

# **Social Security Advisory Committee**

## **NINETEENTH REPORT**

### **August 2005 – July 2006**

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# Chairman's Foreword

The two major pieces of work for the Committee this year have been our responses to the Turner Commission on Pensions and on the Green Paper on Welfare Reform – both of which we include in this report.

There remains one outstanding recommendation for the Quinquennial Review in relation to our involvement in the scrutiny of regulations made within six months of the enactment of primary legislation. We have agreed with the Department that we will trial, on an informal basis, scrutiny and comment on proposals in the Welfare Reform Bill going through the House this autumn. We hope that this proves to be a constructive way of working and we will report on the outcome in next year's report.

Of outstanding concern to us are the emerging proposals to use the sanction of withdrawal of Housing Benefit in cases where individuals and/or families refuse to engage in programmes aimed at addressing anti-social behaviour. We believe adequate safeguards have yet to be discussed if this approach is to be used without causing great difficulties for some vulnerable individuals and families. The question of the adequacy of benefit rates – particularly for larger families and the elderly is likely to become more pressing if utility costs continue to rise. We may return to this issue in the coming year.

Members of the Committee have visited various Jobcentre Plus, Pension Service and Disability and Carer Service sites during the year. We continue to monitor service delivery and the way it affects customers. Our overall impression is of patchy service with some units doing well and others failing badly. The situation has clearly been exacerbated by the twin policies of centralisation of benefit processing and reduction in staff numbers. We accept that we are in a transitional phase but doubt whether enough is being done to address the day to day problems for individual customers that this huge change programme is causing. We are also conscious of the ongoing problems with the IT support to the various customer-facing businesses and continuing difficulties with the new telephony.

The operation of the Memorandum of Understanding that we signed with Her Majesty's Revenue and Customs (HMRC) in November 2004 continues to cause us concern. The agreement is due for review and we need to take this opportunity to iron out the problems we have experienced. I hope that the review can commence very quickly now.

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We took the opportunity during the year to review our own working practices. This proved very productive and has, I believe, led to more efficient and effective working by the Committee. I am particularly grateful to Gill Saunders and her Secretariat team for the way they responded to our request for changes in this area. As a result the Committee is now much better served in terms of the regular provision of information, and we are able to keep in touch with all relevant developments in the welfare benefits arena.

Richard Tilt

**Richard Tilt**  
**SSAC Chairman**



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# Chapter 1

## *Our work – summary*

### *General*

- 1.1 Our work this year has been carried out against the backdrop of a number of significant events in the pensions and social security arena. We would single out the publication of the Welfare Reform Green Paper and the Pensions White Paper as the focus of the advice that we have offered the Secretary of State and over the year we have reported on just one set of proposals for regulations<sup>1</sup>. However, although the total number of proposals we have scrutinised (40) is slightly down on previous years, this part of our work continues to occupy the majority of our time.
- 1.2 This year we have also completed an internal review of our work, focusing on how we might work more effectively as a Committee in the discharge of our statutory remit, and better engage with both Ministers and our Departmental sponsors and external stakeholders. This review followed naturally from the conclusion of the final stages of the implementation of the recommendations of the Department's Quinquennial Review (summarised in our two previous annual reports) and one outcome is our decision to boost our links with our external stakeholders by holding an annual seminar with them. The first such event will take place in November 2006.

### *Scrutiny of regulations*

- 1.3 Many of the proposals that come to us for scrutiny may appear, at first sight, to involve relatively minor changes to benefits provisions. However, closer examination quite often highlights potential problems with the drafts placed before us and we often seek clarification before agreeing that formal referral is not required. Our experience is that officials have responded positively to our interventions and have found the scrutiny process to be both effective and helpful.
- 1.4 One set of proposed regulations<sup>2</sup> was subject to the 'urgency' provisions (s.173 (1) (a) and (2) of the Social Security Administration Act) and was made without reference to us. We expect that these regulations will be referred to us for scrutiny in October 2006.

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<sup>1</sup> The Social Security (Work-Focused Interviews Amendment) Regulation 2005. The Committee's report (published as Cm 6669) is summarised in **Chapter 4**.

<sup>2</sup> The Social Security (Lebanon) Amendment Regulations 2006 (S.I. 2006 No.1981).

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*Wider policy and operational developments*

- 1.5 We regard the publication of the reports of the Pension Commission, the subsequent publication of the Pensions White Paper<sup>3</sup>, and the work now in train to achieve pensions reform built around consensus, to signify the most important social welfare developments since the publication of the Beveridge Report. We welcomed the broad thrust of both the Commission's report and the plans set out in the White Paper, although we have some concerns. Our responses to these documents are set out in full in **Chapter 5**.
- 1.6 We have also taken a close interest in the wider reform agenda. We responded (see **Chapter 5**) to the Welfare Reform Green Paper<sup>4</sup>, and have been taking a particular interest in the proposed reform of the Incapacity Benefit (IB) system. We remain in favour of the work-focused approach to benefit entitlement and the replacement for IB, but we have concerns about the new arrangements. These include their application to people with fluctuating conditions (such as those with mental health problems) and the complexity that follows from the need to run two benefit systems in parallel (it is not yet clear what sort of transitional protection will be offered to existing IB beneficiaries). Another concern is the capacity of Jobcentre Plus and its partners to deliver the new system to the standards set by the Pathways to Work pilots.
- 1.7 We were invited to comment on the Department's plans for the piloting of Housing Benefit (HB) sanctions as a way of tackling anti-social behaviour. As our response (see **Chapter 5**) makes clear, we fully understand the need for effective measures to tackle the sorts of behaviour that can blight communities. However, we have doubts about both the equity of what has been proposed and whether it can be effective in practice. We also remain unconvinced that the pilot studies can be made the subject of robust evaluation.
- 1.8 The Department's plans for the future bring with them the prospect of a further period of sustained change and restructuring across the service delivery businesses. In our report of our visits to operational sites (**Chapter 3**), we make a number of observations about the pressures and strains that we have observed. Some of our external stakeholders have expressed similar concerns to us. It is evident that the Department faces a considerable challenge if it is to deliver efficient, modernised services that meet the needs of a diverse customer base whilst continuing to manage headcount reductions and the introduction of new benefits and programmes.

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<sup>3</sup> Security in Retirement: towards a new pensions system (Cm 6841, May 2006).

<sup>4</sup> A New Deal for Welfare: Empowering People to Work (Cm 6730, January 2006).

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- 1.9 We are also aware of increasing concern amongst our stakeholders about the pressures faced by people on low incomes – whether they are in receipt of benefits or in employment and receiving Tax Credits – from rapid and significant increases in utility costs, particularly fuel. We believe that there is a real risk that fuel poverty (and debt) may become more widespread in the coming year.

### *Conclusion of the Quinquennial Review*

- 1.10 We reported last year that we were still working with the Department on the implementation of the recommended strengthening of our role in relation to regulations laid within six months of an Act coming into force. These regulations remain excluded from our statutory scrutiny, but we are pleased to report that we have now reached an agreement with the Department that will enable us to familiarise ourselves with new legislation and, when we wish to do so, offer informal comments and advice. As it happens, we shall have an opportunity to test these new arrangements by reference to regulations made under powers contained in the Welfare Reform Bill that is now before Parliament.

