

# Something for Nothing



Reinstating conditionality for jobseekers

Gabriel Doctor and Matthew Oakley



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## Executive Summary

This report sets out a stronger system of conditionality – the requirements that benefit claimants need to fulfil in return for benefit – that will ensure that all claimants are doing everything they can to find work. For those already taking responsibility and doing all they can, our recommendations will change very little. For those currently spending as little as eight minutes a day looking for work, conditions will significantly increase. The report is the third in a series of reports on welfare reform from Policy Exchange setting out the further steps we believe are necessary to reduce long-term welfare dependency.

The first report, *No Rights Without Responsibility*, showed that a belief in a right to benefits has developed in Britain. To tackle this, we proposed that claimants who are not doing all they can to find work should be required to spend the equivalent of a full time working week looking for work; that sanctions should be toughened up and made more effective at changing the behaviour of those who continue to shirk their responsibilities; and that the link between contributions and benefit should be re-established.

In our second report, *Personalised Welfare: Rethinking employment support and Jobcentres*, we also recognised that it would be unfair to ask more of people without helping them to tackle the barriers to work that they face. This means that the government has a responsibility to give more help to those furthest from the labour market. At the moment, this support is inadequate and does not effectively target help at some of the most vulnerable. This is both unfair to those involved and leads to higher unemployment and costs to the state and society.

To tackle this problem we recommended significant reform to the system of Jobcentre Plus (JCP) and how we approach employment support. We argued that support should be personalised and targeted at those with greatest needs, from the first day of a benefit claim. To do this we recommended that a modified system of the Australian model should be introduced. This would use data on claimants collected from across government, from the claimant themselves and from private sector data providers to estimate the barriers they face in getting to work. This could then be used to target support effectively at those with the greatest needs. Employment support services should be provided entirely by private and third sector providers. When fully implemented, the reforms would finally provide personalised and targeted employment support for the UK.

That is the responsibility of the state: to provide support to those in need. But without claimants doing all they can to fulfil their side of the mutual obligation, to do all they can to find work, these reforms will not succeed. For this reason, this report returns to the issue of conditionality and lays out our approach to ensuring that all benefit claimants are doing all they can to find work.

## Why we need conditionality

Paul Gregg has summarised that “conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions”. In short, it is the principle that benefit claimants do not get something for nothing.

It is tempting to think that benefit claimants capable of work will do all they can to find work and move off state support. Indeed, most claimants say that they want to work and that they are looking for work, and no doubt many are sincere. However, the evidence suggests that we cannot necessarily rely on everyone to stick to this principle. Recent research shows that jobseekers in the UK spend as little as eight minutes a day looking for work. This is the key basis behind the need for a conditionality system: it is to ensure that claimants capable of work are doing all they can to find work. That they are not getting something for nothing.

### Conditionality works

As well as working in principle, conditionality also needs to be effective in practice. Overall, the evidence suggests that strengthening requirements on benefit claimants is the most cost effective way of moving large numbers of claimants back into work more quickly. For example, the increased conditionality in the UK system signalled by the introduction of Jobseekers Allowance (JSA) has been shown to have increased the off-flow rate from benefit by around nine percentage points.<sup>1</sup> Evidence from the OECD suggests that job-search reporting and regular interviews with advisers increase the probability of exiting benefit by between 15% and 30%.<sup>2</sup>

Another review has found that simply requiring unemployed applicants to attend an initial interview typically leads to a reduction in the welfare rolls of 5 to 10%.<sup>3</sup> Other research has also shown that these policies can also have wider benefits. For example, in their review of 64 studies of US welfare reforms, Grogger and Karoly found that income rose and poverty fell among those groups who chose not to enter welfare in the first place. This evidence suggests that it is not just conditions put in place once a claim is made that are important. It is also the conditions placed around eligibility for making a claim that matter. However, this evidence is in contrast with the UK system, which “tries to get claimants to choose to work once they are on benefits, rather than demanding work up front as a condition of aid, as the American reform has done.”

This success cannot be underestimated, particularly since these interventions are relatively cheap.

### Conditionality is supported by the public

As well as being effective, we can also see that conditionality is supported by the public. Our report *Just Deserts* outlined the results of a survey of 2,407 people that asked their views of the welfare state. It found that:

- Half of people thought that benefit claimants should spend in excess of three hours a day engaged in job seeking activities;
- Nearly 80% of people thought that ‘people who have been out of work for 12 months or more, who are physically and mentally capable of undertaking a job, should be required to do community work in order to keep their state benefits’; and

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1 Manning, A., (2005), *You can't always get what you want: The impact of UK Jobseekers allowance*. Centre for Economic Performance, LSE

2 Martin, J.P., and Grubb, D., (2001), *What works for whom: a review of OECD countries experience with active labour market policies*. Office of Labour Market Policy Evaluation Working Paper No.14.

3 Cited in R. Goodin, 'False principles of welfare reform' *Australian Journal of Social Issues* vol 36, 2001, 189-206

- People also believe that returning to work should be an obligation for benefit claimants, even if the financial incentives are weak. Our poll found that 70% of Britons thought that “jobseekers should lose their unemployment benefits if they turn down job offers...even if it means the job offers the same or less than the unemployment benefits they receive”.

This support is spread across all sections of society and across the political spectrum.

## The current system

Work First forms part of the standard lexicon of the Department for Work and Pensions (DWP) and JCP. Indeed, DWP is officially committed to the idea.<sup>4</sup> Nonetheless there is a gap between the principle and the reality. The first time a claimant has to produce any evidence of job search activity is when they attend their first signing on session, which may well be three or four weeks after the initial claim date. This means that a claim can be initiated, and a payment received without a claimant having to show any evidence that they are actively looking for work.

Even once a person starts to sign on, the requirements are weak in the extreme for new claimants. At the first meeting with the JCP Adviser, claimants

agree to a Jobseeker’s Agreement which stipulates what a claimant must do in return for the benefit they receive. In general, claimants are required to undertake two ‘job seeking activities’ per week. However, this does not mean a claimant has to apply for two jobs per week. Rather, activities that can be counted include: obtaining information about job vacancies (looking in a newspaper); obtaining a reference from a previous employer; and seeking information about a new occupation (without the need to actually apply).

It is apparent that these activities are not about taking concrete steps to find work. Indeed, claimants are able to fulfil the conditions of claiming benefit while never actually applying for a job. Claimants are also able to limit the jobs they are willing to accept, both by the sort of job and the level of pay. Claimants are usually allowed to limit the types of jobs they are willing to accept up to the 13<sup>th</sup> week of a claim and in some cases can limit the level of pay they are willing to accept up until the 26<sup>th</sup> week of a claim.

The Coalition government has discussed reforms to conditionality and the sanctions regime and laid out plans for reform in the Welfare Reform Bill. However, the proposed reforms do very little to extend the principles beyond where the previous government had taken them. Indeed, Iain Duncan Smith has recently stated that “...the principles behind that conditionality haven’t really changed, and won’t change as we go forward”.

However, the public do not agree. The majority of voters feel that conditions placed on jobseekers should require more in return for their benefits. Our polling shows that 70% believe that people should be made to accept jobs that pay the same or less than they would receive in benefits. People believe that there is an obligation to support yourself if you can and only 14% of those interviewed thought that low rewards to work were the main cause of long-term unemployment. **In short, the public believe we should be asking more of benefit claimants.**

“ A claim can be initiated, and a payment received without a claimant having to show any evidence that they are actively looking for work ”

<sup>4</sup> Greenberg, D, V Deitch, and G Hamilton. *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research*. MDRC, 2009, p. 25



## A more effective system

The system we outline is for claimants of Jobseekers Allowance. By virtue of claiming this benefit they have been judged to be able to work and, as such, should be expected to be doing all they can to find work. Our recommendations are outlined below.

### Diversion

We believe that it is fair that potential claimants demonstrate they have taken steps to find work and to support themselves before they begin claiming benefits. At present there is a waiting period of three days for a person to be eligible for a JSA claim. Three days is enough to start looking for a job, but not enough to demonstrate that a person has engaged in a serious search and that they therefore need to rely on the state because they cannot find work. **We propose removing this waiting period and replacing it with a Required Search requirement that stipulates that claimants have to actively seek work for two weeks to be eligible for benefit.**

This would bring forward the time at which claimants have to prove that they are actively seeking work by requiring potential claimants who are still unemployed after two weeks to produce evidence that they have been actively seeking work in order to be eligible for benefit. This evidence must be shown to the JCP Adviser who will then allow benefit payments to be made paid.

This will also require a change in the approach of JCP. When making an initial new claim, JCP will need to provide potential claimants with simple instructions as to what sort of activity, and what sort of proof, should be brought to the first meeting with the Adviser. This creates an assumption that claimants should attempt, in the first instance, to support themselves.

If evidence is not provided, payment will be refused and funds should not be released until after a first meeting where it is confirmed that job search has been undertaken for two weeks. Since JSA is currently paid in arrears, this would not impose any significant new delay or hardship. Indeed, for those who are serious about seeking work it could bring forward the initial payment slightly. However, it will make it clear from the start that the expectation on jobseekers is that they will have to look for, and take on, work. If potential claimants do not take on that responsibility from the start, they would not be eligible for benefit. This new Required Search period should be adjusted to match any changes that result in alterations to payment frequency in Universal Credit.

### Work First intensity

**Requirements must be raised to ensure that more time is spent actively seeking work.** We believe that to ensure that jobseekers are doing all they can to find work we should raise expectations about claimants' effort by demanding a greater output. **In practical terms this means reviewing the types of activities that count as 'job-search activities' and requiring more of them to take place in order for a claimant to be eligible for benefit.**

Very many types of activity currently count as job-search activities and it is clear that the value of these activities, and the effort involved in each, is not equal. For these reasons, job-search activities should not all be treated as equally important for the purposes of managing the claim. We recommend that different

scores should be attached to different activities to reflect their importance and the level of effort required and that claimants must achieve a minimum total score each week.

We also propose that the current job-seeking activities are split into two groups: *Qualifying Activities* which are necessary but do not contribute to the score (e.g. obtaining information about job vacancies); and *Scored Activities* which would attract a score that contributes to the total requirement. Since some Scored Activities will require more effort than others, these differences should be recognised (e.g. job application or an interview). The table below demonstrates the sorts of activities included and an example of the number of points that might be attached to each activity.

**Table ES1:**

| Requirement   | Weighting                        |
|---|----------------------------------|
| Attending an interview  | 5                                |
| Applying for jobs (either orally or in writing)   | 4                                |
| Seeking information about an occupation with a view to seeking employment in that occupation  | 1                                |
| Seeking information about opportunities outside of the claimants immediate local area, with a view to seeking employment in that area | 1                                |
| Any other steps can be taken into account providing they give claimants their best chance of finding employment                       | Variable<br>(adviser discretion) |

The purpose of introducing these new scores is to ensure a high level of activity each week for example this might be set at 15 or 20 points per week. The importance of using a scale and points system such as this is that it rewards claimants for doing things more closely linked to finding and securing a job and things which take considerably more time. Thus if put in place, such a system would require claimants to spend much more time looking for work, without relying on overly resource intensive monitoring mechanisms.

### Signing on and providing evidence

As now, claimants would be required to evidence their job-seeking activities. However, in our last report, *Personalised Welfare*, we outlined our belief that fortnightly sign-ins should become automated for the majority of claimants. We argued that this would free up adviser time in order to focus support on those with the greatest needs and to direct more prescriptive conditionality requirements on those found to be doing less than they should be to find work.

For this level of automation and targeting to work alongside our conditionality proposals, significant reform of the IT systems at JCP would be needed. A new system should be introduced that is capable of tracking and monitoring claimants' jobseeking activity and flagging those individuals who appeared not to be undertaking sufficient activities to meet their points target.

The project should also create an integrated CV building tool and online profile for each claimant that would provide the ability to monitor a claimant's activity. This system would enable JCP to determine: how long a claimant had searched online, what jobs they have applied for and how relevant these jobs might be. Claimants could easily use their profile to assess the points available for each type of activity and keep track of the number of points that they had accrued. They could record activities undertaken offline, such as informal job search, interviews and other eligible Scored Activities.

