

# **IN WORK, BETTER OFF: NEXT STEPS TO FULL EMPLOYMENT**

## **RESPONSE BY THE SOCIAL SECURITY ADVISORY COMMITTEE**

### **1. Introduction**

1.1 The proposals in this Green Paper, which builds upon the Harker and Freud reports, are ambitious and wide-ranging. We strongly support the intention to increase the employment rate to 80 per cent and to help marginalized groups to enter the labour market in greater numbers. However, we are unsure whether the proposed policies will achieve these aims and whether:

- i. they strike the correct balance between rights and responsibilities;
- ii. are an effective use of limited public resources; and
- iii. will help to achieve the child poverty targets.

1.2 Meeting the objectives of the Green Paper will involve considerable public expenditure. We believe that resources might be better invested in alternative policies to achieve the same objectives. To this end, we have suggested in paragraph 6.5 proposals for some alternative approaches with a particular focus on incentivisation, that we believe should be fully evaluated.

1.3 We are disappointed that the Green Paper does not fully address the very substantial concerns raised by many who responded to the Freud report, and we remain unconvinced by the rationale presented for some of the changes that are to be introduced.

1.4 The Green Paper discussion is so abstract that it is difficult to make meaningful comment and, as with the case of the Freud report, it lacks an evidence base. We are disappointed that important issues – such as complexity in the benefits system, and the scope for simplification - do not feature in the Green Paper. Indeed, we take the view that these proposals may add considerable complexity to the system.

1.5 The Green Paper proposals are opaque on the issue of the new contracting arrangements with voluntary and private sector specialist providers. We would have welcomed more evidence of detailed thought having been given to these arrangements at the Green Paper stage of policy development. They will be central to the effective and efficient achievement of the policy objectives. We would have liked to have seen clearer estimates of the level of investment required by the DWP and, also, fuller details of the enhanced conditionally to be fulfilled by benefit claimants.

### **2. Rights and Responsibilities**

2.1 A central tenet of government policy and the Green Paper proposals is the relationship between rights and responsibilities. Throughout the

paper there are references to the assertion that, given greater levels of support, claimants should be expected to make themselves more work-ready. However, we again find an absence of detail in the Paper about how any additional support will be offered, set alongside a few very specific examples of what more will be expected from claimants. We believe that there should be an equitable balance between the demands made upon claimants and what is to be expected from the state, private providers and employers. Our concerns about the relationship between rights and responsibilities, and the principle of 'equity of expectation' underlie many of our comments on the proposals. We are concerned that the Green Paper proposes greater responsibility upon claimants without balancing proposals for how the rights of claimants will be enhanced, particularly in relation to private or voluntary sector programme providers and also employers.

### **3. Lone parents and benefit conditionality**

- 3.1 The Green Paper sets out ambitious plans in terms of helping lone parents to enter work by moving those with older children onto the JSA regime. Whilst we recognise that paid work is one of the routes out of poverty for lone parents, we support alternative approaches which provide additional support to those lone parents who cannot enter employment. We have been impressed by the points made by One Parent Families, setting out clear arguments as to why a focus on lone parents with children aged 12 and over may not bring about an increase in the lone parent employment rate. Currently 70 per cent of lone parents with the youngest child over 12 and 60 per cent of those with the youngest child aged over 7 are already in employment. The target for lone parent employment is already being met with children in these age groups. Enhancing conditionality upon them will not improve the overall employment rate for lone parents.
- 3.2 The retention of lone parents currently entering employment would go far towards meeting the 70 per cent target. The problem is that lone parents enter employment and then leave early. The Green Paper refers to the importance of retention but it does not propose that resources be devoted to ensuring that the job retention rate of lone parents is increased, for example by supporting the kinds of in-work training and development that may lead to progression and improved employment quality. Instead, it proposes that lone parents who are not in employment should be subjected to the greater conditionality of the JSA regime. On current trends this may result in more 'churning'.
- 3.3 Overall, we find the proposals to move those lone parents with children aged over seven onto JSA by 2010 to be underdeveloped and ill-considered. A number of our stakeholders have already done a considerable amount of work on the problems that the adaptation of the JSA regime to the circumstances of lone parents may present. We fully concur with the concerns that they have raised. A key issue here is

whether or not lone parents will simply be transferred onto the current JSA regime with its relatively intensive work-focused conditionality.