### *Our work programme*

- 1.11 Using the additional funding we received at the conclusion of the Quinquennial Review, we appointed our first full-time Research and Policy Specialist, Dr Anna Bee in October 2005. With this additional Secretariat resource we have embarked on an independent programme of work, looking at topics and issues that we believe merit particular attention. The design of the work programme is led by the Committee's Research sub-group and then agreed with the Committee as a whole. It is reviewed on a six-monthly basis to ensure that the topics and issues remain of key interest and there is also flexibility in the programme to take account of emerging work associated with Committee business, including the referral of regulations and ad-hoc advice to Ministers. This year topics have included benefit sanctions, and the ethical and legal issues of 'piloting' in DWP (the work on piloting will be published in autumn 2006).
- 1.12 The first output from this programme is one of a series of Occasional Papers (see **Annex E**) and is also published on our website, <http://www.ssac.org.uk>. This paper – *Sanctions in the benefit system: Evidence review of JSA, IS and IB sanctions* – is the product of our long-standing concerns about a number of aspects of sanctions, as outlined in our last annual report<sup>5</sup>. The Department undertook a review of Jobseeker's Allowance (JSA) and lone parent sanctions in 2005 and two members of our Committee, Professor Janet Walker and Richard Exell OBE, joined the steering group for this work.

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<sup>5</sup> Social Security Advisory Committee: Eighteenth Report 2005 (ISBN 1 84 123955 0) paragraph 1.22.

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1.13 However, we felt that there was still scope for a complementary review of sanctions, and on the basis of the study, we identified a number of proposals for reforming and/or restructuring the current sanction regimes. These suggestions include better targeting of information about sanctions to claimants and altering or removing the sanction for leaving work voluntarily. We are grateful to officials for the provision of factual information for our review and their willingness to discuss our concerns and proposals with us. We have received a helpful response to this work from Ministers that shows agreement on a number of issues. Although it appears unlikely that any major overhaul of sanctions is in prospect, we were pleased to learn that the Department intends to improve its sanctions communications and information for customers and to monitor the disparities in sanctioning rates across Districts.

#### *Our publication policy*

- 1.14 As a public body, we are required by the Freedom of Information Act 2000 to have a Publication Scheme and details of our scheme are available on our website <http://www.ssac.org.uk>. We have also recently reviewed our policy on publication more generally and agreed that in future we will publish the Occasional Papers generated by our work programme, and any other significant advice offered to Ministers (other than advice given in confidence, and subject to the MoU with HMRC) – for example, in response to a Green Paper or other public consultation – on the website as well as in our annual reports. Key stakeholders will be notified when documents are placed on the website.
- 1.15 As and when resources permit, we will also be making available on the website some of our earlier publications that are now out of print.

#### *Complexity in the benefits system*

- 1.16 Following the publication of the National Audit Office's report on complexity<sup>6</sup>, we were invited to work with the Department on its plans for tackling complexity in the benefits system. We were happy to take this opportunity to address some of the issues and concerns that we have frequently highlighted in our previous reports, and we fully support the Department's initiative. To date, we have contributed to the preparation of the Department's 'Simplification Guide to Best Practice' for use by DWP staff, that was published in May 2006. From July 2006 as part of our scrutiny of proposals for regulations, we are requiring the Department to provide us with a statement of the 'complexity impact' of new measures. For the moment, we do not think that the complexity statements from the Department are giving us a great deal of information about the assessments that officials have made following the application of

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<sup>6</sup> Department for Work and Pensions: Dealing with the complexity of the benefits system (HC 592 Session 2005 – 2006) 18 November 2005.

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the guidelines. However, it is too early to assess the impact of the Simplification Guide. Overall, we felt that the guidance could have been both more emphatic and more challenging.

- 1.17 The Department's agenda is an ambitious one. Complexity is a feature of all aspects of the Department's business and the simplification of policy design, legislation, business processes and public information all present significant challenges. Complexity is a characteristic particularly of means-tested benefit systems where there is a perceived need, sometimes driven by political considerations, to tailor conditions of entitlement to individuals' and families' needs in a wide variety of circumstances. It may be that in some areas a 'broader brush' approach can be accommodated without rendering the system inequitable.
- 1.18 It seems to us that a benefits system that seeks to reflect and provide for individual circumstances will always be inherently complex – both for the customer and for those administering it. As we have observed in the past, welfare reform can be advanced by making the benefits system function in ways that its customers can understand and engage with. There are also gains in terms of the integrity and accuracy of claims and benefit payments. Too many parts of the system and its procedures and processes can appear opaque, fragmented and arbitrary. For example, when we were preparing our recent paper on sanctions in the benefit system (see Annex E), we noted customers' poor understanding of both the provisions and the decision making and appeals process. We also observe elsewhere in this report (see paragraph 2.10) that customer information does not always appear to keep pace with service modernisation, and that the result is frustration for the customer and extra work for the Department.
- 1.19 We do not expect rapid progress or early 'big wins' as regards simplification, but we shall be looking for a positive, creative and customer-focused response from the Department to the challenge of using every opportunity to chip away at complexity. The process begins with policy making and legislation, but service design and delivery and customer information are equally important: we will expect all aspects of complexity to be addressed when proposals are put to us for scrutiny.
- 1.20 It is too soon to fully assess the extent to which officials have absorbed and are acting upon the Department's relatively modest aspirations for simplification. From what we have seen so far, we think that it will take some time for the drive for simplification to be 'mainstreamed' into all aspects of the Department's work, and towards the end of the reporting year we have been discussing with officials how combating complexity and promoting simplification can be given greater prominence. We are also interested in the prospects for pursuing a more radical and ambitious simplification agenda. As we have noted, we shall report on these issues in more detail next year.

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### *Equality and diversity*

- 1.21 As with complexity in the benefits system, we will be requiring the inclusion of impact statements in respect of diversity and equality in the papers prepared by officials in support of proposals for regulations that are presented to us. We are working with officials in the Department's Diversity and Equality Centre of Expertise to agree a format for such statements. To a large extent, this is new territory for us, and we are particularly conscious of the range of policy and service delivery issues raised by the equality legislation – some that is extant, and some of which is due to come into effect in the coming year. Accordingly, we have established links with the Office for Disability Issues and in May our Secretary attended a meeting of the National Forum for Organisations of Disabled People Advisory Group. We have also been looking at how other organisations are carrying out race and gender equality impact assessments.
- 1.22 We believe that it is important that we play an active role in considering how the benefits system and its associated programmes and processes respond to the challenge of the widening diversity and equality agenda. Last year we were impressed by the Department's ground-breaking work on Civil Partnerships, but we sense that full 'mainstreaming' of diversity and equality across the Department's business is still some way off. We will report next year on our experience of incorporating this new element in our scrutiny of proposed regulations.