Once up and running, only if a claimant's file was flagged (for example, because they had not reached their score target in the two weeks, or a potential employer had reported that they had failed to attend an interview) would a claimant's profile be 'flagged' for an adviser, who would have the option to mandate attendance at an interview. Given the amount of time that this would free up for advisers, they would then have the capacity to direct claimants to supervised jobsearch – perhaps with minimum lengths of time needed to be spent in jobcentres each week.

### Personalised conditionality

A key advantage of the segmentation system we outlined in *Personalised Welfare* is that it can also be applied to personalise the level of conditionality that an individual faces. We also recommended that **adviser flexibility is a core element to providing an effective system of employment support and conditionality**. Under the system we recommend here, advisers could use the segmentation tool and their own experience to identify those claimants with potentially large barriers to work and tailor a conditionality plan to their needs. This might reduce the numbers of Scored Activity points needed each week and require more Qualifying Activities to be undertaken. Once barriers had been tackled, the number of points needed could then be reassessed and increased. It might also move some activities from the Qualifying category to the Scored category.

### What sorts of jobs

We outlined earlier that claimants are allowed to restrict jobsearch to preferred types of jobs and preferred levels of pay for at least the first 12 weeks of a JSA claim. For those who have built up contributory entitlement in work this policy makes sense. This group has demonstrated their previous attachment to work and they are likely to have built up human capital specific to either their industry or type of work. This means that to require them to undertake any work immediately would risk them losing those skills and this would be a productive loss to the economy. For this reason it is our strong belief that this period of preferred work should continue for those eligible for contributory benefits.

However, we recommend that for those entitled only to the income-based elements of JSA (or Universal Credit in the future) this period of preferred search should be abolished. These claimants have not got a work history strong enough to have built a contribution record that entitles them to contributory benefit and this suggests that they are unlikely to have built significant levels of specific human capital or skills which would be lost if they were to accept any job. For this reason we recommend that they should be required to search for any work from day one of their claim and should be required to accept employment when it is offered, even if it pays little more than their welfare benefit.

## Workfare

Many commentators have argued for the standardised application of Workfare, work for your benefit or guaranteed jobs schemes for various groups of claimants, for example young people. We do not think that mandating schemes such as these is compatible with the black-box approach to employment support that we have advocated.

However, there is also a lack of concrete evidence on the impact of these policies. As a DWP report from 2008 highlights, “...there are few systematic evaluations that isolate the impact of workfare from other elements of welfare-to-work programmes”.<sup>5</sup> We believe that to fill this evidence gap and finally assess what the true impacts might be the government should properly test a workfare scheme. This testing should take two forms.

First, Work Programme providers should be allowed to put in place schemes and measures that act as a deterrent to claiming, as well as those that ‘help’ in finding a job and improving employability. This would allow them to use workfare type arrangements if they felt them to be appropriate.

Secondly, a formal pilot of workfare arrangements for specific groups of claimants should be introduced. This pilot should take place in a number of areas with suitable control areas set up in order to facilitate accurate measurement of the impacts of the policies. There are three groups of claimants at whom these pilots should be targeted:

- Groups of claimants who are expected to return to work quickly as they do not have identified barriers to work but have failed to return to work. Workfare might kick in from three or six months.
- Claimants who leave the Work Programme will, under current plans, recycle back on the main Universal Credit conditionality regime. We propose that a full-time workfare scheme is introduced for claimants in this position who have also been assessed as having attitudinal problems.
- We also believe that, in some cases, workfare schemes might be used as a sanction for those believed not to be doing all they can to look for work. An obvious advantage of using workfare as a sanction is that, unlike severe financial sanctions, it would not place families into poverty.

Evidence from the USA has also highlighted the advantages of allowing localised testing and piloting of new schemes and how this can lead to successful policy innovation. This leads to our belief that the specific nature of the pilots should be flexible. For instance we believe that the length of placement, required number of hours and the nature of work should all be allowed to vary.

While these elements should be flexible, in order to test the distinct impacts of workfare on top of the existing system we believe that all claimants should remain subject to the standard JSA conditionality regime while they undertake their workfare-type placement. This would both allow effective testing and also build on evidence that suggests that workfare schemes are most effective where they are combined with continued jobsearch.<sup>6</sup>

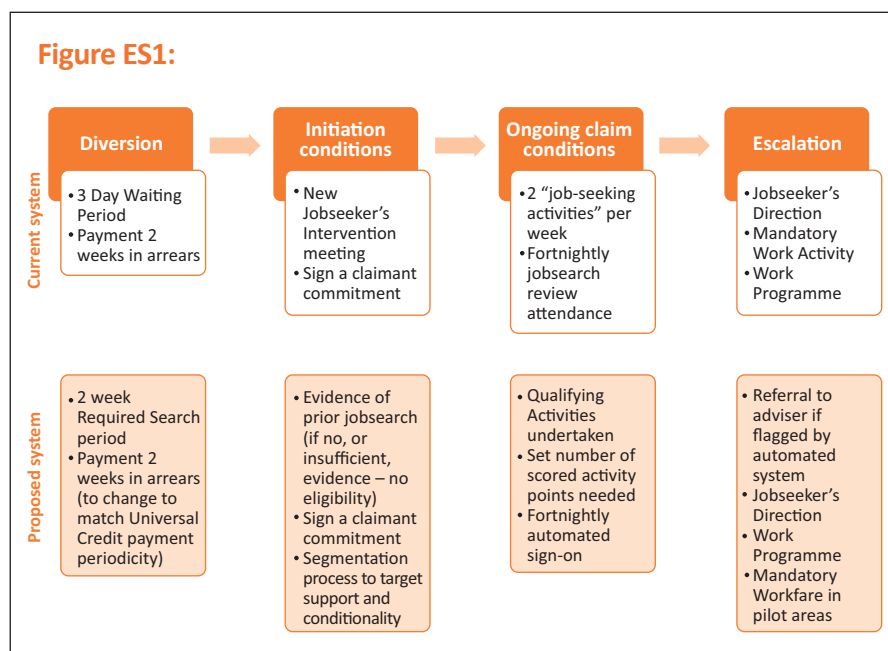
A detailed and comprehensive evaluation strategy should be developed by the DWP. We recommend a full randomised control trial is undertaken and that this should build on evidence on how to run such trials provided by the Employment Retention and Advancement trials run by the previous government.

<sup>5</sup> Crisp, R., & Fletcher, DR., (2008). *A comparative review of workfare programmes in the United States, Canada and Australia*. DWP Research Report No. 533. London <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep533.pdf>

<sup>6</sup> Ibid

## Welfare with fairness and responsibility

Following on from our previous report *Personalised Welfare*, which recommended personalised and targeted support from day one of a benefit claim, our proposals in this report have focused on ensuring that a mutual obligation between the state and the individual is at the heart of the welfare state. The figure below demonstrates how our recommendations would change the system of conditionality in the UK.



If implemented, this new system would: emphasise the responsibility of those on benefits to look for and take work where it is available; build on public support for conditionality to ask those who are not currently doing all they can to find work to engage more actively in jobsearch; and allow conditionality to be tailored to individual circumstances and needs. Our proposal to implement a widescale pilot of a workfare-type scheme would finally test the potential success of these sorts of schemes. The policies we recommend are also easily implementable – they do not require intensive monitoring by staff and enforced supervised jobsearch. They make the most of technology currently being procured by the DWP and suggest ways in which simple reforms can be used to ask more of those claimants not currently doing all they can.

Together with the recommendations outlined in *Personalised Welfare* these reforms will ensure that we have a welfare system that asks all it can of individuals while giving all it should to support claimants back into work. This would be a welfare state with fairness and responsibility at its core and a welfare state that helps people into work instead of trapping them in benefit dependency.

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# Introduction

The first report in this series, *No Rights Without Responsibility: Rebalancing the welfare state*, laid out that over the last 65 years the role of personal responsibility and self-reliance has been diminished in the British welfare state. It showed that, in the place of responsibility, welfare dependency and the concept of a right to welfare have grown. We highlighted evidence from a recent DWP report that demonstrated that 11% of benefit claimants “feel fully justified being on benefits and believe they have discovered that life without the added complication of work has much to recommend it”. Another 9% felt that “to work or claim benefits is simply a choice individuals should be free to make – there is no right or wrong about it”. A further 11% felt that “job search is less urgent as they make the most of the benefits of not working”.<sup>7</sup>

The consequence of this is clear to see. Over five million people are receiving out-of-work benefits of one sort or another. Two million of these have never worked at all; 1.4 million have been on benefits for nine of the past ten years.<sup>8</sup> While almost one-fifth of households have no one in work, recent evidence suggests that jobseekers spend as little as eight minutes a day looking for work.<sup>9</sup> All of this has serious consequences for the 5.4 million adults living in these households and for the life chances of 1.9 million children – because the deprivation and disadvantage that these negative attitudes cause have been shown to pass down generations.<sup>10</sup>

Our report also argued that changes to government policy have, in part, been to blame for these problems. There is no longer a clear link between the National Insurance Contributions people make and the benefits they can receive and the last 15 years of welfare reform has placed more and more emphasis on the state ‘making work pay’. While we recognise that this makes economic sense, there are limits to how far this approach can go. In particular we argued that while the reforms going through Parliament, which focus on making work pay, are positive they will not, on their own, drive the change in attitudes and behaviour that is necessary to reduce welfare dependency and worklessness.

We argued that more would need to be done to change attitudes and to improve the chances of benefit claimants finding work. Our recommendations outlined four key elements of further reform:

- **Improving the weak and poorly applied conditions for claiming benefits.** Conditionality for most unemployed people is extremely weak (reading the paper or surfing the internet count as ‘looking for work’ – and is almost never checked). The only requirement of a claimant is that they should take more than “one step on one occasion in any week”<sup>11</sup> – including steps which are not likely to lead to employment. The ambition should be that job search becomes more like the typical 35 hour week of those in employment;

7 DWP, (2011), *Beliefs about work: an attitudinal segmentation of out-of-work people in Great Britain*. London. <http://www.dwp.gov.uk/docs/cires-beliefs-aboutwork0311.pdf>

8 ‘Universal Credit: welfare that works’, Department for Work and Pensions 2010, <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

9 Krueger, Alan B., and Andreas Mueller. *Job Search and Unemployment Insurance: New Evidence from Time Use Data*. Forschungsinstitut zur Zukunft der Arbeit (IZA), p. 33.

10 Bradley B et al., ‘The Dynamics of Child Poverty in Industrialised Countries’, CUP 2001; Vlemickx K, Smeeding M, ‘Child Well-Being, Child Poverty and Child Policy in Modern Nations: What do we know?’, Policy Press 2001.

11 The Jobseeker’s Allowance Regulations 1996, CH. 3, 18.– (1), <http://www.legislation.gov.uk/uksi/1996/207/made>

- **Reforming the sanctioning mechanisms which are imposed if these conditions are not met.** Even if sanctions are applied for non-compliance with these small requirements, they normally take weeks to process and are often rejected on the flimsiest of pretexts. Even where they are applied, emergency loans and social funding usually step in to render them irrelevant (sometimes meaning that the claimant is not even aware they have been sanctioned). To tackle this, instead of impacting on only one part of one benefit, as is currently the case, sanctions should be more closely related to total benefit eligibility. To ensure that dependents do not suffer, the use of benefit cards that limit the types of good purchased should be considered;
- **Reinstating a link between contributions and benefit receipt.** In order to re-establish a ‘something for something’ approach, a stronger link needs to be created between the National Insurance Contributions (NICs) individuals make and the benefits they can receive if they fall on hard times. This could include stronger conditionality for those without a contribution record and higher benefit levels for those who have contributed; and
- **Targeting help more quickly and effectively at those furthest from the labour market.** This would involve developing mechanisms to identify those most likely to be long-term unemployed and give them appropriate help as early in their claim as possible.

These reforms would make the system fairer and re-instate self-reliance and personal responsibility at the heart of the welfare system. They would also recognise that there is a mutual obligation on the part of the government. The welfare state must ask all it can of individuals, but in return it must give all that is needed to support them into sustainable work.

Our second report, *Personalised Welfare: Rethinking employment support and Jobcentre*, focused on this responsibility of the state. It demonstrated that the system of employment support being delivered through Jobcentre Plus (JCP) is currently letting down some of the most disadvantaged groups of claimants, leaving them without access to the intensive support of the Work Programme for up to 12 months. It argued that the current system must be replaced by one that targets personalised support effectively at those with barriers to work from day one of a benefit claim.

