has typically risen after previous recessions, has now fallen by over half a million since 2010 and the inactivity rate, at 21.9%, is not only lower than before the recession but is close to its lowest level on record.

### **Claimant Commitment and process**

14. So Jobcentre Plus has transformed the way it delivers employment support to provide a more personalised and flexible service. This delivery model ensures claimants get the help they need from day one of their claim and the Claimant Commitment (CC) is at the heart of this approach. The CC delivers key aspects of the Universal Credit approach to move JSA claimants closer to and into work more quickly, driving a very different dialogue and relationship between Work Coaches and claimants. It emphasises claimants' responsibility to do all they can to look for work in return for the support they receive from the state. In a very real sense it is trying to tackle confidence issues by instilling belief and self-respect.

15. This is why there can never be a target for sanctions, and why the Coalition Government abandoned the practice of benchmarking in 2011. That there are targets is a commonly levelled charge, which was investigated and published in a report Conditionality and sanctions a report to the Secretary of State for Work and Pensions<sup>7</sup>. And the recent Select Committee enquiry into Jobcentre Plus concluded targets did not exist.

16. When someone makes a new claim for Universal Credit or JSA they will attend an interview with a Work Coach. At the interview they will agree a personal plan outlining what the claimant will do as part of their Claimant Commitment to give themselves the best chance of finding work. This could include regular specific tasks and training opportunities. Work Coaches will take account of individual circumstances and will set requirements that, if complied with, give the claimant the best possible prospects of finding paid work. All such requirements will be recorded on the Claimant Commitment. The Work Coach will explain the penalties claimants could face for failing to meet their responsibilities to get into work, and will review the plan regularly. Claimants are only asked to meet reasonable requirements, taking into account their circumstances and capability, including health conditions, disability and caring responsibilities. For example a lone parent or main carer with a child under 13 may be able to restrict their availability for work to jobs that can fit around school hours.

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<sup>7</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/199242/sanctions-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/199242/sanctions-report.pdf)

## Sanction process and checking regime

17. Sanctions and conditionality are important tools for Work Coaches/Advisers in helping people back to work. The international and national evidence shows they play an important role in making the system work effectively and people return to work more quickly and spend less time on benefits where public employment systems make use of sanctions. The new sanctions regime from October 2012 made no changes to the requirements placed upon claimants - nor did it increase the number of sanctionable failures - it simply changed the consequences of any failure to comply.

18. The new system aims to create a clearer sanctions regime that is easily understood by claimants and acts as a more effective deterrent to those who might want to break the rules. It is tougher where appropriate - in particular the new system gets tougher with those who repeatedly fail to meet their requirements. Annex A shows the revised regime and levels of sanctions

19. A sanction should never be imposed if a claimant has good reason for failing to meet requirements. Claimants are always given the opportunity to provide good reason. For example if a claimant refused a job because it did not fit with an agreed employment restriction, such as his caring responsibility, then he would have good reason for refusal. If a claimant does not have good reason and a sanction is imposed, they can ask for an explanation of the decision, ask for it to be reconsidered and then appeal against the decision if they are unhappy with the outcome of the reconsideration.

20. Once sanctioned, claimants are advised how they can apply for hardship payments. In order to get these payments the claimant is required to prove they are at risk of hardship. In practice, hardship payments are made if claimants can demonstrate that they cannot buy essential items, including food, clothing, heating and accommodation and so are at risk of severe suffering or privation. "Vulnerable" groups which include anyone with responsibility for children can access hardship immediately, non vulnerable groups cannot do so for the first 14 days of a sanction.

21. If eligible for hardship payments they will receive 60% of their JSA personal entitlement allowance for the period of the sanction (80% if a claimant or a member of the family or a member of a joint-claim couple is pregnant or seriously ill). The levels of 60 and 80% are set in legislation. They are considered to be the minimum amount of benefit claimants in hardship need in order to meet essential needs, whilst still subjecting them to a financial impact for non-compliance. Those receiving housing benefit or council tax reduction will continue to do so throughout a sanction period provided they continue to meet the JSA conditions.

22. Management information is kept on the numbers of referrals but that is to monitor for anomalies and for checking purposes, for example it might highlight where there are higher numbers of sanctions than one might expect. It also helps us identify good practice and where further training and support is required. There are no targets for applying sanctions at a national or local level.

23. Since the new regime was introduced in October 2012 there has been little change in monthly sanction volumes - fluctuating between 3 and 5.5% of the caseload as they

have done since early 2010. Between 2005 - 2010 it fluctuated between 2 and 4%. Latest figures for the three months to September 2013 show that the monthly rate increased to 6% as sanction volumes held constant while the claimant count fell. Month-to-month variability makes it hard to say if this is an increase that will be maintained.

24. Low level sanctions have shown greatest variability, but have recently increased, Medium level sanctions have consistently increased, higher level sanctions have fallen by almost 50%, but it's too early to draw conclusions

25. We have already committed to an independent review by Matthew Oakley which will look at communications to claimants so that the system works fairly and well and offer recommendations to improve the operations of the sanctions process.

26. We have published a range of evidence including the Jobcentre Plus Offer Evaluation and the Universal Credit Customer Survey which provide valuable information on customer awareness of sanctions and on the effectiveness of the regime in encouraging compliance. The publications can be found within the following links:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/261656/rrep852.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261656/rrep852.pdf)

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263427/uc-report-final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263427/uc-report-final.pdf)

27. We also monitor the use of sanctions and publish statistics on a quarterly basis.

<https://www.gov.uk/government/collections/jobseekers-allowance-sanctions>

We will be publishing further information on sanctions through the forthcoming Work Programme Evaluation and the claimant commitment research to help inform our future strategy. We are fully committed to monitoring and evaluating the current regime to ensure it continues to deliver the intended outcomes.