### *Service delivery*

- 1.23 Our report of our visits programme (**Chapter 3**) includes a number of observations on the impact of the accelerating development of services that are telephone-based and delivered from centralised units located geographically at some remove from benefit customers' home areas. The Pension Service has been operating in this manner for some time now, but for Jobcentre Plus the move to taking benefit claims through Contact Centres only commenced in 2005, with centralised benefits processing rolling-out through the latter part of 2006.
- 1.24 Last summer it became evident that some of the Jobcentre Plus Contact Centres were experiencing serious problems. The causes of the customer service failures that followed have been much scrutinised (the Work and Pensions Committee investigated and reported at some length on this issue in March 2006<sup>7</sup>) and we made a special visit to the Garston Contact Centre in December 2005 (see **Chapter 3**) to learn more about what had happened.

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<sup>7</sup> The Efficiency Savings Programme in Jobcentre Plus (HoC Paper No: 834).

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- 1.25 We were pleased to find that Jobcentre Plus was devoting considerable attention and resources to addressing the problems that had arisen, and learning from the experience of what had clearly been a very difficult introduction to major service delivery change. However, some problems appear to be persisting, including the high percentage of so-called ‘inappropriate’ calls (mainly relating to benefit payments or general benefits enquiries) that are taken by the Contact Centres. Recently, external stakeholders have drawn our attention to further problems with the telephony for the benefit processing sites and the difficulties and confusion experienced by customers who are waiting for payments when they try to find out why they are not being paid. We understand that Jobcentre Plus is piloting changes and modifications to its business processes to address these and other problems with benefits delivery and we believe that it will be important that these demonstrate tangible improvements to customer service in the coming year.
- 1.26 It seems to us that two other aspect of these problems – the provision of customer information and building customer awareness of the way that Jobcentre Plus now carries out its business – may not have received as much attention as the technical issues around the design and development of the Customer Management System that underpins the Contact Centre Model. Several stakeholder organisations, with whom we have contact, have complained to us that a significant minority of customers cannot manage to make a claim by ‘phone, and that the alternative clerical claim forms and processes are not always offered. Although there is evidence that the majority of customers prefer to do business by ‘phone, the Department must make full provision for those who do not wish or are unable to do so, for whatever reason.
- 1.27 Customers we have spoken to who have successfully navigated telephone claiming often assume that all aspects of their claim will still be dealt with ‘locally’, and do not appear to have been offered information about ‘who does what’ within Jobcentre Plus. A number of customer information products we have seen, still paint a picture of local **office** services, rather than the evolving virtual network of remote sites. We think that it would be helpful to customers – and to staff – if better information could be provided to customers and their advisers.
- 1.28 We are also concerned about another aspect of the heavy reliance on telephony to deliver customer service solutions: the use of pay-as-you-go mobile phones. Inevitably, many of the customers for Jobcentre Plus services have limited financial resources, and may rely on pay-as-you-go mobile phones or the low-cost call packages offered by landline providers. Although Jobcentre Plus offers 0845 and, more recently, 0800 numbers to potential callers, costs of calls to these numbers vary widely. While customers receive a general alert about potential costs and may be offered ‘call-back’ facilities at a pay phone or the use of local office ‘warm’ phones, we think that it is still
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too easy for the customer to embark on a call without knowing how much it will cost. For example, we have not seen any Departmental leaflets alerting customers to higher charges relating to 0845 numbers for landline 'package' subscribers. We believe that with the move to telephony-based services, it would be simpler and fairer to all customers for the Department to have one single low-tariff number. We understand that some work towards such a solution is in hand for Government telephony generally, and we suggest that the Department should take a lead in investigating its potential.

- 1.29 We noted in our last annual report that the combined demands of the modernisation programme, policy and programme change and staff reductions were resulting in signs of strain across the Department. This is still very much the case, particularly for Jobcentre Plus. The focus of our visits programme this year has been mainly upon working age benefits and services, but we recognise the challenge that all of the delivery businesses face. For example, we are aware that The Pension Service has recently embarked on both a major 'transformation' of the services it delivers from its main sites and an extension of its partnership working with other organisations. We plan to look more closely at the outcomes of these developments, and the work of the Disability and Carers Service, in terms of customer experience and service delivery over the coming year.

#### *National Insurance Numbers*

- 1.30 In our last annual report we looked at the allocation of National Insurance Numbers (NINOs) and the introduction of a new operating model based on a two-tier system with Central Control Units, larger Hub sites in major cities, and smaller offices co-located with Jobcentre Plus offices elsewhere. These changes were being introduced to provide staff efficiencies and improvements to the customer experience, both of which we welcomed in principle. We have continued to track the development of the new services and to monitor, in particular, the provision of travelling expenses where customers have to travel for interviews.
- 1.31 We were concerned that the requirement to travel significant distances to attend a NINO interview could have caused financial hardship for some customers. We exchanged a number of letters with both officials and ministers with responsibility for NINOs on the subject of travelling expenses, emphasising the importance we attach to a proactive and consistent approach to reimbursement, and the need to ensure that relevant Jobcentre Plus staff were fully aware of the repayment procedures.
- 1.32 We are pleased to report that the Minister assured us that Jobcentre Plus would reinforce the 'fare paying' policy through the use of guidance to staff. We will continue to track the development of the new services and to monitor the provision of travelling expenses where customers have to travel for interviews.

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1.33 In a further development in May 2006, we became aware of widespread media interest in the practice of issuing NINOs to applicants who had a right to work in the UK. In the course of visits we had previously been alerted to Jobcentre Plus staff concerns that there appeared to be no effective system for preventing this group from obtaining NINOs. The Department provided us with a full and detailed explanation of this apparent 'loophole', noting that the lack of a right to work did not bar the allocation of a NINO to those engaged as PAYE employees. Subsequently, Jobcentre Plus introduced administrative changes to close the 'loophole' and we expect proposals for changes to the regulations governing allocation to be put to us for scrutiny in the autumn.

*The future of the Post Office Card Account and financial inclusion*

1.34 In our Eighteenth Report we expressed our concerns about the wider consequences for some customers having their benefits paid directly into a bank or Post Office Card Account (POCA) – in particular, those customers who have experienced some difficulty when trying to open a basic bank account, or those who find that the account they have chosen does not best suit their needs, whilst others find that their local post office has closed down.

1.35 In the course of the last year we have received information from the Department on the termination of the Department's contract with the Post Office beyond 2010. This development has clearly caused some concern amongst stakeholders.

1.36 We appreciate the difficulties the Department faces in migrating 4.2 million customers who have POCAs to alternative accounts by 2010. To date, 98 percent of DWP customers have their benefits paid by direct payment but a significant number originally chose the POCA as the most appropriate and convenient method to receive benefit payments. For some, the advantage of having such an account is that it helps them to save up for large bills, for others it may be that their bank account is overdrawn, and many more simply chose to open a POCA to 'support their local post office'.

1.37 We have supported the Department's moves to ensure that its customers on low incomes and dependent on benefits, receive money into accounts that are accessible, easy to manage, flexible and which help foster financial inclusion. We are pleased that better 'basic' financial products are being developed for the customer that will have additional services such as interest on savings and ATM access.

1.38 However, we will monitor the issue of ATM charges and service access; the development of new financial products for introduction before 2010; and the plans to move customers from POCA to another method.