“The welfare state must ask all it can of individuals, but in return it must give all that is needed to support them into sustainable work”

To do this we argued that we should follow the example set in Australia to develop a tool, based on data from the claimant, from government data sources and from private sector information providers, to predict how long each claimant might spend on benefit if left without support. This information estimate could then be used to segment the unemployed population and target support at those likely to spend longest on benefits.

This sort of segmentation should be delivered by a new cross-departmental organisation, CommunityLink, which would be formed out of JCP and would function as a ‘one-stop shop’, not just for benefit claimants, but for skills and careers advice, childcare and other core government services and support. Once this segmentation had been undertaken, private and third sector providers would

be tasked with delivering employment support to get claimants into sustainable jobs and would be paid on a payment by results model. In some respects this is the natural end-point to the creation of the Work Programme and would, in essence, roll out the approach to all of those in need of employment support.

However, unlike the current approach that bases both referral to the Work Programme and the payment of providers on broad claimant categories, our approach would carefully target support and payments to ensure that tailored support was given to all those who needed it. The report lays out a model for transition to this system to ensure both that a workable market with enough capacity and experience was built and that an effective segmentation tool could be developed, tested and refined. We believe that this would deliver a better service and save money, but more importantly that it would reduce unemployment.

With the responsibilities of the state set out, this third report outlines what more we should ask of claimants in return for the extra support that our second report recommended. It re-emphasises that some claimants are not doing all they can to find work and that this is neither fair to those people in low paid work and struggling to support their families nor is it fair to those unemployed people who are doing all they can to find work but are struggling in the current climate. They are being tarred with the same brush and stigmatised because of a minority who fail to take on responsibility. This report is about ensuring that everyone does all they can to find work. It will lay out proposals to strengthen requirements on claimants who are not doing all they can and to reinstate fairness and personal responsibility at the heart of our welfare system.



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# 1

## Why We Need Conditionality

Before turning to the current system of conditionality and potential reforms to strengthen its functioning, it is important to lay out what we mean by conditionality and why such a system is needed. Paul Gregg summarises that “conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions”.<sup>12</sup> In short, it is the principle that benefit claimants do not get something for nothing.

This chapter makes three arguments for conditionality. First, it is fair. Secondly, it is effective. Thirdly, it is popular. We explore the evidence for three broad types of conditionality regimes: diversion, work first, and workfare. The next chapter looks more closely at the gap between a fair and effective system and the one we have at the moment.

### Conditionality is fair

In our first report *No Rights Without Responsibility*, the application of conditionality was encompassed within three wider principles on which the welfare system is founded: ‘genuine need’; ‘self reliance’; and ‘less eligibility’.

It is right that our benefits system is predicated on the genuine need principle: that people who are incapable of looking after themselves should be cared for at a decent level. This includes those who, because of illness or disability or because of caring responsibilities, cannot reasonably be expected to provide for themselves. It also includes those who have fallen on hard times: those who have lost their jobs or are in low paid work and need help to be lifted out of poverty.

In some cases, support will be temporary. For instance, those who have found themselves unemployed and in need of support are expected to be doing all they can to find themselves work and move off benefits. In other cases, support will either be long-term or permanent. This distinction suggests that the genuine need principle needs a corollary principle of self reliance: that people who are capable of working and looking after themselves and their dependents should do so.<sup>13</sup> In principle, our system upholds the idea that in most cases, the primary carers for individuals are themselves. It is an expression of social solidarity that taxation is used to support those who are unable to support themselves.

Fairness in welfare requires that no one is allowed to abrogate their responsibility to uphold these two principles. A fair welfare system is one that gives support to those who genuinely need it, while not encouraging or allowing anyone to free-ride on the system, or to become less self-reliant. This is at the

<sup>12</sup> Gregg, P., (2008), *Realising Potential: A vision for personalised conditionality and support*. DWP, London.

<sup>13</sup> By way of contrast, we do not have a ‘citizen’s income’ scheme, in which the state pays a basic wage to everyone regardless of their income or choices.

heart of what the public feel about welfare. This is most obviously demonstrated by public perceptions of the genuine need principle.

The table below shows that almost three in four respondents to our poll said that they believed that a person's actions should determine how much support they receive from the government, not just how poor they are.<sup>14</sup> According to this view, benefits are not simply a way of redistributing income, but a way of supporting those who have tried to do the right thing. In short, genuine need and self reliance go hand in hand to determine eligibility for state support.

**Table 1:**

**Some people who are poor are much more deserving than other people who are poor. We should focus help on those who are trying hard and doing the right thing, rather than those who have made themselves poor.**

|            |     |
|------------|-----|
| Agree      | 71% |
| Disagree   | 16% |
| Don't know | 13% |

It is tempting to think that the principle of self-reliance can be imbued in a system and amongst claimants so that the system could run on a voluntary basis. Indeed, most claimants say that they want to work and that they are looking for work, and no doubt many are sincere. This was the basis of some of the New Deal schemes organised by the previous government: they took claimants at their word and invested heavily in providing support services to help people find jobs, without making such search mandatory. Indeed, if people are really keen to work, creating and monitoring requirements are unnecessary expenses, as people would impose these search-expectations on themselves.

This approach proved to be optimistic. While 80% of out of work lone parents said they want to work, for example, only 7% participated voluntarily in the New Deal for Lone Parents; similarly, 90% of new Incapacity Benefit claimants said they wanted to work, but only 3% took up the New Deal for Disabled People.<sup>15</sup> Even though people say that they want work, it seems that it is necessary to hold people to their word. Evidence from across the world illustrates that claimants prefer easier benefit regimes with weaker work-requirements. In the United States, levels of work-incapacitating health problems reported in surveys between 1997 and 2006 remained steady; yet over the same period, the caseload of the major US disability benefits increased year on year.<sup>16</sup> This report is not making recommendations on the conditions which attach to disability benefits; the point in general is that many people who are capable of seriously looking for work will opt for an easier life if they can.

Left to their own devices, some benefit claimants will not do all they can to find work. This point is the key basis behind the need for a conditionality system. In simple terms, it is needed to police the self-reliance principle and to uphold the public's view of who should be eligible for benefits under the genuine need principle. It is the natural way to ensure that claimants do not get something for nothing and to ensure that claimants capable of work are doing all they can to find work. In this respect it is a key factor in the delivery of the third principle of the welfare state: the principle of less eligibility.

<sup>14</sup> We polled 2407 people. O'Brien N, *Just Deserts? Attitudes to Fairness, Poverty and Welfare Reform*, Policy Exchange 2011, <http://www.policyexchange.org.uk/publications/publication.cgi?id=237>

<sup>15</sup> Gregg, P. (2008). *Realising Potential: a vision for personalised conditionality and support*. Department for Work and Pensions, p. 36

<sup>16</sup> Haskins, R. (2010) *Balancing Work and Solidarity in the Western Democracies*. Berlin: Social Science Research Centre (WZB), p. 18

In essence this means that unemployed people should never be better off claiming benefits than they would be in employment. If they are, people will rationally choose to claim benefits rather than take an available job, contravening the genuine need principle. Such a system encourages people to become free-riders, and thus also contravenes the self reliance principle.

If income were the only relevant factor in the decision to work, a 'make work pay' approach would suffice. However, this principle of less eligibility is not just concerned with levels of benefit, but also with effort and conditions. Comparing working life and claiming life in other aspects shows immediate and obvious disparities.

Most employees are obliged to work full time at the tasks set by their employers to support themselves financially. If they don't, they are liable to be sacked and lose their income. If a shift worker does not turn up for work he will not be paid for that shift. Recipients of benefits should similarly be obliged to work full time at fulfilling the conditions attached to their benefit receipt. The very rules of benefit receipt should stipulate this: if not, we make work less attractive than receiving benefits even if it pays more.

In a similar fashion, working people in general cannot devote their days to training which will allow them to take a better job. This implies that the default position should be that people on benefits who could take a job, should not be allowed to spend their time training for a better job. Otherwise the government encourages the 'genuine need' and 'self reliance' principles to be compromised.

Working people will not, in general, be paid by their employers to volunteer and undertake charitable activities. Claimants, similarly, should not be exempt from jobsearch because they volunteer.

This discussion has so far been theoretical. We have outlined that in principle, the application of conditionality in a welfare system is required to ensure that the system is fair and that claimants are doing all they can to fulfil the principles which underpin the welfare state. However, we can also see the need for a strong conditionality system by looking at the evidence of its impacts.

## Conditionality works

While fairness is a key element in the welfare system, benefits policy cannot be determined only by what feels fair. It also needs to be effective. However, as we see below, policies that are fair tend also to be ones that are effective because they encourage people to become more self-reliant.

Overall, the evidence suggests that strengthening requirements on benefit claimants is the most cost effective way of moving large numbers of claimants back into work more quickly. For example, the increased conditionality in the UK system signalled by the introduction of Jobseekers Allowance (JSA) has been shown to have increased the off-flow rate from benefit by around nine percentage points.<sup>17</sup> International evidence also suggests that increased conditionality has been effective at reducing unemployment in many OECD countries. One report suggests that job-search reporting and regular interviews with advisers increase the probability of exiting benefit by between 15% and 30%.<sup>18</sup> One country that has had particular success is the United States (see Box 1).

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17 Manning, A., (2005), *You can't always get what you want: The impact of UK Jobseekers allowance*. Centre for Economic Performance, LSE

18 Martin, J.P., and Grubb, D., (2001), *What works for whom: a review of OECD countries experience with active labour market policies*. Office of Labour Market Policy Evaluation Working Paper No.14.

**Box 1**

A starting point for many reviews of conditionality is the Clinton-era welfare reforms in the United States. The 1996 Personal Responsibility and Work Opportunity Act (PRWORA), encouraged states to adopt five kinds of reforms: first, employment advisers attempted to divert families from entering the welfare roster. Secondly, a strong emphasis was placed on job search and taking the first available job, with intensive support from advisers. Thirdly, a full-time workfare component was introduced (though rarely used). Fourthly, people could claim for a lifetime maximum of five years. Finally, in-work tax credits ensured that work would definitely pay.

Since individual states were allowed to choose their own policies, significant variation was allowed and this means we can clearly see the impacts of the policies by comparing results from different states. The impacts were astonishing. For example, in Wisconsin, where these reforms originated, welfare rolls fell 94%, with 70-80% of those leaving entering employment. The number of families (most of them female lone parents) on welfare in the United States fell from 4.6 million in 1996 to 1.6 million in 2008. In 21 states, the falling caseload completely offset the work participation requirement, and only 11 states had to engage more than 10% of their welfare claimants in work-related activities.<sup>19</sup> Various estimates show that at least one-third, and up to one-half, of the fall in welfare numbers can be directly attributed to the impact of the change in the welfare rules.<sup>20</sup>

This becomes even more remarkable when one considers that the group to which these activation policies applied to were, in the main, female lone parents with few or no educational qualifications, a group generally considered to be far from ready to find work. (In American terminology, this was a welfare, rather than unemployment, programme.)

By devolving considerable responsibility to the county level, the experience of the Wisconsin reforms also demonstrated the advantages of local variation and testing of ideas. For example, Kenosha County was the first to test the enforcement of high participation rates in work programmes, Sheboygan County pioneered the concept of prioritising work first rather than education or training, while Grant County developed policies around diverting people from welfare in the first place.<sup>21</sup> Mandates were given for welfare reform by local Public Welfare Boards, but these left the details to individual welfare managers, who were able to suggest ideas themselves rather than being told what to do.

The success of these schemes placed both political and business pressure on counties which continued to emphasise education and training (Racine, Douglas and Milwaukee counties, for example) who were not able to achieve the same results. Less pioneering counties (such as Dane County) were given the impetus to innovate themselves – often before being mandated to pilot schemes created at the state level. The counties which aggressively prioritised mandatory participation and work first achieved the best results – this approach was then rolled out state-wide (and ultimately, nationwide).<sup>22</sup>

19 Crisp, R., & Fletcher, DR., (2008). *A comparative review of workfare programmes in the United States, Canada and Australia*. DWP Research Report No. 533. London, p.7. Dann Finn and Rosie Gloster 'Lone parent obligations' DWP Research Report no 932, 2010, p.4

20 A recent paper for the OECD by Herwig Immervoll estimates one-third ('Minimum income benefits in OECD countries', op cit). See also: D. Besharov and P. Germanis, 'Welfare reform four years later' in Besharov et al, *Ending Dependency* (London, Civitas, 2001); R. Rector and P. Fagan, 'The continuing good news about welfare reform' *Heritage Foundation Backgrounder* 1620, Feb 2003. For a painstaking meta-review of many different studies, summarising the impact of financial incentives, mandatory work conditions and sanctions on both employment and family patterns, see Jeffrey Grogger and Lynn Karoly, *Welfare reform: effects of a decade of change*. Harvard University Press, 2005.