## **Interpreting the Statistics**

28. There is some confusion about what the statistics say about jobcentre Plus' ability or otherwise to make the right decision on sanctions. For lower level and higher level sanctions cases are referred to Decision Makers without benefits being altered. Benefit is only affected after a decision is made. So although, in the statistics one can see a high number of over turned decisions or cancelled cases, a claimants benefit is only affected after a decision has been made.

29. For intermediate sanctions benefit is suspended by jobcentre staff because the law requires us to take action where entitlement may be in doubt. Suspension prevents the overpayment of benefits. In these cases 83% of referrals are upheld with a further 6% cancelled, for reasons like the claimant has left benefit. So really 9 out of 10 referrals are right. Of the adverse cases, 21% (1 in 5) ask for a reconsideration. Of these 43% are overturned, but often because the claimant provides new information.

30. It should also be noted that claimants who receive a sanction remain on the claimant count. While it is possible that some people choose not to continue with their claim once sanctioned this is only a very small percentage as indicated by the low number of cancelled decisions mentioned above.

## Operational Improvements and checking

31. A range of activity has already been undertaken and further work is planned, to improve operational understanding and application of labour market conditionality in a fair and consistent way, improve the quality of sanction referrals and improve the efficiency and consistency of the associated decision making process.

These activities include:

- On the 8<sup>th</sup> April we launched a full quality assurance framework and checklist for the staff that work in our Jobcentres, and will be implemented consistently from 28th April 2014. The purpose of this check is to help improve the speed, efficiency and consistency of decision making, which, in turn, is aimed to minimise cancelled decisions.
- On 16<sup>th</sup> April a staff 'Your Call' event was run. This was an opportunity for staff to clarify and increase their understanding further on required behaviours, roles and expectations. The aim of the call was to ensure a standard, consistent national message to ensure that claimants receive a better quality service.
- We have already introduced a quality check for our labour market conditionality decision makers in October 2013. This has already improved the level of confidence with our Decision Makers and currently the line managers check demonstrates that 91.5% of QAF checks pass validation to ensure the standard and robustness of the decisions they make. This includes decisions that result in both sanctions and favourable decisions to the claimant; and:
- A revised service delivery model was introduced in Labour Market Decision Making in January 2014 which has started to improve links between decision makers and advisors/providers. This enables specific discussions to address variation in quality of both referrals/decisions by WSD/Providers and Decision Makers.

32. All our Jobcentre advisers undergo a comprehensive package of training to help them support claimants back into employment. As mentioned above we have a number of checks in place to make sure Adviser's skills are kept up to date and where a training need is identified managers support staff to up date their skills.

## Annex A

### JSA Sanction levels

A revised **JSA sanctions** system was introduced in October 2012. The system is designed to provide greater clarity about the consequences of not meeting requirements and more robust sanctions for repeated non engagement. The requirements placed on claimants have not changed but the duration of sanctions have changed. The JSA sanctions system now has three tiers:

**Low level** sanctions apply when a claimant fails to comply with a requirement designed to improve their chances of finding work or preparing for work (such as failing to attend/participate in an adviser interview or to take part in a training scheme, or comply with a jobseekers direction). For these failures the sanction periods are:

- 4 weeks for a first failure;
- 13 weeks for a second and subsequent failure committed within 52 weeks of the previous failure.

**Intermediate level** sanctions apply when a claimant reapplies for benefit following disentitlement for failing to be available or actively seek work. For these failures the sanction periods are:

- their claim to JSA will be disentitled;
- in addition, those who re-apply for benefit following disentitlement are now subject to a loss of benefit period of:
- 4 weeks for a first failure; and
- 13 weeks where there has been a further disentitlement within 52 weeks

**High level** sanctions apply for non compliance with requirements directly linked to employment (such as leaving a job voluntarily, misconduct, failure to attend Mandatory Work Activity, neglect to avail of an employment opportunity, refuse or fail to apply for job). For these failures the sanction periods are:

- 13 weeks for the first failure;
- 26 weeks for a second failure within 52 weeks of the previous one; and
- 156 weeks (3 years) for a third (or subsequent) failure within 52 weeks of a previous failure which resulted in a 26 (or 156) week sanction.

A revised **ESA sanctions** system was introduced in December 2012 as a first step to aligning with the Universal Credit (UC) sanctions model. ESA claimants in the Work Related Activity Group (WRAG) who fail to meet Work-Focused Interview and work related activity conditionality requirements will be subject to a new two part sanction. This two part sanction is made up of:

**an open ended period** which is lifted when the claimant meets requirements: followed by a **short fixed period of:**

- 1 week for the first failure;
- 2 weeks for a second failure within 52 weeks of the previous one; and
- 4 weeks for a third (or subsequent) failure within 52 weeks of a previous failure which resulted in a 2 or 4 week sanction.
- claimants who re-comply within the same week of the failure will receive the relevant fixed period sanction only.

- The sanction amount is 100 per cent of the prescribed amount for a single claimant (this is currently £71.70). The work-related activity component and any other additional elements to which they are entitled, such as premiums or payments for mortgage interest, is not affected.

**Department for Work and Pensions**

**23 April 2014**