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### *Frontier workers in Northern Ireland*

- 1.39 We have continued with our programme of visits and contacts with officials in Northern Ireland. During a recent visit, we attended a meeting with voluntary sector workers. One of the issues raised concerned 'frontier workers' living in the Republic of Ireland and working in Northern Ireland when claiming IB. It appeared that frontier workers living in the border counties of the Republic and working in Northern Ireland would be at a disadvantage when claiming IB. Under current arrangements, the IB claim is processed in Belfast and sent to Newcastle for decisions on entitlement and payment. If a customer appeals an adverse decision they are asked to go to Newcastle for an oral hearing – however, the payment of expenses only starts when the customer arrives in mainland Britain.
- 1.40 We were concerned that this appeared to contravene European law in relation to the rights of frontier workers who should be treated in the same way as the workers in the Member State in which they work. We requested clarification on this issue and we were reassured that future appeals would be conducted in Northern Ireland.

### *Our work with Her Majesty's Revenue and Customs*

- 1.41 Over the course of the year we have examined the following proposals for legislation:
- The Tax Credits (Entitlement and Maximum Rate) (Amendment) Regulations 2005;
  - The Tax Credits Notification of Changes of Circumstances (Civil Partnerships) (Transitional Provisions) Orders 2005;
  - The Tax Credit (Payment by Employers etc.) (Amendment) Regulations 2005.
- 1.42 Our consideration of these proposals, and any advice upon them that we might subsequently offer to HMRC, are governed by the confidentiality conditions contained in the MoU that we signed with the Inland Revenue in 2004.
- 1.43 In our last annual report we signalled our intention to report more fully on the operation of the MoU at the conclusion of a further full year's work. We had anticipated that both the quantity and substance of our advisory activities would build up over this period. We also indicated a review of the operation of the MoU should be carried out toward the end of 2005. In the event, although we have continued to take an interest in matters administered by HMRC, particularly the operation of the Tax Credits scheme, we have had relatively little contact with HMRC over the course of the reporting year and our role has not developed as we had hoped it would. Accordingly, we believe that a joint review of the MoU is called for. We have approached HMRC and await their response.
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1.44 Earlier in the year we prepared a paper for HMRC on the issue of recovery of overpayments and a comparison between the process of recovery in Tax Credits and social security benefits administered by DWP and HMRC.

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## Chapter 2

### *Scrutiny of the Department's public information strategy – including an examination and a review of the Committee's role since May 2000*

#### *Introduction*

- 2.1 This chapter is split into two sections: in the first section, we give an account of the sixth year of the Committee's work examining information products; and in the second section, we examine and review our role in advising on the Department's public information strategy since May 2000.

#### *Section 1: Information products – the sixth year's work in summary*

- 2.2 We have continued to examine the content of a selection of the Department's information products to ensure that they are clear enough for customers to understand, are not misleading and do not contain any significant omissions. We have also continued to look at the use of a selection of information products by staff handling customer enquiries.
- 2.3 In the last couple of years, we have noted a significant reduction in the number of products being referred to the Committee for scrutiny. In this reporting year (August 2005 to July 2006), we have provided detailed comments on 23 individual products, presented in a variety of formats and styles. Of these, nine were Jobcentre Plus products; 11 were referred to us by The Pension Service; two were generic Department for Work and Pensions (DWP) products, and we looked at one product from HMRC. On the whole, we found that all these draft products were reasonably clear and that most were generally satisfactory after amendment. We saw one instance of an information product that was, in our view, incomplete and potentially misleading – the Department agreed and the new product was withdrawn.

#### *Working with the Department on the Corporate Communications Strategy*

- 2.4 This year, we have welcomed the opportunity to be more closely involved in the Department's Corporate Communications Strategy. This strategy is set out in the DWP Business Plan 2006/07<sup>8</sup> and one of its objectives was to carry out a review of the Department's customer information products. The

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<sup>8</sup> DWP Business Plan 2006/07 (April 2006) (page 36: Our Communications and Marketing).

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review was carried out in spring 2006, with a remit to look across business boundaries, and establish an information product set based on the 'customer lifecycle' that is at the heart of the new communications strategy.

- 2.5 We accepted the Department's invitation to discuss, with the review project consultants, the balance between what customers want to know and need to know and the information and messages the Department wants to give them. In doing so, we recognised the enormous challenge the Department faces in seeking to rationalise and make accessible the huge amount of information contained in leaflet sets across its customer-facing businesses, whilst at the same time guaranteeing accuracy, enhancing customer engagement, improving the coherence of the information set and reducing complexity.
- 2.6 The project has recommended that the Department should operate a three tier, multi-channel information system that works on two related, yet distinct, levels – the corporate and the business-specific. We will be monitoring the transition to this new approach, particularly with regard to how the 'life events' framework for communications will be incorporated into business design and practice in the field.

#### *Working with Jobcentre Plus on working age information*

- 2.7 This year, we have concentrated on seeing how the new Jobcentre Plus information leaflets are being used by staff and customers. The leaflet suite is structured into three 'levels', with each offering increasing amounts of detail. We found that the main level one leaflet, *Jobcentre Plus Services (JCP1)* is well used and recognised. It is the most ubiquitous, and we found that it was prominently displayed in all the offices we visited.
- 2.8 The four 'level two' guides present information on a range of help and services available at a national level for each of the key working age groups. We have observed that these leaflets seem to have become more widely available over the course of the year. However, in our necessarily limited experience, we found that staff knowledge of these products seemed to be generally poor, and that displays of leaflets were limited and sometimes appeared somewhat haphazard. Accordingly, we were not surprised to encounter locally produced leaflets that had been designed around local customer needs and services, and it was evident that considerable thought had gone into producing some of these. However, our brief examination of those we saw, suggested that the quality of these products varied considerably, and there appeared to be no systematic checks or controls on the accuracy of the content.
- 2.9 We have been told by officials that the level two leaflets have been well-received by customers, not least because of the range of information they contain. Nonetheless, we remain concerned about the limited amount of 'signposting' to more detailed benefit information in these leaflets, and the

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incorporation of so much linked information on other non-Jobcentre Plus services that dates quickly, weakening the overall integrity of the product. Furthermore, with the reduction in the opportunities for customers for face-to-face contact with Jobcentre Plus staff, we sense that it may be getting harder for customers to source and access benefits information when they try to follow the ‘signposts’.

- 2.10 Over the year, our concerns about the ‘level three’ products have increased. One of the problems we find with the tiered approach to public information is that there is a substantial information gap to be bridged between the very general material at levels one and two and the more complex benefits information that is the realm of the level three products. For example, we found that the draft leaflet designed for Incapacity Benefit customers did not offer a clear account of the benefit in a comprehensible and accessible way. Generally, we found that the level three products seem to struggle to find their level, and emerge as an uncomfortable mix of too much and too little information, with all the risks of customer misunderstanding that this entails. If these products are going to work for both the customer and those members of staff who are going to be using the products to answer customers’ questions, perhaps the time is right for a new and radically different approach. As we have noted in **Chapter 1** (see paragraphs 1.24 – 1.26), we do not think that the customer information services currently fit with the developing business delivery model.