21 Mead L, 'Government Matters', Princeton University Press 2004, p. 79.

22 Ibid p. 91.

The success of many conditionality policies cannot be underestimated, particularly since in general these measures are relatively cheap – meaning that they are also cost effective. Moving beyond this general point, that conditionality policies are effective, we can also use the evidence from the USA and many other

countries to assess the effectiveness of specific types of conditionality policy. For instance: those policies which encourage people to search for jobs before claiming benefits (and thus ensuring that they genuinely need assistance); those policies which ensure that claimants are actively searching for work (ditto); and those policies which make people work in exchange for their benefits. This trio is known as diversion, work first and workfare and we consider their potential impacts below.

#### Diversion from welfare

Income replacement benefits exist for people who genuinely need support: because they are vulnerable; because they are not able to support themselves; or because they have temporarily fallen on hard times. We have highlighted that a key principle of the welfare system is that of self-reliance and this implies that, for those made unemployed or redundant, the benefits system should not be the first place to which they turn. Instead, the benefits system should recognise that other options should be explored before people turn to the state for support.

Benefit systems in a number of countries encapsulate this approach. For instance, some include explicit policies that “aim to keep families from ever receiving welfare in the first place [by] expanding the requirements that families must meet in order to be eligible for assistance and providing more targeted assistance to address their needs.”<sup>23</sup> This policy of diversion is underpinned by the idea that individuals and families should only turn to the state after other options have been explored. In essence, it is a key way to reduce the number of people who attempt to claim benefits in the first place and it has been shown to be successful.

A key example of such an approach is the United States where, in around half of the states, applicants apply for a stipend or loan, on condition that they would not claim any other benefits within a specified period. Advisers can also reject claims if they are not convinced that claimants have not already attempted to find work by themselves. Administrative requirements can also create a level of hassle which will deter some from claiming; and waiting periods (for example, a month in West County, New York) are also extensively used. This encourages claimants to use this time to look for work.

This approach has been shown to have made a “major contribution” to the reduction in the number of people claiming US welfare benefits,<sup>24</sup> with about half the reduction in US welfare rolls being achieved because people did not sign on in the first place.<sup>25</sup> The central importance of diversion to a successful welfare system has also been stressed by Professor Larry Mead, who conducted an in-depth study of the US welfare reforms. Mead stresses that it was the work first aspect of the American reforms (rather than the workfare component or the time limiting) that accounted for its astonishing success.

This evidence suggests that it is not just conditions put in place once a claim is made that are important. It is also the conditions placed around eligibility for making a claim that matter. Indeed, another review has found that simply requiring unemployed applicants to attend an initial interview typically leads to a reduction in the welfare rolls of 5–10%.<sup>26</sup> Other research has also shown that these policies can also have wider benefits. For example, in their review of 64 studies of US welfare reforms, Grogger and Karoly found that income rose and poverty fell among those groups who chose not to enter welfare in the first place.<sup>27</sup>

23 Maloy, K. A, and George Washington University. Center for Health Policy Research. *Diversion as a work-oriented welfare reform strategy and its effect on access to Medicaid: An examination of the experiences of five local communities*. Center for Health Policy Research, George Washington University, 1999, p6.

24 Finn, Dan, and Rosie Gloster. *Lone Parent Obligations: A review of recent evidence on the work-related requirements within the benefit systems of different countries*. The Centre for Economic and Social Inclusion, 2010, p.4

25 Herwig Immervoll, ‘Minimum income benefits in OECD countries’ *Social Employment and Migration Working Papers*, no.100, OECD Paris, 2010.

26 Cited in R. Goodin, ‘False principles of welfare reform’ *Australian Journal of Social Issues* vol 36, 2001, 189-206

27 Grogger, Jeff, and Lynn A. Karoly. *Welfare reform: effects of a decade of change*. Harvard University Press, 2005.

However, this evidence is in contrast with the UK system, which “tries to get claimants to choose to work once they are on benefits, rather than demanding work up front as a condition of aid, as the American reform has done.”<sup>28</sup> The evidence above suggests that this approach should change and this conclusion is backed up by evidence on the views of claimants once they are on benefits. This suggests that once people start claiming benefits, they are more likely to continue claiming both because the need to find work is diminished and because managing a claim can become a time-consuming exercise.

#### The work first approach

The section above highlighted that diverting people from claiming benefits by requiring more before they are able to claim can be effective at reducing benefit claims. However, we recognise that many unemployed people will still need to resort to state support: many will justifiably be unable to find work for a number of weeks, or even months (particularly in the current economic climate); and some will need to fall back on the extensive employment support that our second report highlighted should be targeted on them.

To back up this financial and in-kind support from the state and to ensure that the principles of self-reliance and less eligibility are upheld, once a benefit claim is made, a robust conditionality regime is needed.

Indeed, there is strong evidence that such a system is effective at encouraging employment and reducing welfare caseloads. The Department for Work and Pensions has studied many aspects of conditionality in the last few decades. Again and again, they have found that tighter conditionality leads to improvements in employment. A controlled trial found that making the Intensive Activity Period of the New Deal compulsory for those aged over 50 years increased their chances of entering work by more than 25%.<sup>29</sup> It was estimated that the introduction of the JSA regime (which had more conditionality than the system which preceded it), increased the flow from by benefits by eight or nine percentage points.<sup>30</sup> A randomised trial of different signing-in requirements for JSA claimants – for example, excusing people from attending in person at the Job Centre for first three meetings – found that reducing the activity conditions lead to longer periods of unemployment.<sup>31</sup> Research across the western world confirms that, whenever activity conditions are applied to welfare claims, the average duration of unemployment shortens and employment entry rates rise.<sup>32</sup>

To an extent, the success of these policies can be attributed to the fact that they increased the hassle attached to claiming benefits – but not in an unreasonable way. The signing-on experiment was particularly interesting in this regard because it varied the administrative requirements attached to a claim while keeping everything else the same. It found that delaying the initial

“ Research across the western world confirms that, whenever activity conditions are applied to welfare claims, the average duration of unemployment shortens and employment entry rates rise ”

28 Greenberg, D, V Deitch, and G Hamilton. *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research*. MDRC, 2009, p. 45

29 Gregg, P. (2008). *Realising Potential: a vision for personalised conditionality and support*. Department for Work and Pensions, p.36.

30 Ibid

31 Middlemas, J. *Jobseekers Allowance intervention pilots quantitative evaluation*. Department for Work and Pensions, 2006. ‘It is the frequency of intervention rather than the quality of that intervention which is important in maintaining off-flows.’

32 Griggs, J, and M Evans, *Sanctions within conditional benefit systems* p.20

meeting with the adviser to 13 weeks had “a significant negative impact on off-flow rates”, because people took longer to find work.<sup>33</sup> The same was true of regular signings that were conducted by telephone rather than in person. The same nominal requirements to search for work existing in all cases; the only difference was that claimants had to be a bit more active to fulfil the requirements.

However, work first is not simply about having tighter rules for claimants. It is an approach which stresses that activity should be focused on work-search and finding a job quickly rather than training or prolonged search. A very useful source of evidence about the effectiveness of programmes with strong work first emphasis comes from a recently published cost-benefit meta-analysis of 28 welfare-to-work programmes, involving in total more than 100,000 programme participants,<sup>34</sup> mostly US ‘welfare-mothers’.<sup>35</sup> Five such programmes were classed as ‘mandatory job-search-first programs’, with a very strong emphasis on job-search activity at the start of a welfare claim (and indeed throughout). These programmes were found to be the most cost-effective type of programme in reducing government welfare expenditure, with a mixed effect on participants’ net income (partially explained by the loss of generous out-of-work benefits) over a five-year follow up period.<sup>36</sup> By contrast, ‘mandatory education-first programs’ were shown to result in more sustained losses to the taxpayer, and to participants themselves.

The study also emphasises the value of tailoring requirements and the level of support to the individual. The programmes described in the study did not apply uniform job-search requirements to all claimants. Both support and requirements varied with how well-educated the clients were and with other personal circumstances. The ‘mandatory job-search-first’ programmes stressed independent search for those who were capable and provided assistance to help more disadvantaged groups’ recipients find work through organised group job clubs, supervised work search, enhanced job club classes, and greater knowledge of job openings resulting from job development activities conducted by programme staff.<sup>37</sup> This personalised approach is also evidenced and recommended in the review of conditionality undertaken by Paul Gregg on behalf of the Department for Work and Pensions in 2008.

### Workfare

Perhaps the most controversial form of conditionality is that of workfare. This requires claimants to work in return for benefit and have most famously been used in the United States. Types of work might be in the form of short work experience placements or community or charity work.

While the success of the use of workfare in the US has been widely documented, it is not the only country where workfare has been used. Other countries such as Australia, Denmark, Germany and Switzerland all have requirements based on workfare or participation in other formal schemes (see Box 2 for examples). Evidence suggests that the requirement to move onto these schemes has been effective in increasing exits from benefits. A summary of the results from these schemes suggests that they can increase exit rates from benefit by up to 65% in the weeks before the scheme starts.<sup>38</sup>

33 Middlemas, J. *Jobseekers Allowance intervention pilots quantitative evaluation*. Department for Work and Pensions, 2006, p.51

34 Greenberg, D, V Deitch, and G Hamilton. *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research*. MDRC, 2009, p. 2.

35 *Ibid* p. 45

36 *Ibid* p. 25

37 *Ibid*

38 Martin, J.P., and Grubb, D., (2001), *What works for whom: a review of OECD countries experience with active labour market policies*. Office of Labour Market Policy Evaluation Working Paper No.14.

**Box 2**

Workfare schemes have been running for some years in Australia where a policy of ‘mutual obligation’ introduced in 1997 has gradually been extended to include all unemployed people under the age of 50 who have been on benefits for six months. Mutual obligation requirements can be discharged in various ways (e.g. through part-time employment, community work, attendance in language and literacy courses, or placements with the Defence reservists or the Green Corps), but the default is a ‘Work for the Dole’ placement organised by a voluntary sector agency and involving two days per week of work activity. Since 2007, Australians who have been unemployed for more than two years have been required to accept Work for the Dole placements for 25 hours per week for a period of 10 months.<sup>39</sup>

In Germany, some 640,000 people claiming the Basic Income Support (which is provided when eligibility for insured benefits expires) are required to work for their benefits in so-called ‘mini-jobs’ or ‘€1 jobs.’ Employment agencies are paid to find claimants temporary work placements in what is essentially a workfare system.<sup>40</sup>

This success is unsurprising as the policy significantly increases the requirements placed on claimants in order to receive benefits. A study of international labour market policies conducted by the DWP found numerous examples where people adapt their behaviour before facing the application of tougher conditionality rules. The report cites evidence from Denmark that “[m]onthly rates of entry to employment tended to stop falling and then began to rise about six months before participation in programmes became compulsory.” Similarly in Sweden, “benefit cuts...affected behaviour several months before they were actually implemented”.<sup>41</sup>

Workfare has also been trialled in the UK. Just before the 1997 election the DWP published the results of workfare trials in Hull and Medway. These showed that claimants in the pilot areas were “more likely to get a job than similar clients in the comparison offices”.<sup>42</sup> In fact, just under half of the 6,800 participants signed off before workfare conditions kicked in.<sup>43</sup> The results astonished administrators and commentators. At the time, in an article titled ‘Workfare really works’, Polly Toynbee wrote in *The Independent*:

What became of the 3,100 who have signed off? Only 920 announced that they had got jobs. Where are the others? Did they find the prospect of three months’ compulsory work so terrible that they chose to starve instead? Have they been frightened by bullying interrogators out of drawing the dole rightfully due to them? Opponents of workfare put these propositions forward, but rather sheepishly.