- 3.4 The Paper hints that some aspects of JSA conditionality - such as finding a job of at least 16 hours per week - may be modified for lone parents, but does not elaborate on how this might be achieved within the JSA framework and incorporated into a wholly work-focused, sanctions-driven regime. There is no information about which PAs will work with lone parents or what use will be made of the specialist PA skills that have been developed while the current lone parent programme has been fostering the positive, voluntary relationship between PA and lone parent.
- 3.5 We are concerned about the resource implications for Jobcentre Plus of transferring lone parents onto the JSA regime and the pressure this will place upon PAs. The Green Paper seems to be proposing two JSA regimes, one for lone parents and another for all other 'unemployed' claimants. As we have noted, lone parents may not have to look for work of over 16 hours per week; and they might also access certain elements of the NDLP that are currently available to lone parents on IS. This 'twin track' approach to JSA introduces further complexity into the system and also the potential for variation of treatment between lone parents based on PA discretion. This is an example of how the proposals, as outlined in the Green Paper, may dilute the rights of claimants whilst increasing their responsibilities. We welcome a personalised and responsive service. Such services have been one of the real achievements of welfare reform, but personalisation should not be at the expense of claimants' rights by increasing the discretion given to Jobcentre Plus and private or voluntary sector providers.
- 3.6 It is stated that lone parents will only have to take up work if it can be demonstrated that it will 'pay'. We would question what this means in practice. To be effective, the calculation must be both accurate and comprehensive, presenting a complete and up-to-date picture of the financial returns from work, factoring in childcare costs, travel and other in-work expenses, and the loss of 'passported' benefits. This is not the case at present, and the content and presentation of 'better-off' calculations could be much improved. Better off calculations assume that lone parents are discouraged from work because of financial disincentives. For many lone parents this is not the case; they wish to work. The barriers of entering work are financial insecurity (what if it doesn't work out? How will tax credits help? What happens on return to benefit?) combine with concerns about the work/life balance and ensuring the well-being of their children.
- 3.7 A key issue for lone parents returning to work, as the Paper acknowledges, is the availability of suitable, 'wraparound' childcare. The Paper assumes that childcare will be available to all lone parents who want to work when we know that there is considerable evidence of continuing significant gaps in provision, particularly with regard to

appropriate childcare for children with special needs and during non-traditional working hours (for example, at weekends and for late and early shifts), and in rural areas. Even if the aspiration of wraparound childcare is in place, we have concerns that it may still not be appropriate for all lone parents. This is likely to be a particular problem for parents of disabled children and members of cultural and religious minorities, who are more likely to have requirements that mainstream providers will have difficulty meeting. This could lead to a situation where a lone parent is forced to either leave their child in care they feel is inappropriate or be sanctioned for not seeking work. Given the Government's focus on choice for parents in terms of schools and childcare provision, we would hope that lone parents would not have to use childcare provision that they felt was unsuitable under duress and the threat of benefit sanctions. We would be concerned if decisions on whether or not the childcare was appropriate were to rest solely with a PA or programme provider. We would suggest that the burden of proof that there is appropriate childcare available be placed upon the DWP rather than the claimant.

- 3.8 There appear to be significant resource issues around the introduction of additional WFIs and the move of up to 40 per cent of lone parents onto the JSA regime. We have questioned several times whether Jobcentre Plus has the resources to run more WFIs successfully. We have also become aware during our visits to business sites of the problem of high failure to attend rates amongst lone parents with more frequent WFIs. Under the current regime, we have been told that significant numbers of lone parents are receiving multiple sanctions for non-attendance at WFIs, and PAs experience the frustration of so many missed appointments in their diaries. There are two alternative explanations for this. One is that the lone parent who is sanctioned is not concerned, for whatever reason, about the reduction in their benefit. The other is that the lone parent is under multiple pressures which means that instructions from the DWP take a lower order of priority than the other stressors in their lives.
- 3.9 The Green Paper makes reference to the importance of helping parents stay in work following a relationship breakdown, but offers no solutions to help retention. Support for parents in this situation is likely to be provided by employers that allow people to make adjustments to their working pattern, in both the short and long-term. We would suggest that the Green Paper should have addressed the issue of retention more directly. We also would like to see more detail about progression whilst in employment. This a separate issue from that of retention of employment. However, a policy focus on progression should encourage greater retention and allow for the considerable skills of many lone parents to be used in the economy.