*Working with The Pension Service on information products*

- 2.11 We have looked at a range of Pension Service information products, and been generally satisfied with what we have seen. However, this year’s programme of visits did not take in many service delivery sites and we have not had the opportunity to observe the handling of customers’ benefit and service enquiries.
- 2.12 We are particularly conscious of the pressures that legislative complexity and long-term reform place upon the production of accurate, complete and accessible information dealing with pensions. Accordingly, we were pleased to have taken part in public consultation events looking at The Pension Service Customer Charter and also at a suite of Pension Credit letters. We think events such as these, engaging with a cross-section of service users, can play a positive role in tailoring and targeting the information that the Department sends out. We also think that these events can help shorten and focus consultation procedures in a very effective way.

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- 2.13 We have also welcomed the placing of more information about pensions and the Department's services and benefits on the *Directgov* website. *Directgov* seems to attract a lot of plaudits for its ease of navigation, and its completeness. However, as a recent report<sup>9</sup> suggests, many pensioners do not use the internet and we would caution against over-reliance on reaching today's pensioners (as opposed to those approaching pension age, or seeking general information) through web-based services. There is still a need and a strong demand for accessible and effective 'phone-based information services, for printed information, and for face-to-face services.

*Our conclusions – products and processes*

- 2.14 Our overall conclusion is that the quality of the draft products we see continues to vary. With one exception (the draft Incapacity Benefit leaflet noted already), we have not seen anything that in our opinion was potentially misleading, or significantly incomplete. Where we have been most critical, it is often the case that products have reached us at such an early stage of development that they still include incorrect spellings, errors of grammar and syntax and are, therefore, not really suitable for scrutiny. This is an issue – along with our concerns about timetable pressures more generally – that we have taken up with the Department and we have decided to decline to scrutinise products that are referred to us at too early a point in the drafting process.
- 2.15 Of all the information leaflets, guides posters and letters we have seen over the year, we were particularly heartened by the amount of thought and careful input from DWP staff on the new level one Jobcentre Plus leaflet *Communicating the Customer Service Standards to Customers*. We have also been impressed by the work of the Pensions Transformation Project team in making improvements to pension credit computer-generated notifications.

***Section 2: The Department's public information strategy since May 2000***

***Background to the information scrutiny role and current context***

- 2.16 In May 2000 we agreed to take on the role of advising the Secretary of State on the accuracy of information the Department provides to the public. Our engagement formed part of the Government's response to a critical report from the National Audit Office (NAO) on the Department of Social Security's failure to inform the public of changes to the rules on the State Earnings Related Pension Scheme (SERPS)<sup>10</sup>. A Service Level Agreement between

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<sup>9</sup> Report by Ofcom (July 2006) *Older people and communications technology: an attitudinal study into older people and their engagement with communications technology*.

<sup>10</sup> Report by the National Audit Office (March 2000) *State Earnings Related Pension Scheme: The failure to inform the public of reduced pension rights for widows and widowers*.

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the Department and the Committee governing the scrutiny process was signed in March 2001. The agreement sets out the undertakings and commitments given by the Department and the Committee for managing the Committee's scrutiny process. The agreement predates the establishment of the DWP and its creation of discrete service delivery businesses and has not been reviewed or updated since it was signed-off.

2.17 We carry out this scrutiny work as part of our general 'advisory' function, and there is no statutory requirement to involve the Committee in the Department's public information activity. In addition to providing general advice on the Department's over-arching public information strategy, our information scrutiny work has three strands:

- checking the Department's internal assurance processes for information products, such as leaflets and generic letters to claimants;
- checking the content of information products; and
- checking on staff awareness of these products.

2.18 The Department sends the Secretariat a selection of information products it considers would benefit from consideration. As a rule, the Committee expects the Department to nominate items it regards as 'high risk' – i.e. those customer-focused information products which people might use to inform critical decisions with long-term consequences. These include planning for income in retirement, publicity material for new benefits and services and new ways of doing business (for example, pilot or pathfinder projects), and the introduction of new conditions of entitlement calling for changes to customer behaviour. We take a view on whether the contents are accurate, complete and sufficiently clear for customers to understand.

2.19 Each year, we review the quality of the individual information products that have been presented for scrutiny, and assess the extent to which our involvement has influenced the final versions of these products. We also keep in view the production and assurance processes the Department employs, and the use of the finished products in the field. Essentially, we are providing some additional assurance to the Secretary of State that the Department's public information strategy, products and processes are functioning in such a way as to avoid a repeat of the problems that arose in the case of the publication of the SERPS rules.

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2.20 We do this against a background of continuing public and parliamentary interest in the way in which the Department manages information and disseminates it to the public, and in the current year the publication of two fairly critical reports, the most recent NAO report on the DWP<sup>11</sup> and the publication of the Parliamentary Ombudsman's<sup>12</sup> report into the security of final salary occupational pension schemes and alleged delays in scheme wind-ups – in which the Ombudsman concludes that the Department's leaflets are, in her opinion, *'not clear, complete, consistent or always accurate'*. We do not have a role in relation to the scrutiny of information products which concern non-state provision. The scope of our information scrutiny remit encompasses all the products and materials disseminated by the Government that cover Social Security provision. We are, therefore, conscious that our contribution to the assurance process can play only a small part in the Department's overall assurance strategy.

*The report of Quinquennial Review of the Social Security Advisory Committee 2004: findings and recommendations*

2.21 The scrutiny of public information was the one area of our work in which views diverged as to its value and usefulness. The NAO<sup>13</sup> endorsed our role and other respondents argued that the Committee's knowledge-base and experience placed it in a unique position to provide the Department with a robust and informed view on its strategy and individual products. Others, including some of our members, saw this activity as deflecting our attention from more important areas of work. The Review recommended that there should be a shift in emphasis from looking at individual products to offering more strategic advice and that this would represent a better use of the Committee's expertise.

*Engagement with the Committee on the Department's Communication Strategy*

2.22 Taking forward this recommendation, our Secretariat has been working closely with Departmental officials to find practicable and effective ways of bringing us into the Department's strategic activities. To a certain extent this has happened (for example, our engagement in the 2006 communications review) but our work is still dominated by the scrutiny of draft information products which are often presented to us at short notice, and sometimes without adequate supporting contextual information, and elicit no considered response to our comments once our views have been submitted.

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<sup>11</sup> Report by the National Audit Office (January 2006) *Using leaflets to communicate with the public about services and entitlements*.

<sup>12</sup> Report by the Parliamentary and Health Service Ombudsman (March 2006) *Trusting in the pensions promise*.

<sup>13</sup> Report by the National Audit Office (March 2003) *Improving Service Quality: Action in response to the Inherited SERPS problem*.