More likely, many were claiming falsely. Either they already had full-time jobs paying them above benefit levels (we are not talking here about earning a little extra on the side) or they were well able to get jobs once pushed. The Low Pay Unit complains that many have been pushed into unsuitable work, but after two years, is that so unreasonable?

Overall, international experience has shown that workfare policies are effective, primarily because they create a strong motivation for people to find other jobs. As Polly Toynbee noted above, the off-flow rates associated with workfare do not

39 More details in Peter Saunders, ‘Australia: From Entitlement to Employment’ In Lawrence Kay and Oliver Hartwich (eds) *When Hassle Means Help* Policy Exchange 2008

40 See Immervoll, p.33. Also Georg Worthmann, ‘After labour market reform; Welfare to work and personalisation in Germany’ In Dalia Ben-Galim and Alice Sachrajda, *Now it’s Personal: Learning from welfare-to-work approaches around the world* IPPR, London, 2010

41 Daguerre, A., and D. Etherington. Active labour market policies in international context: what works best? Lessons for the UK. Department for Work and Pensions, 2009, p. 13.

42 Bryson, A., Lissenburgh, S., & Payne, J., (1998). *The first project work pilots: a quantitative evaluation*. Policy Studies Institute, London. [http://research.dwp.gov.uk/asd/asd5/working\\_age/wa1999/esr10r.ep.pdf](http://research.dwp.gov.uk/asd/asd5/working_age/wa1999/esr10r.ep.pdf)

43 <http://www.independent.co.uk/opinion/the-tories-were-right-workfare-really-works-1280874.html>



happen during the claim, as people are ground down by the rigour of a working week; but on day one, before they've even showed up. Similar drop-out rates were evident in Australia. When Work for the Dole was introduced, one-third of those who were referred to it also failed to turn up, preferring instead to drop out of the welfare system.

However, while effective, workfare is still controversial in the UK. The fact that workfare operates as a deterrent leads to some arguing that it punishes and stigmatises claimants or that it undermines basic human rights. Australia's system of mutual obligation has been attacked as 'exploitative', 'unjust' and in breach of the International Covenant on Civil and Political Rights' prohibition of 'forced or compulsory labour'.<sup>44</sup> However, it is unclear how it can be 'exploitative' to offer somebody financial assistance on condition that they do

something in return. On this logic, human rights are violated every time an employer issues an instruction in the workplace.

On the other hand, the success of these schemes has led some enthusiastic proponents to declare: "No work, no benefit."<sup>45</sup> They argue that workfare should be the major feature of a benefits system – workfare from the very start of a claim. There

“The welfare state has to start from the premise that individuals have the obligation to look after themselves and their families in the first instance, and that state support is only available under the acceptance of the condition that those able to work do all they can to return to work and self reliance”

are several reasons to reject this. First, as another report in this series will outline, the contributory principle, rather than workfare, should be the defining feature of our benefits system. People who have worked, contributed and are made redundant have earned the support of others to spend a little time looking for a new job, especially as they have demonstrated skills which can be matched.

Second, as with any type of full-time mandatory scheme, workfare can be expensive to administer. Though the costs and benefits of workfare are poorly understood, it seems likely that applying it to every single new welfare claimant would likely be prohibitively expensive; and unnecessarily expensive, when one considers that the off-flow rate from benefits is highest in the first few weeks of a claim. Moreover, strong work search requirements have themselves been shown to be effective in helping people find work. These should be relied upon in the first instance. An intensive workfare regime, though it may fair, is best saved for a selected few, or when all else really has failed. For these people the benefits are more likely to outweigh the costs.

The arguments above suggest that while workfare should have a place in a well functioning conditionality system, it should be targeted effectively at groups and at points in a claim where it has the most impact on the chances of claimants moving into work. Further, as we have noted, workfare is most effective through its deterrent effect. Since a crucial component of deterrence theory is the notion of the credible threat (that some consequence will definitely follow from some action) this suggests that workfare schemes should be regularised rather than ad-hoc. An effective workfare scheme must be triggered in a simple and foreseeable way.

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<sup>44</sup> See Saunders, P., (2004). *Australia's Welfare Habit*. Centre for Independent Studies. Chapter 5.

<sup>45</sup> <http://www.adamsmith.org/blog/welfare/policies-for-2010%3A-workfare/>

## Conditionality is supported by the public

The section above has highlighted that a well functioning conditionality system is a key element of an effective welfare state. Support has to be available for those in need, either on a long- or short-term basis, but this has to be backed up by a mutual obligation between the state and the individual. On the part of the state, our second report outlined the targeted employment support needed to help claimants into work. On the part of the individual, a conditionality system based on diversion, work first and workfare ensures that claimants are doing all they can to find work. Together these factors drive down both the number of benefit claims and the length of time claimants spend on benefits after they have claimed.

As well as being effective, we can also see that these are the types of policies that the public want. Our report *Just Deserts* outlined the results of a survey of 2,407 people that asked their views of the welfare state. It found that:

- The public support a contribution-based welfare system, where more is asked of benefit claimants. Our survey found that 51% of people (compared to 44% against) thought that “state benefits should only be provided to those in need, and who have previously paid national insurance and taxes”;
- Half of people thought that benefit claimants should spend in excess of three hours a day engaged in job seeking activities;
- Nearly 80% of people thought that “people who have been out of work for 12 months or more, who are physically and mentally capable of undertaking a job, should be required to do community work in order to keep their state benefits”; and
- People also believe that returning to work should be an obligation for benefit claimants, even if the financial incentives are weak. Our poll found that 70% of Britons thought that “jobseekers should lose their unemployment benefits if they turn down job offers...even if it means the job offers the same or less than the unemployment benefits they receive”.

This support is spread across all sections of society and across the political spectrum.

## Conclusion

This chapter has outlined that the welfare state needs conditionality. A system that provides claimants with rights to assistance and financial support without both acknowledgment and enforcement of their responsibilities is not effective. The welfare state has to start from the premise that individuals have the obligation to look after themselves and their families in the first instance, and that state support is only available under the acceptance of the condition that those able to work do all they can to return to work and self reliance. Benefits are a sign of social solidarity to support people who have tried to do the right thing.

This is not just true in theory, but also in practice. Evidence from across the globe shows that effective conditionality regimes lower unemployment rates and lead to less time spent on benefit. We have also highlighted that the public support conditionality. They believe that claimants should be spending significant lengths of time looking for work; that those who spend long periods

of time claiming benefits should be required to work in return for this right; and that returning to work is a moral obligation even if it does not pay considerably more than benefits.

The following chapters will assess the effectiveness of the current system of conditionality in the UK welfare system and make recommendations for how it should be improved. Together with our previous recommendations on providing personalised and targeted support to jobseekers with barriers to work, these recommendations will ensure that the system is fair and that unemployment and worklessness are reduced.

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# 2

## The Inadequacy of the Current System and Problems with Planned Reforms

The previous chapter outlined the importance of a strong system of conditionality in the benefits system. This chapter will outline that the current system of conditionality is ineffective and does not ask enough of many claimants. It will also outline that the reforms to the system currently being put through Parliament will not do enough to strengthen the regime and drive a reduction in worklessness and benefit dependency.

### The current system

Work First forms part of the standard lexicon of the Department for Work and Pensions and Jobcentre Plus. Indeed, the DWP is officially committed to the idea.<sup>46</sup> Nonetheless there is a gap between the principle as described above and the reality.

The conditions for receiving JSA are organised around the International Labour Organisations tripartite definition of unemployment, that a person must be available for, capable of and actively seeking work. Each of the three parts translates into specific requirements: ‘available for work’ means able to start immediately; ‘capable of’ means that the rules of the system show that the claimant could be in work – for instance that might exclude those with an illness of disability (in which case one is assessed for disability related benefits), or be caring for others (for example lone parents with young children); and ‘actively seeking’ means that they are fulfilling the jobseeking requirements placed on them. It is with this last element, what it means to be ‘actively seeking’ work in exchange for benefits, where we have most concerns.

In the UK, claimants can apply for benefits online. For new claimants (those who have not claimed in the past 12 weeks), payments accrue from three-days after this (the ‘waiting period’); otherwise they accrue from the point of claim. They are paid after the initial meeting with a JCP Adviser, which is usually within a week or two: subsequent payments are paid in arrears every two weeks.

The first time a claimant has to produce any evidence of job search activity is when they attend their first signing on session (the first session after they meet the Adviser). As described above, this may well be three or four weeks after the initial claim date. This means that a claim can be initiated, and a payment received without a claimant having to show any evidence that they are actively looking for work.

46 Greenberg, D, V Deitch, and G Hamilton. *Welfare-to-Work Program Benefits and Costs: A Synthesis of Research*. MDRC, 2009, p. 25

Even once a person starts to sign on, the requirements are weak in the extreme for new claimants. At the first meeting with the JCP Adviser, claimants agree to a Jobseeker's Agreement which stipulates what a claimant must do in return for the benefit they receive and what exceptions might apply. In general, claimants are required to undertake two 'job seeking activities' per week (to fulfil the 'actively seeking work' requirement). However, this does not mean a claimant has to apply for two jobs per week. Rather, activities that can be counted include:<sup>47</sup>

- applying for jobs (either orally or in writing);
- obtaining information about job vacancies;
- registering with an employment agency;
- following referral by an employment officer, seeking specialist advice on improving your job prospects with regard to any physical or mental limitations that you may have (e.g. this might even include having a haircut);
- putting together a CV;
- obtaining a reference or testimonial from a previous employer;
- compiling a list of employers who may be able to offer you work and seeking information from them;
- seeking information about an occupation with a view to seeking employment in that occupation; and
- any other steps can be taken into account providing they give claimants their best chance of finding employment.

It is apparent that many of these activities are not about taking physical steps to find work. Claimants are able to fulfil the conditions of claiming benefit while never actually applying for a job. All they have to do to prove that they have fulfilled the two activities requirement, is to record their activities in a little black and grey 'Log Book', and present to the assistant adviser once every fortnight when signing on.

These signing-on meetings are in practice purely administrative. They tend to last between 5 and 15 minutes and follow a standard script, meaning that there is neither the time nor the resources to effectively challenge the claimant's claims to have been seeking work. As we argued in our second report, it does not make sense for all claimants to see an adviser for such a short-period; we believe that better results could be achieved by allowing lower-risk claimants to 'sign on' electronically at the jobcentre, freeing adviser time for the hardest to help.<sup>48</sup> It is only after 13 and 26 weeks of a claim that a claimant will again see an Adviser and have a longer interview and while reforms being implemented will give greater flexibility for Advisers to meet claimants outside of these set periods it is not clear what effect these reforms have had.

Our first report also highlighted that claimants are able to limit the jobs they are willing to accept, both by the sort of job and the level of pay. Claimants are usually allowed to limit the types of jobs they are willing to accept up to the 13<sup>th</sup> week of a claim and in some cases can limit the level of pay they are willing to accept up until the 26<sup>th</sup> week of a claim. This means that some claimants are allowed to turn down jobs and continue to be dependent on state support for up to six months, despite jobs being available.