#### **4. Couple Families**

- 4.1 We share the Government's aspirations for equality of treatment and are pleased to see that some elements of the New Deal for Lone Parents will be available to all couple parents in the current pilot areas and throughout London. We recently scrutinised regulations that will extend to those aged 50 and over the obligation for both members of a couple claiming income based Jobseeker's Allowance to be available for work (Joint Claims). While the Joint Claims process has had some success in helping people back into work, the evaluation of the current joint claims provisions shows that the positive impact on employment is small.

#### **5. The Flexible New Deal**

- 5.1 All the evidence suggests that a more flexible New Deal (ND) makes sense. Evaluations of the New Deals point to the need for greater flexibility of provision, increased PA discretion in the use of provision and the removal of artificial boundaries between age groups. The case for change was accepted some time ago and it is to be hoped that the Department now has the resources and infrastructure in place to make a more flexible New Deal a reality.
- 5.2 However, there are a number of questions about how the ND will work in practice. Firstly, the requirement that long-term unemployed people will undertake mandatory work experience is potentially problematic. One or two week work 'tasters' might be acceptable, although it is hard to imagine that many employers would welcome claimants who are being coerced to take part in such 'tasters'. However, if this proposal means that long-term JSA claimants would be required to take part in a longer period of work experience without the choice of other options, this would not be a more flexible New Deal, Rather, it would amount to the introduction of 'workfare' to Great Britain, which in turn would raise consequent issues. For example, would people thus mandated be paid the rate for the job? If not, they would undermine the pay of other workers, and their labour would amount to a subsidy that competitor businesses might well regard as unfair. The principles that constrain decision making in relation to this mandatory activity will also need to be considered very carefully.
- 5.3 Secondly, there are problems for lone parents that follow on from our observation that much detailed thought remains to be directed to how lone parents will interact with the JSA regime and the concomitant increase in work-related conditionality. For example, it is not clear whether lone parents in receipt of JSA will be mandated to the ND. The Green Paper states that full-time activity, such as work experience, will be an underpinning requirement of participation. However, we believe it is unlikely to be appropriate for many lone parents and will therefore place them at increased risk of being sanctioned (with the complete loss of benefit that follows under the JSA regime). If conditionality is

increased without a guarantee of suitable childcare provision, flexible employment opportunities etc, the proposal will have a negative impact on child poverty and possibly encourage lone parents to move onto IB (or, in the longer term, ESA). We are also concerned that lone parents who are unable to stay in a job because it does not fit with their other responsibilities could be sanctioned under a JSA regime for leaving a job voluntarily, or they may be dismissed for poor timekeeping because of child care responsibilities and then be sanctioned.

- 5.4 We note that within the proposed format of the flexible ND the more vulnerable customers could be fast-tracked to the 'Gateway' stage and hence expected to undertake more intense, mandatory activities aimed at increasing their employability. We can see some attraction in helping those further from the labour market to address their barriers to work at an early stage in the ND process but we would want to be assured that the provision on offer directly addressed the needs of individual customers. Such vulnerable claimants who are fast-tracked through the process may well find themselves undertaking the mandatory activity in stage four of the flexible ND. A poor quality, poorly designed mandatory activity may in fact make participants less job-ready and reduce their motivation to find waged work. We would like to see guarantees of content and quality offered to claimants (in the form of a charter, perhaps) and claimants' rights to redress spelt out where standards have not been met.
- 5.5 In relation to the totality of support that should be available to all customer groups in the future, we would suggest that as well as providing for flexibility, close attention should also be given to the integration of the New Deal model with the 'work-related activity' provisions within the Employment and Support Allowance. We know that numbers of customers move in and out of work on a regular basis and that they also move between claiming JSA, IB and IS as their personal circumstances change. It should be possible for PAs and providers to tailor the New Deal for individuals in such a way as to ensure it takes account of the claimant's previous programme experience.
- 5.6 The Green Paper highlights the importance of partnership working and the role that private and third sector providers will play in delivery of the extra support and the flexible ND. Recent research from DWP has shown that Employment Zones achieve better results in terms of job outcome for mandatory claimants than NDYP and ND25+, and that these better outcomes are the results of greater flexibility of provision and the incentives resulting from the funding regime. However, the research also shows that: there is relatively low job sustainability beyond 13 weeks compared with the mainstream programmes, EZs are expensive, and EZs have had problems tackling the employment barriers of claimants at some distance from the labour market. The Department will need to design its contracts with providers very carefully to ensure that the outcomes represent value for money, jobs

are sustainable beyond 13 weeks and claimants with multiple barriers to work can be helped appropriately. We agree with Freud's aspiration that sustainability be defined as three years. We understand that currently the Department is considering a 26 week definition of sustainability. This is better than the current definition but is far short of what Freud proposed.