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- 2.23 We have noted in our previous annual reports that we believe that we have generally made a worthwhile contribution and that our role adds some value to the Department's assurance processes. However, we have been frustrated by the lack of response from the Department to the issues we have raised about the effectiveness of our role and we have long recognised that the work we were originally commissioned to carry out does not fit easily into the current DWP and service delivery businesses. Whilst we understand that the Department would wish us to continue to play a role, it has not, in our view, fully articulated what this work should now be.
- 2.24 We have felt for some time that the role should be re-examined, particularly in the light of changing demands for, and expectations of, public information at a time of significant change in the way the Department is organised and delivers its services. As well as pinning down exactly what the 'strategic' role should be, it is perhaps more urgent to establish our position on the other two strands of the advisory role: the oversight of process and the scrutiny of individual products. Ironically, it seems to us that our commentaries on individual draft information products may constitute our most effective contribution to the Department's communications strategy.

### *Our review*

- 2.25 In reviewing our public information role our aim was to:
- assess whether the role that we are currently performing, particularly in relation to the Department's information products, is of use, value and of relevance to the Department at this point in time;
  - assess whether there is a continuing need for the Committee to carry out this work; and
  - consider whether this activity is an appropriate use of the Committee's expertise and resources.
- 2.26 Our starting point has been an analysis of a selection of the 116 draft products that we and our Secretariat scrutinised in the period March 2002 to April 2006 (most of these products came from The Pension Service and Jobcentre Plus). We have looked in detail at 20 products, considering the scrutiny process, and the impact of our commentaries on the finished product. The sample included complex as well as simple information products. Of the 20 products, nine were referred to the Committee from The Pension Service, ten were from Jobcentre Plus and one was a generic DWP product.

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## *Summary of findings: Referrals to the Committee*

### *The explanatory notes*

- 2.27 We found that 15 of the 20 draft products were accompanied by an adequate explanatory note. The purpose of the explanatory note is to give us an understanding of how the information product fits into the Department's strategy, and the overall context in which it is being produced. Guidance for officials on the preparation of the note is set out in our Secretariat's Business Guide. Among the 20 products were two significant additions to the Jobcentre Plus portfolio – *A Guide for People Leaving School and College* and *A Guide for Lone Parents* – both of which were new level two products (see paragraph 2.7). Although these were initially put to us without background material, we were subsequently given useful presentations by Jobcentre Plus officials setting out the design rationale and purpose of these key products in the context of the 'three level' approach to customer information.

### *Selection by 'risk'*

- 2.28 Our focus is intended to be on potentially 'high risk' products – those that contain information that may inform critical or significant decisions on the part of the information user. The Department indicated to us that the information contained in 13 of the 20 products was deemed to be high risk. For the other seven – all Jobcentre Plus-owned products – there was no indication that 'risk' had been considered before the products were put to us.

### *The condition of the draft products*

- 2.29 Over the years we have frequently expressed concerns about the way in which the products have been referred to us. For example, we find that some products are still very much at an early stage of development, containing spelling and grammatical errors and inconsistent style. One product in the sample typified the problems we encountered, with the term 'personal advisers' appearing in four different formats: '*personal advisers*'; '*Personal advisers*'; '*Personal Advisers*'; and '*lone parent advisers*'. However, taking the sample overall, the total number of strictly grammatical and typographical errors we identified per product was small. More frequently, we were concerned about the way in which the information was ordered, presented, the clarity of expression, and the use of jargon.

### *Timescales*

- 2.30 The Business Guide indicates that in order to utilise our time effectively, officials should allow a minimum of three weeks for a scrutiny exercise. We found that this standard was rarely adhered to. In 35 percent of cases we were given one week or less to scrutinise an information set and deadlines ranged from two days to four weeks. More often than not, business pressures

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were cited as the reason for the short notice and both Jobcentre Plus and The Pension Service equally asked us to scrutinise their products on very short deadlines.

### *Our record*

- 2.31 In 19 out of the 20 cases (95 percent), the Committee met the Department's deadline. However, in practice, some very short turnarounds necessitated much of the work being done by members of our Secretariat on our behalf, and tight deadlines always constrained the production of fully informed commentaries. When we had the time to do so, our responses were sometimes substantive. For example, on the leaflet *A Guide to Pension Credit*, we submitted 98 separate substantial and wide-ranging comments to the Department. However, most commentaries were more modest, reflecting timing, the relatively specialised nature of the subject matter or the target audience of the information.
- 2.32 The analysis showed that we were able to bring many of our specialist skills, knowledge and experiences to a number of the scrutiny exercises. For example, our knowledge of the different circumstances of Scottish and Northern Ireland institutions and the work of the voluntary and charitable sector, and similarly our knowledge of HM Forces and working overseas.
- 2.33 Our over-arching aim is to provide a consumer's perspective on the Department's information-giving. Taking this approach, we found information in seven of the 20 products (two from Jobcentre Plus, four from The Pension Service and one generic DWP product) that we believed could be misleading. For example, we suggested that a product designed to support the move to pay benefit into bank accounts should be strengthened to indicate that people would still be able to get their money from the Post Office.

### *The Department's response*

- 2.34 In 14 out of 20 cases (70 percent) we received a response and feedback from the Department on our commentaries. On the whole, staff working on the information products welcomed our comments and responded positively. Several of the feedback sheets from the Department were very thorough and we found that the majority of our comments, in particular our suggestions for drafting or clarification, were accepted. The reasons given for the rejection of suggestions were principally that acceptance risked diluting the policy message or would over-complicate the product.

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*Conclusion*

- 2.35 Our review of our engagement with the Department is quite positive. However, it also points to the rather haphazard nature of much of what we are being asked to do. Perhaps inevitably, given the circumstances in which we took on this role, our engagement with The Pension Service seems to be more consistent and productive than our relationship with Jobcentre Plus (it is hard to make an assessment of where we stand with the other businesses) and we sometimes sense that there is a presumption right across the Department that it is **only** pensions information strategies, products, processes and practices that present a high level of ‘risk’ meriting some external scrutiny.
- 2.36 We do not think that this has been the Department’s active intention, but if the Department wishes us to continue to perform some form of advisory/assurance role specific to public information, we will be looking to officials to ensure that the mechanisms and processes in place are improved and observed more consistently – so that our contribution is both effective and a worthwhile use of our limited resources.
- 2.37 We look forward to discussing these issues with the Department in the coming year.

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# Chapter 3

## Visits

- 3.1 At **Annex A** we list the operational sites we have visited since August 2005. This year we have made over 25 visits to a variety of business sites and so, rather than summarising them all, this chapter draws out some of the key themes that have emerged from the visits. In addition to these visits, we have also met Ministers, senior officials from both DWP and HMRC and numerous external stakeholders through attendance at meetings, conferences and seminars.
- 3.2 Our programme of visits allows us to develop a greater understanding of the realities of the Department's work and the impact 'on the ground' of the regulations that we scrutinise. We are very grateful for the hospitality of staff and the insights the visits provide into how services are delivered to a wide range of customers in different settings. Overall, throughout the course of the year, we have been struck by the commitment and enthusiasm of the members of staff we have met and talked to during our visits. We have witnessed a great deal of quality 'face-to-face' interaction between staff and customers across a wide range of business areas including Jobcentre Plus, The Pension Service and private and voluntary contractors. However, as we observed in our last report, we also found continuing uncertainty about the future, 'change fatigue', and services under strain – and occasionally failing. The majority of our visits have been to Jobcentre Plus sites, and we recognise that the business has been through a very challenging year.
- 3.3 We had the opportunity to visit a number of Pathways to Work pilot sites, including some that were more newly established and some that are now working with longer-term IB claimants. As we have stated in previous reports, we believe that the intensive and well-supported pilot approach is producing dividends for IB claimants. Feedback suggests that the 'holistic' approach to working with IB customers is the most effective and that Personal Advisers (PAs) have, in many cases, developed the skills, knowledge and sensitivity needed to work with customers with complex needs. In discussions around the mandatory 'action plans' that must be completed as part of the initial Work Focused Interview (WFI), we heard that these must be carefully tailored to each individual to reflect activities that are appropriate for them, even if it is something as simple as trying to get out of the house each day. This has allayed some of our concerns about the mandatory nature of the action plans and the pressure they may impose upon vulnerable customers, but we

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continue to be interested in whether action plans can play an appropriate role in motivating customers to consider work at some point in the future.