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47 The Jobseeker's Allowance Regulations 1996. Also see <http://www.benefitsnow.co.uk/jsa/actively.asp>

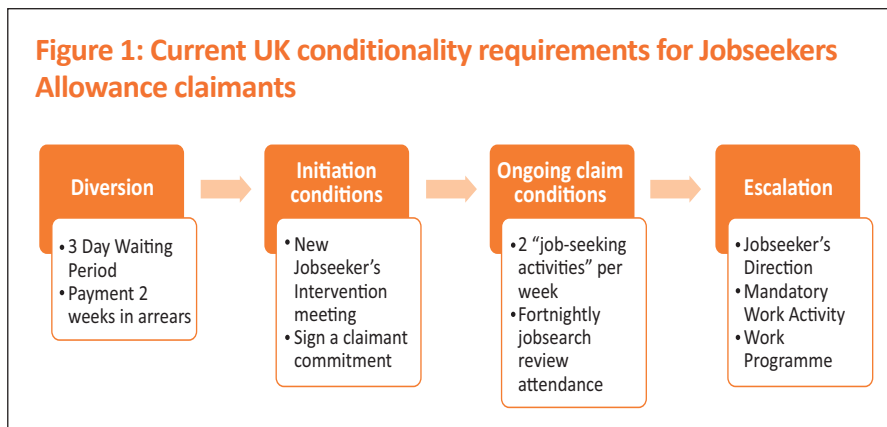
48 Holmes E, Oakley M, 'Personalised Welfare: Rethinking employment support and Jobcentres', Policy Exchange 2011, [http://www.policyexchange.org.uk/images/publications/pdfs/Personalised\\_Welfare\\_-\\_Sep\\_\\_11.pdf](http://www.policyexchange.org.uk/images/publications/pdfs/Personalised_Welfare_-_Sep__11.pdf)

## Current reforms

The Coalition government has discussed reforms to conditionality and the sanctions regime and laid out plans for reform in the Welfare Reform Bill, and before that in the welfare reform White Paper. When this was published, the proposals for tightening conditions and sanctions led to strong opposition from pressure groups committed to unconditional welfare rights. Oxfam, for example, warned that “punishing [non-compliant claimants] as if they are criminals repaying a debt to society is not a fair way to treat someone entitled to support,” and Save the Children complained about “sanctions creating a climate of fear”.<sup>49</sup> However, in reality, the proposed reforms do very little to extend the principles beyond where the previous government had taken them. Indeed, Iain Duncan Smith has recently stated that “...the principles behind that conditionality haven’t really changed, and won’t change as we go forward”.<sup>50</sup>

The government has introduced four-week Work Activity Placements, but these are intended primarily as an anti-fraud device to prevent people claiming and working at the same time, rather than as a form of ‘workfare’. Advisers in jobcentres will be able to refer a small number of claimants into a workfare-type scheme if they believe they are consistently non-compliant with the requirements placed on them.

The key conditionality aspects of the journey from the point of making a claim are summarised in the flow diagram below.



## Assessment of the current system

From the summary above it should be clear that work-search requirements placed on jobseekers are in no way comparable to the expectations which an employer would place on an employee. Claimants can receive benefit for several weeks without providing any evidence that they are searching for a job. The amount of search claimants are required to do is also meagre: two jobseeking activities a week is hardly strenuous compared to the situation in Australia where proof of between eight and 20 job search activities per month is required. The activities which count as job-searching are too expansive, since they are not limited to activities which are actually about applying for job or trying to get a job. This all suggests that DWP and JCP administrators are not entirely serious about their commitment to the principles of conditionality and work first.

49 *The Guardian* 12 November 2010. 'Work and pensions secretary faces backlash over reforms'.

50 Uncorrected transcript of oral evidence on Universal Credit to Work and Pensions Committee: HC 743-ii (9th February 2011). Available at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/publications/>

If we could be certain that people were striving to be self-reliant, we would not need strict conditions for the receipt of mean-tested benefits; but equally we would be certain that they were trying their hardest to find work. We would expect that people would devote as much time to the task as employees dedicate to their jobs: eight hours a day, five days a week. However, polling evidence suggests that only 19% of the public thought that a jobseeker should have to search for 5-8 hours a day in exchange for benefit; just under half thought that claimants should be spending between 2-5 hours a day looking for work.<sup>51</sup>

**Table 2:**

**How many hours each day do you think a person on Jobseeker's Allowance should have to be searching for work, applying for jobs, or in order to receive benefits?**

|                                   |    |
|-----------------------------------|----|
| There should not be a requirement | 14 |
| 1 hour                            | 7  |
| 2 hours                           | 18 |
| 3-5 hours                         | 31 |
| 5-8 hours                         | 19 |
| Don't know                        | 11 |

However, evidence shows that the actual length of time spent by many claimants is nowhere near this level. DWP research from 1999 suggests that the average JSA claimant spends only seven hours per week searching for work.<sup>52</sup> A more recent survey conducted by two Princeton economists for the Institute for the Study of Labor, found that jobseekers in the UK spend an *average of eight minutes per day* looking for jobs. This compares to 41 minutes per day in the United States and 27 minutes per day in France.<sup>53</sup>

This low level of search activity is unsurprising given the low level of requirements placed on jobseekers. Indeed, claiming benefits is a much easier way of generating an income than working. While Jobseeker's Allowance itself is worth only £65.45 per week (£51.85 if under 25), receipt of JSA usually comes with Housing Benefit, and other passported benefits which can provide generous support.

It is for these reasons that Paul Gregg's review of conditionality called for a significant tightening of the conditionality rules surrounding benefit receipt. It also recommended a significant overhaul of the sanctioning system to ensure that the conditionality system had teeth. However, the last government was reluctant to heed these calls and we have shown that the current government's planned welfare reforms do little to address them, apart from extending job-search related conditionality to lone parents whose youngest child is older than five (currently on Income Support) and introducing a tougher schedule of sanctions (a forthcoming Policy Exchange report will highlight the pitfalls in this approach).

There is no sign in the White Paper or in the Welfare Reform Bill of attempts to tighten up the conditions of receipt in the main and significant easements to the rules for lone parents remain. In essence, the approach to reform of conditionality seems to be based on ensuring that the current system can still function with the new Universal Credit, rather than trying to change how the system works.

51 O'Brien N, 'Just Deserts? Attitudes to Fairness, Poverty and Welfare Reform', Policy Exchange 2011, <http://www.policyexchange.org.uk/publications/publication.cgi?id=237>

52 McKay, S., Smith, A., Youngs, R., and Walker, R., (1999), *Unemployment and jobseeking after the introduction of Jobseekers Allowance*. DWP Research Report no.99.

53 Krueger, Alan B., and Andreas Mueller. *Job Search and Unemployment Insurance: New Evidence from Time Use Data*. Forschungsinstitut zur Zukunft der Arbeit (IZA), p. 33.

This lack of progress on conditionality seems to be driven by the belief that it is “almost impossible” to enforce work requirements on welfare claimants through activity conditions while people can “justifiably claim they are financially better off out of work”.<sup>54</sup> Iain Duncan Smith, takes this further by suggesting that the principal lever shifting people from welfare into work must be financial, not moral. He says: “It’s no good teaching [claimants] about moral purpose, or lecturing them about their obligations, or telling them how good work is for the condition of man. That is never going to be understood by them. The one factor that governs decisions at that level is money.”<sup>55</sup>

While the political point being made here is understandable, there are two objections to it. Firstly, many people do leave welfare for work in low wage jobs, when on this analysis, it is not really ‘rational’ for them to do so. Other factors, including a sense of responsibility and the functioning of the conditionality system, are in fact influencing them – and powerfully so. The second point is that the majority of voters disagree with the moral point being expressed. As noted above 70% believe that people should be made to accept jobs that pay the same or less than they would receive in benefits. People do believe that there is an obligation to support yourself if you can and only 14% of those interviewed thought that low rewards to work were the main cause of long-term unemployment.

**In short, the public believe we should be asking more of benefit claimants.**

54 *The Sunday Times* 3 October 2010. ‘Millions lose out in child benefit cut’.

55 *The Sunday Times* 3 October 2010. ‘How to get benefit Britain working’.



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# 3

## A More Effective System

The last chapter outlined that we need a stronger system of conditionality to ensure that all claimants are doing all they can to find work. This chapter lays out such a system. From the start it is essential to realise that these reforms would do nothing to impact on those who are already doing all they can to find work. They are about providing fairness and a level playing field in the welfare system: fairness for those in low income work, struggling to get by and supporting benefit claimants with taxes; and fairness for those on benefit and doing all they can to find work but being tarred with the same brush as those who are not taking on their obligations to do all they can.

The system we outline here is for claimants of Jobseekers Allowance. By virtue of claiming this benefit they have been judged to be able to work and, as such, should be expected to. As we outlined in our first report, we believe that contributory JSA should be replaced with a new, stronger, contributory element within Universal Credit. We will elaborate on these plans in our next report, but the system we outline here is compatible with the changes we outline in the future and assumes that similar qualifying rules for a contributory element of benefit remains in the system.

### Diversion

Our two guiding principles, of ‘genuine need’ and ‘self-reliance’ require that people only access benefits if they are unable to support themselves through their own efforts. For a person to be in genuine need of government assistance, he or she must have had attempted to support themselves first. This requires that we introduce a longer ‘waiting period’ between the point that a person applies for benefits and the point at which they begin to accrue.

At present this waiting period is three days. Three days is enough to start looking for a job, but not enough to demonstrate that a person has engaged in a serious search and that they therefore need to rely on the state because they cannot find work. **We propose removing this waiting period and replacing it with a requirement to have been actively seeking work for two weeks to be eligible for benefit.**

In practice, this two week *Required Search*, would mean that when a person makes a claim for Universal Credit they will be instructed that they have a two week period in which they are not eligible for benefit. It will significantly bring forward the point at which claimants need to provide evidence that they are serious about looking for work. If they remain unemployed at the end of those

two weeks they will need to produce evidence of active jobsearch to their first meeting with an adviser in order to be eligible for benefits. This creates an assumption that claimants should attempt in the first instance to support themselves.

It will also require a change in approach for JCP when potential claimants make their initial claim. The role of JCP should be to advise them both about things they should be doing to seek work and potential job opportunities that might be available. The focus should be on work and self sufficiency, not on benefits.

During the two week Required Search period, claimants should not be barred from using employment services. On the contrary, they should be actively encouraged (without being obliged) to do so during this two week period. The reforms to the IT infrastructure within JCP that we recommended in our second report would provide an effective system for supporting potential claimants find employment in the first two weeks of unemployment. They should be allowed to use services within JCP including IT systems and a reformed jobs database. Evidence of this activity would count towards the proof of seeking work.

This two week period of Required Search would apply to new benefit claimants. It would not apply to those with so-called ‘linked claims’: those who were claiming benefits at some point in the previous 12 weeks. An important part of the design of the Universal Credit is that it allows for a smooth transition between work and benefits. It is supposed to make it easier to take work which might only be temporary or for shorter hours, by creating greater income security; and we would not want our proposed Required Search rule to interfere with this. Thus, the rule would not apply to anyone who becomes unemployed less than three months after they become employed.

It is also planned that the introduction of Universal Credit will change the periodicity of benefits payments from fortnightly in arrears to monthly in arrears to make it coincide with standard salary schedules for the majority of claimants. We propose that since the Required Search period we propose here will not change payment dates, only introduce the need to provide upfront evidence of jobsearch for a claim to become valid, the Required Search period should match the periodicity of Universal Credit: increasing to a month period if that occurs within Universal Credit. Those in need can apply, as at present, for hardship payments or crisis loans.

“The two week Required Search will significantly bring forward the point at which claimants need to provide evidence that they are serious about looking for work”

### Evidence of initial activity

Following the two week Required Search period, claimants must produce evidence that they have looked for work in order to be eligible for benefit. This evidence must be shown to the JCP Adviser who may then allow unemployment benefit elements of Universal Credit to be paid. New claimants should be provided with simple instructions at the point when they lodge their claim as to what sort of activity, and what sort of proof, should be brought to the first meeting with the Adviser.

If evidence is not provided, payment will be refused and funds should not be released until after a first meeting where it is confirmed that job search has been undertaken for two weeks. Since JSA is currently paid in arrears, this would not impose any significant new delay or hardship on those who are serious about seeking work. Indeed, it would actually slightly reduce the waiting time for claimants serious about looking for work.

However, it will make it clear from the start that the expectation on jobseekers is that they will have to look for, and take on, work. If potential claimants do not take on that responsibility from the start, they would not be eligible for benefit.

### Work First intensity

We highlighted evidence above that showed that jobseekers were spending as little as eight minutes a day looking for work. **Requirements must be raised to ensure that more time is spent actively seeking work.**

If we were seeking perfect parity with employees, we would expect claimants to search for work full time – say for forty hours per week. One way of ensuring that people are searching for a particular number of hours is to have supervised job-search. Supervised job-search has been an important part of US welfare and is used by Work Programme providers.

However, this option, applied to everyone at the start of their claim would require a significant resource input and would have to be applied to many people who are motivated to find work quickly of their own accord. For this reason we do not believe that such an approach is practical. Our polling on this issue, discussed above, also showed that while the public thought claimants should search for longer than they currently do, most people stopped short of a full working week: most people thought that people should be searching at least two hours per day, with 19% expecting to search 5-8 hours per day.