## **6. Employer Engagement**

- 6.1 We stated in our response to the Freud Report that we wished to see evidence that employers accept that they should play an active part in pushing up employment rates amongst disadvantaged groups. We welcome the discussion of the ways in which Jobcentre Plus can work in partnership with employers, and the aspiration of a Jobs Pledge for 250,000 job opportunities amongst major employers in the private and public sectors. However, there is still a lack of detail on how, in practice, Jobcentre Plus will be able to work with employers and the Learning and Skills Council (LSC) to ensure that employers will be confident that the people they are recruiting have the skills to do the job. The Paper highlights that training will be offered up to NVQ level two, yet we understand that many lone parents and IB claimants would far rather receive training up to level three so that they can enter jobs that will, in fact, 'make work pay' for them. We would also have been reassured if the DWP were to sign up to the Jobs Pledge and encourage other public sector employers to do the same.
- 6.2 We know that, in some areas, small and medium sized employers offer the bulk of employment opportunities, yet there is little mention of how to engage with this sector. Jobcentre Plus already liaises with local employers and this relationship will need to be strengthened further if employers are to truly engage with offering work to more disadvantaged groups.
- 6.3 As we pointed out in our Freud response, Departmental research has identified structural discrimination as a significant factor influencing the employment opportunities of certain groups. A review in 2007 found that three groups of people below retirement age face persistent and large employment barriers: women with young children; disabled people; and Pakistani and Bangladeshi women. There are no new ideas in the Green Paper about how to solve problems such as discrimination and inequality in the labour market. We would argue that the Department should be attempting to reduce these barriers.
- 6.4 The Paper highlights the importance of skills training and childcare provision in supporting people to enter employment. Yet these issues are under the control of the devolved administrations. We would like to know more about how the DWP will liaise with the Scottish Government and the Welsh Assembly Government to ensure that support for claimants will be in place throughout Great Britain to justify the increasing levels of conditionality. It appears that the Green Paper

has not considered the evidence from the Scottish Government's 'Working for Families' Fund. As we note above, wraparound childcare is still an aspiration and the Jobs Pledge is not yet in place. This has to be addressed in a Great Britain context if regulations are to apply across Great Britain.

- 6.5 We would have welcomed the Green Paper exploring and assessing the costs and benefits of alternative approaches to achieving the policy objectives, with which we agree. For example:
- i. how could lone parents be incentivised to remain in employment rather than being coerced by greater conditionality?;
  - ii. what is the current thinking about a single working age benefit?;
  - iii. how will the ESA regime sit alongside the new regime for lone parents?;
  - iv. could the ESA regime be adapted for lone parents?;
  - v. what are the advantages of a New Deal for Families as outlined in the Harker Report?;

## **7. Conclusions**

- i. We welcome the Government's objective to increase employment.
- ii. We are disappointed by the lack of information in this Green Paper which as it stands is largely aspirational and short on detail.
- iii. We would have welcomed an assessment of alternative approaches to achieve the policy objectives (with which we agree).
- iv. We are concerned that the training and staffing costs of providing a responsive and individualised New Deal have not been fully estimated.
- v. We feel that the proposals as they stand may result in an imbalance between the rights and responsibilities of claimants, particularly lone parents.
- vi. We are concerned that the objective of increasing employment amongst lone parents may act against the objective of reducing child poverty. We agree that paid work is one of a number of ways out of poverty for lone parents and their children, but it may also be a route into in-work poverty.
- vii. We will continue to engage with the Department as the flesh is put on the bones of the Green Paper. We will be particularly interested in how the subsequent Statutory Instruments will achieve the policy intention.
- viii. We are concerned that the Green Paper will involve considerable public expenditure which, at a time of a tight CSR settlement, might be better spent on alternative policies to meet the same objectives.