- 3.4 In terms of WFIs for IB claimants both within pilot and national areas, PAs report that the idea of 'work' needs to be handled sensitively, especially when dealing with people who have been on IB for several years and who may face a complex range of barriers that must be overcome before paid employment can become an option. There have been some concerns about customers for whom the Pathways model may not be effective, for example, those with fluctuating conditions, and those who have exhausted all the support options available to them. However, we have also seen PAs using local networks and knowledge to produce some success stories with customers for whom very little was initially expected. We await the roll-out of Pathways nationally and will continue to take an interest in the development of a work-focused regime for IB recipients. The evidence from our visits suggests that the specialist IB PA role, backed up with thorough training, is an essential element of the success of the pilots that should not be diminished or downgraded in the national scheme.
- 3.5 There has been a concerted move towards the implementation of a Standard Operating Model (SOM) within Jobcentre Plus and we have been interested to see how this interacts with the need for locally designed and run initiatives that provide tailored and flexible support. In Liverpool we had the opportunity to visit the action team that provides intensive help to Jobseeker's Allowance (JSA) customers. The team had built up links with local networks but found that it had been a slow process because of the sheer number of local organisations which each of which had their own remit. This was also a theme that came out of our visits to a number of Working Neighbourhood Pilots (WNPs). These pilots were successful when backed up by joint working with local organisations, yet this joint working had taken considerable time and effort by staff to set up and develop effectively. The financial support available for WNP areas in the form of the Flexible Discretionary Fund (£1 million per year per pilot) was viewed by staff as very useful. It had been central in setting up the resource centre in one Glasgow WNP that included a woodwork workshop and a recording studio that had been used by customers to develop skills and confidence. Both Jobcentre Plus and private providers had concerns about the impact on the local communities of the end of the pilots in April 2006 and the drying-up of the additional funds.
- 3.6 We witnessed some examples of positive local, networked working including the Progress to Work pilot in Liverpool that helps customers with a history of substance misuse problems find employment, and the Want 2 Work programme in Merthyr Tydfil. We had the opportunity to see the positive impact that highly motivated staff providing specialist advice, guidance and support can have on some of the most disadvantaged customers. However,

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we have concerns that such specifically targeted Jobcentre Plus services may be hampered by the short-term allocation of funds and around whether this type of support can be integrated into the mainstream. The Want 2 Work programme was conceived and developed jointly by Jobcentre Plus and the Welsh Assembly and focuses on offering voluntary support to economically inactive claimants. A striking element of this programme was the provision of one-to-one support for individuals on the one hand and the networking with other local initiatives and local employers in order to address broader structural issues on the other. The programme appeared to have achieved the aim of becoming part of the fabric of support rather than a temporary 'add-on'.

- 3.7 We continue to maintain an interest in the centralisation of business functions and the impact this has on both staff and customers. For example, the Social Fund is no longer the responsibility of individual districts but is instead run on a regional basis and is centralised around a telephone-based claims system. We were concerned to find, in the course of a couple of visits, that callers to the offices requesting Crisis Loans were being denied access to the bank of 'warm phones' available on site and directed instead to public pay 'phones outside the office. We understand that this is because Crisis Loans must be dealt with in a 'secure' area. Although we have subsequently been assured that customers are no longer directed specifically to public pay 'phones, it does appear to be the case that they must still find an alternative way of calling the Crisis Loans office. We find this to be a disturbing example of business change having unforeseen consequences for customer service.
- 3.8 We also visited a number of National Insurance Number processing sites and while we were pleased to find that work loads appear to be under control, we are still concerned to find some inconsistencies in the payment of customers' travel expenses. As the processing of National Insurance Numbers is now concentrated in a small number of 'hub' sites, some people have to travel further to access the service. As we explained in **Chapter 1**, we have sought and received assurances from officials and Ministers that the correct procedures for the payment of expenses are being followed. We also believe that some flexibility is needed to ensure that people do not have to travel unreasonable distances to access the service. This is particularly important in rural areas, and we saw a good example of service adaptation in Dundee and Perth, where a Service Level Agreement has been developed to allow interviews to take place in convenient locations. Meanwhile, in Portadown in Northern Ireland, although they do not pay travel expenses, staff can also arrange a local interview to avoid long travel distances.

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- 3.9 Linked with our role scrutinising Departmental information products, we have observed the range of products on display in a number of offices. We have noted that in several of the Jobcentre Plus offices we visited, only a limited range of what we would regard as the key information products were on display and that those that were, were not always displayed thematically. We recognise that display and storage space may be limited, but given that ‘hard copies’ of the Department’s range of information products are not widely available elsewhere we believe that more could be done to make the key products visible and accessible. We were also struck by how little use staff make of the ‘branded’ products (and staff awareness of the range is often very limited) and how frequently locally produced leaflets and posters are used instead.
- 3.10 In **Chapter 1**, we explained that we made a number of visits to Jobcentre Plus Contact Centres and witnessed the ongoing efforts to address the problems that occurred last year shortly after the Centres went live. It was evident that the introduction of this telephony-based system for claiming the main working age benefits created very serious problems for numbers of customers and their advisers and knock-on problems for Jobcentre Plus more widely. Although the situation in the Contact Centres appears to have improved, our stakeholders – in particular those who work in a customer advisory capacity – tell us that the delivery of benefits remains a major concern.
- 3.11 We have made only a limited number of visits to The Pension Service (as noted in **Chapter 1**, we hope to extend our programme in the coming year). However reports from stakeholders have been generally positive. For example, the Western Isles Citizens Advice Bureau described the quality of service provided by the local Pension Service as being very good and we have received reports of some very effective partnership working with other agencies.