For this reason we believe that to ensure that jobseekers are doing all they can to find work we should raise expectations about claimants' effort by demanding a greater output. **In practical terms this means reviewing the types of activities that count as 'job-search activities' and requiring more of them to take place in order for a claimant to be eligible for benefit.**

We saw above that very many types of activity count as job-search activities and that it is clear that the value of these activities, and the effort involved in each, is not equal. Applying for a job, attending an interview or even writing a CV takes far more effort, is more linked to active jobsearch, and is more likely to be successful, than just asking about job opportunities. For these reasons, job-search activities should not all be treated as equally important for the purposes of managing the claim.

We therefore propose a reform to the central 'actively seeking work' requirements of a claimant commitment. We recommend that different scores should be attached to different activities to reflect their importance and the level of effort required and that claimants must achieve a minimum total score each week.

We also propose that the current job-seeking activities are split into two groups:

- Job-search activities that are so obviously necessary and easily achievable that not doing them can only mean that a person is not serious about finding a job. These tend to be the activities on the list of qualifying activities which are about preparing for jobsearch, rather than seeking work directly. These *Qualifying Activities* should be compulsory but should not attract a score; and
- Job-search activities which depend on making more effort and are about taking active steps to move into work. These *Scored Activities* would attract a score that contributes to the total requirement and since some will require more effort than others these differences would be recognised.

### Qualifying activities

These are a requirement of benefit eligibility but are not counted towards the score required to be classed as actively seeking work. In general they are about the claimant making themselves work ready or looking for opportunities where job search and application can take place. These activities include:

- registering with an independent employment agency;
- obtaining information about job vacancies (through newspapers and the internet);
- compiling a list of employers who may be able to offer you work and seeking information from them
- putting together a CV;
- obtaining a reference or testimonial from a previous employer; and/or
- following referral by an employment officer, seeking specialist advice on improving your job prospects with regard to any physical or mental limitations that you may have.

If claimants cannot demonstrate that they have undertaken ‘qualifying activities’, sanctions should be imposed. Note that some of these activities were previously enough to count for work-related activity requirement.

### Scored Activities

The second category of ‘scored activities’ include activities which are linked to active job-search. Each activity attracts a number of points and to be eligible for receipt of benefit claimants must reach a set total of points in any two week period. The table below demonstrates the sorts of activities included and an example of the number of points that might be attached to each activity. They are indicative in nature and a suitable scale would, in practice, need to be developed with discussions with JCP advisers and DWP. However, the table gives an indication of how claimants might be effectively incentivised to spend more time each week focussing on activities closely linked to active job search, rather than activities that prepare them for jobsearch.

It should be noted that the first activity, ‘Attending an interview’ is currently not a recognised ‘jobseeking activity’, since it cannot be a condition of claiming, as a claimant might not be invited to any interviews. Our scale nonetheless can incentivise people to try harder to have an interview and gives recognition when it is achieved.

**Table 3:**

| Requirement   | Weighting                     |
|---|-------------------------------|
| Attending an interview  | 5                             |
| Applying for jobs (either orally or in writing)   | 4                             |
| Seeking information about an occupation with a view to seeking employment in that occupation  | 1                             |
| Seeking information about opportunities outside of the claimants immediate local area, with a view to seeking employment in that area | 1                             |
| Any other steps can be taken into account providing they give claimants their best chance of finding employment                       | Variable (adviser discretion) |

The purpose of introducing these new scores is to ensure a high level of activity each week. This means we should set a fairly minimum total score to achieve. Scoring less than this would lead to sanctions. For example, a required score of 15 or 20 each week could be set. A score of 15 might be achieved by the claimant:

- Having one interview, seeking information about both another occupation and opportunities outside of their local area, and applying for two jobs; or
- Applying for four jobs.

The importance of using a scale and points system such as this is that it rewards claimants for doing things more closely linked to finding and securing a job and things which take considerably more time. Thus if put in place, such a system would require claimants to spend much more time looking for work, without relying on overly resource intensive monitoring mechanisms.

### Signing on and providing evidence

As now, claimants would be required to evidence their job-seeking activities. However, in our last report, *Personalised Welfare*, we outlined our belief that fortnightly sign-ins should become automated for the majority of claimants. We argued that this would free up adviser time in order to focus support on those with the greatest needs and to direct more prescriptive conditionality requirements on those found to be doing less than they should be to find work.

However, for this level of automation and targeting to work alongside our proposals for a points-based system of conditionality, significant reform of the IT systems at JCP would be needed. A new system would be needed that was capable of tracking and monitoring claimant’s jobseeking activity and flagging those individuals who appeared not to be undertaking sufficient activities to meet their points target.

*Personalised Welfare* outlined an approach that would deliver this effectively. It highlighted that the current IT upgrade going through JCP would not be ambitious enough to deliver a step change in service. It recommended that the scope of the project must be extended so that new technologies used by private job and recruitment websites could be integrated.<sup>56</sup> These could include the

56 ‘Jobcentre Plus Digital Services Programme Phase 1’, Department for Work and Pensions 2011, <http://www.dwp.gov.uk/docs/jcp-bt-eia-digital.pdf>

ability to use semantic searches in job searches – with software that seeks to ‘understand’ the contextual meaning of words to generate more relevant results.<sup>57</sup> Unlike the systems used currently, which provide ‘keyword’ results, this approach should deliver more contextually relevant information. In simple terms, this would mean that if a claimant searched for ‘hairdressing jobs’ matches might include hairdressing as well as other jobs like receptionist or customer service positions because they are likely to have skills that would suit these wider roles. In short, it searches for all jobs that might be suitable for particular skill-sets, rather than just the phrases searched for.

We also argued that the project should create an integrated CV building tool, and online profile for each claimant that would provide the ability to monitor a claimants’ activity. An obvious advantage of this system is that once a CV had been entered into the system, automatic searches could be run and a wider range jobs found that matched the claimants’ capabilities. Claimants could then be required to apply for a certain number of these jobs as part of their points target.

There are also wider opportunities. For example, it would enable JCP to determine: how long a claimant had searched online, what jobs they have applied for and how relevant these jobs might be. Claimants could easily use their profile to assess the points available for each type of activity and keep track of the number of points that they had accrued. They could record activities undertaken off-line, such as informal job search, interviews and other eligible Scored Activities; this paper work could be scanned in and attached to the profile. Employers could also use parts of the profiles to assess suitability for certain jobs (as some private sector sites do now) or to provide feedback on unsuccessful interviews.

Since the majority of these facilities will be incorporated into JCP’s transforming labour market services project, the use of this technology in monitoring and enforcing conditionality requirements could be done at minimal cost. Once up and running, only if a claimants’ file was flagged (for example, because they had not reached their score target in the two weeks, or a potential employer had reported that they had failed to attend an interview) would a claimant’s profile be ‘flagged’ for an adviser, who would have the option to mandate attendance at an interview.

Given the amount of time that this would free-up for advisers, they would then have the capacity to direct claimants to supervised jobsearch – perhaps with minimum lengths of time would need to be spent in jobcentres each week.

## Personalised conditionality

A key advantage of the segmentation system we outlined in *Personalised Welfare* is that it can also be applied to personalise the level of conditionality that an individual faces. As we saw above a new IT system could be used to target supervised jobsearch at claimants shown to be failing to build up enough Scored Activities points, but there is a much greater potential for personalisation than this.

We also recommended that **adviser flexibility is a core element to providing an effective system of employment support and conditionality**. Under the system we recommend here, advisers could use the segmentation tool and their own experience to identify those claimants with potentially large barriers to work and tailor a conditionality plan to their needs. This might reduce the numbers of

57 Parliamentary Question, : HC Deb, 13 June 2011, c665W, <http://www.theyworkforyou.com/wrans/?id=2011-06-13a.58378.h&s=section%3Awrans+speaker%3A24897#g58378.q0>

Scored Activity points needed each week and require more Qualifying Activities to be undertaken. Once barriers had been tackled, the number of points needed could then be reassessed and increased. It might also move some activities from the Qualifying category to the Scored category.

Conversely, those identified as having few or no barriers to work, but not being successful in finding work could be targeted with an increase in the number of Scored Activity points needed – for instance they might be required to collect a total of 25 points a week by applying for seven posts that are found and referred to their profile by the semantic search jobs database.

### What sorts of jobs

The system outlined so far does not distinguish between those with entitlement to contributory elements of the benefits system and those are not. A key recommendation of *No Rights Without Responsibility* was that we should recognise the contributions people make when they are in work by more closely linking them to the conditions they face if they become unemployed. The next report in this series will consider this in more detail as it applies to the level of benefit received and conditions for eligibility to contributory benefit. However, we can already outline what this would mean for the basic conditionality system.

We outlined earlier that claimants were allowed to restrict jobsearch to preferred types of jobs and preferred levels of pay for at least the first 12 weeks of a JSA claim. For those who have built up contributory entitlement in work this policy makes sense. This group has demonstrated their previous attachment to work and they are likely to have built up human capital specific to either their industry or type of work. This means that to require them to undertake any work immediately would risk them losing those skills and this would be a productive loss to the economy. For this reason it is our strong belief that this period of preferred work should continue for those eligible for contributory benefits.

However, we recommend that for those entitled only to the income-based elements of JSA (or Universal Credit in the future) this period of preferred search should be abolished. These claimants do not have a work history strong enough to have built a contribution record that entitles them to contributory benefit and this suggests that they are unlikely to have significant levels of specific human capital or skills that would be lost if they were to accept any job. For this reason we recommend that they should be required to search for any work from day one of their claim and should be required to accept employment when it is offered, even if it pays little more than their welfare benefit.

### Workfare

The conditionality proposals we describe above are fair and should encourage claimants to find work more quickly. Undoubtedly, though, some will still be claiming for a longer period. At present, those who have been claiming for longer periods of time are assumed to be facing greater barriers to work and are moved onto the more intensive support provided through the Work Programme at a point in their claim determined by their benefit type and other basic characteristics. A basic demonstration of the points at which this happens is outlined below.

**Table 4:**

|  |                |
|--|----------------|
| JSA customers aged 25 and over   | From 12 months |
| JSA customers aged 18 to 24  | From 9 months  |
| JSA customers who have recently moved from ESA, 18 year old NEETS and people who have been claiming for 22 out of the last 24 months | From 3 months  |

We believe that the ‘black-box’ provision of employment support through private and third sector providers in the Work Programme is the right approach to take. Indeed, *Personalised Welfare* proposed that, instead of JCP providing basic employment support until claimants were transferred to the Work Programme, this approach should be extended to all of those needing employment support, regardless of the point of the claim the claimant had reached. We argued that employment support should be personalised and targeted at those with greatest needs and that this should be facilitated by using a segmentation system similar to that used in Australia. Under this system, for those that needed it, personalisation and black box provision by private and third sector providers should begin from day one of a claim.

However, one limitation of the black box, in comparison to an employment zone model, is that providers have no incentive to run programmes which deter people from claiming in the first place. Given that Workfare advocates argue that its main effect is to deter claims, workfare-based approaches are never likely to be adopted within the black box model of the Work Programme.

Work Programme providers are also currently unlikely to employ workfare schemes because by law they are only allowed to put in place schemes that are ‘beneficial for an individual’s journey back to work’, which means that schemes such as workfare (whose prime impact is to act as a strong deterrent to staying on benefits when work is available) may not be applicable; and that they may not view them as cost effective. Furthermore, given that the UK has historically not had workfare, private providers might feel they were taking too much of a political risk by experimenting with the approach.

Some commentators have argued for the standardised application of Workfare, work for your benefit or guaranteed jobs schemes for various groups of claimants, for example young people.<sup>58</sup> However, we do not think that mandating schemes such as these is compatible with the black-box approach that we have advocated. For these reasons, we would not seek to introduce mandated workfare on a blanket basis.

Workfare-type schemes are often regarded as expensive (for instance this has been the opposition from the Treasury and Department for Work and Pensions) and, as we have shown above, some have argued that they are not successful in ‘helping’ claimants find work. However, the evidence base on the costs and benefits of workfare for different groups is very limited at present.

While questions about workfare are completely understandable, the evidence we highlighted above from the USA, from Australia and from the pilots in the UK is enough to suggest we take a more serious look at the policies. If they act as a deterrent to continuing to claim benefit, either because claimants are claiming falsely or because life on benefits is more attractive than taking relatively low paid work, and they can be shown to be cost effective, such policies could be rolled out more widely.

58 For example see:  
<http://www.guardian.co.uk/politics/2009/jan/27/james-purnell-welfare-bill-workfare> ,  
<http://cache.ft.com/cms/s/0/00fe4682-e045-11de-8494-00144feab49a.html#axzz1ZF1tt7nh>,  
<http://www.telegraph.co.uk/news/obituaries/1578971/Sir-Ralph-Howell.html>.



However, as a DWP report highlights, ‘...there are few systematic evaluations that isolate the impact of workfare from other elements of welfare-to-work programmes’.<sup>59</sup> This means that although what evidence exists seems to be compelling (certainly from the UK experience) we believe that to fill this evidence gap and finally assess what the true impacts might be, the government should allow testing of a workfare scheme. This should take two forms.

First, Work Programme providers should be allowed to put in place schemes and measures that act as a deterrent to claiming, as well as those that ‘help’ in finding a job and improving employability. This would allow them to use Workfare type arrangements if they felt them to be appropriate.

Secondly, a formal pilot of workfare arrangements for specific groups of claimants should be introduced. This pilot should take place in a number of areas with suitable control areas set up in order to facilitate accurate measurement of the impacts of the policies. There are three groups of claimants at whom these pilots should be targeted:

- Our method of segmentation and targeting of employment support will identify groups of claimants whom are expected to return to work quickly as they do not have barriers that would need to be tackled through the provision of employment support. For these groups, prolonged periods of unemployment should not be expected. If any of this group does spend a significant period of time unemployed, we recommend that they are subject to workfare requirements in pilot areas. For those in the pilot areas, this would test whether increased conditionality, compared to the continuation of the original claim conditions in non-pilot areas, would improve their chances of getting into work. A suitable time at which workfare might kick in could be six months for those entitled to contributory unemployment benefit and three months for those entitled to income-based unemployment benefit only.
- Claimants who leave the Work Programme will, under current plans, recycle back on the main Universal Credit conditionality regime. We propose that a full-time workfare scheme is introduced for claimants in this position who have also been assessed as having attitudinal problems. As we argued above, in order for it to act as an effective deterrent it must be completely non-negotiable, so that claimants are absolutely certain that if they continue to claim they will have to earn their benefit by working. For those groups who exit the Work Programme without finding a job, two years of intensive support has failed to be successful, so a new approach is needed. Workfare will provide them with a working experience and daily routine of work, with the potential to pick up skills and contacts.
- We also believe that, in some cases, workfare schemes might be used as a sanction for those felt not to be doing all they can to look for work. An obvious advantage of using workfare as a sanction is that, unlike severe financial sanctions, it would not place families into poverty. For this reason we should test whether this non-financial sanction is more effective at increasing compliance with the JSA regime and moving claimants into work while better protecting vulnerable dependents from the impacts of a sanction.

Evidence from the USA has also highlighted the advantages of allowing localised testing and piloting of new schemes and how this can lead to successful policy

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59 Crisp, R., & Fletcher, DR., (2008). *A comparative review of workfare programmes in the United States, Canada and Australia*. DWP Research Report No. 533. London <http://research.dwp.gov.uk/asd/asd5/rports2007-2008/rrep533.pdf>

innovation. This leads to our belief that the specific nature of the pilots should be flexible. For instance we believe that the:

- Length of workfare placement should be allowed to be vary – to test how the severity of workfare might change the impacts;
- Number of hours per week required to work should be made flexible – to test how the severity of workfare might change the impacts; and
- Nature of the work should be monitored and allowed to vary – to assess whether particular sorts of work are more appropriate.

While we believe that these elements should be flexible, in order to test the distinct impacts of workfare on top of the existing system we believe that all claimants should remain subject to the standard JSA conditionality regime while they undertake their workfare-type placement. This means that they would be required to fulfil their Scored Activity points requirements – meaning that they must seek work at the same time. This would both allow effective testing and also build on evidence that suggests that workfare schemes are most effective where they are combined with continued jobsearch.<sup>60</sup>

A detailed and comprehensive evaluation strategy should be developed by DWP. We recommend a full randomised control trial is undertaken and that this should build on evidence on how to run such trials provided by the Employment Retention and Advancement trials run by the previous government and by similar methods used in other countries.<sup>61</sup>

### Continued conditionality while working

A significant feature of the new Universal Credit regime is that people will be able to be on benefits and in work. While this is clearly an improvement on being on benefits without work, there is a risk that claimants might choose to take on low-hours work and continue to receive state support. The ambition should be that, for those able to work, moving into a position of self-sufficiency without need for state support is the norm. To achieve this, conditionality will need to continue while claimants are working and claiming benefits.

It is not yet clear how this conditionality will work within the Universal Credit system, but early indications are that conditionality will stop (as is the case now) when a claimant reaches 16 hours of work, or the equivalent. However, if the ambition is that unemployed claimants spend longer seeking work, a similar requirement should be made of those who are in relatively low-hours jobs and still claiming benefits.

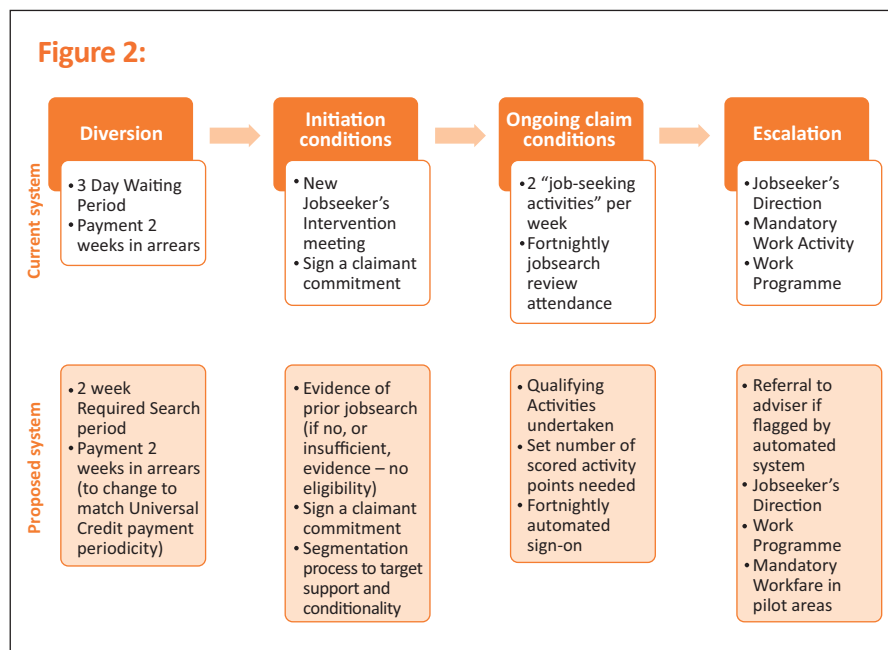
To ensure this is the case, we recommend that if claimants are working part-time, they should spend the remaining time in their week up to 30 hours, engaged in search for a full-time job or a second part time job that will take them above 30 hours employment per week. In practical terms, this might mean that they have to achieve half of the Scored Activity points that an unemployed person is expected to achieve and to evidence this in the same way as we outlined above.

60 Ibid

61 For example see: DWP, (2007). *Implementation and first-year impacts of the UK Employment Retention and Advancement (ERA) demonstration*. Department for Work and Pensions Research Report No.412. Or DWP, (2006). *Making Random Assignment happen: evidence from the UK Employment Retention and Advancement (ERA) demonstration*. Department for Work and Pensions Research Report No.330. Also see <http://www.ifs.org.uk/publications/5709>

## Conclusion

This chapter has outlined reforms necessary to improve the functioning of the system of conditionality in the UK welfare system. The diagram below demonstrates how the proposed system would come together and compare against the existing system.



Following on from our previous report *Personalised Welfare*, which recommended personalised and targeted support from day one of a benefit claim, our proposals in this report have focussed on ensuring that a mutual obligation between the state and the individual is at the heart of the welfare state. If taken on, the proposals we make would: emphasise the responsibility of those on benefits to look for and take work where it is available; build on public support for conditionality to ask those who are not currently doing all they can to find work, to engage more actively in jobsearch; and allow conditionality to be tailored to individual circumstances and needs. Our proposal to implement a widescale pilot of a workfare-type scheme would finally test the potential success of these sorts of schemes. The policies we recommend are also easily implementable – they do not require intensive monitoring by staff and enforced supervised jobsearch. They use the most of technology currently being procured by DWP and suggest ways in which simple reforms can be used to ask more of those claimants not doing all they can.

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# 4

## Conclusion

This report has outlined that the current system of conditionality in the UK welfare system is not effective enough. It does not ask enough of claimants and does not build the mutual obligation between the state and the individual that is needed in an effective welfare state.

This means that although the state provides financial assistance and employment support to claimants, some are not doing all they can to find work. Some claimants spend as little as eight minutes a day looking for work and the system allows simple tasks like looking in a newspaper or asking a friend about a job to count toward the minimal level of jobseeking activities that it requires. The end result is that unemployment is higher than it should be, that the lives of children and families are being damaged, and that welfare dependency is being allowed by government. Even more concerning is that, based on a notion that making work pay is the only way to ensure movements into work and that the welfare state cannot be built around moral purpose or responsibility, reforms going through Parliament will do little to alter this situation.

By providing personalised support from day one of a benefit claim, our previous report outlined ways to help claimants with the barriers to work they face. However, this will not be effective if claimants are not making the efforts themselves. For this reason, this report has outlined reforms that must be made to ask more of claimants in order to rebalance the welfare state towards personal responsibility and self reliance.

We have argued that claimants should be required to seek work before they claim benefits. This will not affect the timing or level of their first benefit claim. For those serious about finding work, it would reduce the time it takes for them to claim benefit. However, it will require them to present evidence of what they have done to find work before turning to the state for support and for those unwilling to do so, access to benefits would be denied. When a benefit claim has been granted it is equally important to ensure that claimants are doing all they can to find work. To ensure this is the case, we recommend that the current list of activities that count as jobseeking activities is significantly reformed to refocus away from simple tasks and towards active jobsearch and applications. We also recommend that claimants have to do more than the current level of two activities a week.

“ This report has outlined reforms that must be made to ask more of claimants in order to rebalance the welfare state towards personal responsibility and self reliance ”

To ensure that this system is implementable and cost effective we recommend the introduction of a points based system. Under this system, claimants would need to build up a certain number of points a week, with more time consuming activities given a high points weighting. Jobseeking activity and the points based system could then be monitored by building better IT facilities at JCP – simultaneously freeing up adviser time so that more time could be spent with those least likely to engage effectively in jobsearch.

It is also essential to ensure that claimants are accepting jobs that are available. For claimants with significant work experience, as evidenced by their entitlement to contributory benefits, we accept that there are advantages to being able to limit the sorts of jobs they search for in order for their skills and experience to be put to best use. However, for those with little work experience this argument is not true and they would benefit from any work experience. For this reason we recommend that this group of income-based only benefit claimants are not able to limit the sorts of jobs that they look for.

Finally we have suggested that a large-scale pilot of a workfare-type scheme is implemented. There is currently a lack of firm evidence on the overall impact of these schemes, but the evidence that exists points to some encouragingly positive impacts. We recommend that the scheme is piloted for three groups of claimants: those identified by our segmentation tool<sup>62</sup> as having little or no barriers to work, but who have been unemployed for a significant period of time; those who have cycled back onto standard conditionality after being with Work Programme providers for two years but failing to find a job due to attitudinal problems; and those who are at risk of a financial sanction, but for whom a sanction would put dependents at risk.

Together with the reforms outlined in *Personalised Welfare* these reforms will ensure that we have a welfare system that asks all it can of individuals, while giving all it should to support claimants back into work. These reforms will not increase conditions placed on those already doing all they can to find work, but for those spending as little as eight minutes a day seeking work, not doing all they can while relying on the state for support, conditions will rise significantly. This would be a welfare state with fairness and responsibility at its core and a welfare state that helped people into work instead of trapping them in benefit dependency.

62 Holmes, E., Oakley, M., (2011). *Personalised Welfare: Rethinking employment support and Jobcentres*, Policy Exchange [http://www.policyexchange.org.uk/images/publications/pdfs/Personalised\\_Welfare\\_-\\_Sep\\_\\_11.pdf](http://www.policyexchange.org.uk/images/publications/pdfs/Personalised_Welfare_-_Sep__11.pdf)



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