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## Chapter 4

### *Scrutiny of regulations formally referred to the Committee*

- 4.1 At **Annex B** we list all the regulations coming into force after consideration by the Committee (equivalent regulations are also normally enacted for Northern Ireland). In each case we decided that we did not wish the proposed regulations formally referred under the terms of the Social Security Administration Act 1992. During the year covered by this Report we made one report to the Secretary of State on the following regulations:

#### *The Social Security (Work-focused Interviews) Amendment Regulations 2005*

- 4.2 The above draft regulations were presented to the Committee for consideration in May 2005. They were intended to introduce, from October 2005, national changes to the timing and coverage of Work-Focused Interviews (WFIs) in integrated Jobcentre Plus offices, including making completion of a work-focused Action Plan a mandatory part of a WFI for customers claiming Incapacity Benefit (IB) and Income Support (IS), as well as for lone parents claiming IS.
- 4.3 The changes were intended to:
- reschedule the initial WFI to the eighth week of the claim for IB customers;
  - remove the requirement for a mandatory WFI for people claiming Carer's Allowance and bereavement benefits, unless there was also an associated claim for another benefit (e.g. IS or IB);
  - introduce mandatory completion of a work-focused Action Plan as part of the WFI for lone parents and IB customers; and
  - require lone parents claiming IS to attend a WFI every three months upon their youngest child reaching 14 years of age.
- 4.4 The Committee decided to consult more widely on the proposals and published a press release asking for responses by 11 July 2005. The responses generally supported the move in timing of the first WFI for IB customers, but voiced concerns about compulsory attendance. Many thought that the most vital component for successful WFIs was the voluntary commitment of both the customer and adviser to work together, the skills of PAs and the quality of the customer support programme. There were concerns expressed about the use of sanctions affecting the poorest customers who often have deductions from benefits for other debts.
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- 4.5 In our report to the Secretary of State in August 2006, we welcomed much of the package of proposals, agreeing that they should help to streamline and improve the WFI regime for many customers and help to focus Jobcentre Plus resources. However, we considered that some of the changes appeared incomplete while others lacked a sound, evidence-based rationale. We made a number of specific and general recommendations for changes to the proposals.
- 4.6 In its response, published with our report in October 2005 (*CM 6669*), the Secretary of State said that the Government had decided to go ahead with the original legislative proposals, and gave detailed reasons for not implementing each of the recommendations for amending the proposals. However, he welcomed the Committee's support for the principle of the WFI and for the proposal to reschedule the initial WFI for IB customers to the eighth week of the claim as well as the removal of WFI conditionality from Carer's Allowance and bereavement benefits.

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# Chapter 5

## *Social Security Advisory Committee published papers*

5.1 We published the following papers:

- The Social Security Advisory Committee's response to *A new deal for welfare: empowering people to work*.
- The Social Security Advisory Committee's response to the consultation: *Housing benefit sanction for anti-social-behaviour*.
- The Social Security Advisory Committee's response to the second report of the Pensions Commission.
- The Social Security Advisory Committee's response to the White Paper, *Security in retirement: towards a new pensions system*.

### *The Social Security Advisory Committee's response to A new deal for welfare: empowering people to work*

21 April 2006

The Committee welcomes the opportunity to offer its views on the Green Paper. We have taken a close interest in all aspects of the Government's welfare reform programme, offering advice on both the general principles and direction of the reform strategy and on the specific legislation that has carried forward its key elements.

From the start, we have been broadly supportive of the ambitions and objectives for welfare reform, and we have acknowledged the benefits of the measures introduced to tackle worklessness and provide a route towards employment and a measure of self-sufficiency for those groups and individuals who have been excluded from the benefits that work can bring. However, we have also cautioned against some of the more optimistic predictions that have been made for what models of provision such as Pathways to Work, and enhanced conditionality for groups such as lone parents, can and will achieve in the medium-to-long term.

Our consideration of the Green Paper proposals has focused mainly on the plans for the reform of IB, which constitute some of the most fundamental changes to the benefit system that have been seen for many years. We are disappointed that these plans – and indeed those for other aspects of the benefit system, such as HB – have been presented without much of the most significant detail developed beyond the level of generalised aspiration, and with no indication of the level of resources that would be needed to deliver a new national scheme in less than two years. Accordingly, rather than addressing the individual questions posed at the end of each chapter of the paper, our response sets out a number of issues and

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concerns that we regard as critical to the planned further progression of the welfare reform agenda.

***The reform of IB – The Structure of the Employment Support Allowance (ESA) and the new Personal Capability Assessment (PCA)***

We understand the arguments in favour of setting the rate of benefit for those who are found capable of work-related activity but choose not to undertake such activities, at the equivalent of the JSA rate. However, as noted below, we are not convinced that this will be straightforward to achieve in practice. We are also concerned that the new benefit retains the ‘age-related’ structure that pays lower rates to young people. We have seen calculations of the substantial losses (as against current entitlements) that some seriously disabled young people would incur under the new system. We believe that such age discrimination is unfair and unreasonable in these circumstances.

We would also suggest that there is a case for a wide-ranging review of services and support for disabled people – in particular those in the 18-25 age group – taking in education, training, and employment, and financial and other forms of support. It does not appear to us that there is, as yet, any holistic policy approach to the needs of young disabled people (and their parents and carers) that takes account of the aspirations of an ‘employment for all’ approach that are set out in the Green Paper.

Whilst welcoming the new focus on capacity for work, we believe that the challenges of designing and operating such a test may have been underestimated. In particular, we have always been concerned that making objective assessments of the impacts of medical conditions and disabilities is an inexact science, and that the process often produces no more than a snapshot of an individual’s circumstances at one point in time. A further problem is the absence, noted by Professor Richard Berthoud in his recent report for ISER<sup>14</sup>, of any ‘*clear dividing line between disabled people who can work and those who cannot*’. Furthermore, there may be a continuum of ‘work-readiness’ for many disabled people and those with fluctuating health conditions. ‘Work-readiness’ is unlikely to be an absolute state. Nor are the labour market conditions that influence access to employment consistent either across the regions or over time. In a loosening labour market, the most disadvantaged may find themselves relatively less ‘work ready’.

The situation of people with mental health conditions calls for particular attention, and the development of flexible and innovative approaches to managing fluctuating conditions across the benefits/employment interface, making it easier for people to work for short periods when they are able to do so, and maintain a benefit income without frequent re-claims and interventions. We think that the impact of physical conditions (and instances of ‘dual diagnosis’) on capacity for work will not be any

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<sup>14</sup> Taking the Long View: Institute for Social and Economic Research 2006.

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easier to assess in the proposed new system, and that it is likely that the number of appeals (already substantial in the current system) will continue to be a feature in the new arrangements.

We welcome the commitment to speeding and streamlining the assessment process, and we would hope that equal attention will be given to building and maintaining the quality of assessments and all parts of the associated benefit decision making process.

### ***Employer engagement***

We have observed that the process of getting employers – in particular those operating SMEs – actively engaged and committed to working within the Government’s agenda, is lagging far behind what is needed to open the labour market to people with health conditions and/or disabilities (in particular those relating to mental health), and provide an environment in which such people can be supported in sustained employment. Recent DWP research<sup>15</sup> suggests that there is a lot to be done to achieve the ambitions for the employer role set out in *Health, Work and Well-being – Caring for our Future*.

### ***The NHS interface***

Similarly, working with GPs, consultants and other health professionals, changing the perceptions of incapacity, and transforming services to support individuals’ employment capacity present a major challenge. Replicating the Pathways model at a national level will make substantial demands on resources and capacity in the health service at a time of competing priorities, in particular in the treatment and support of people with mental health problems.

### ***The service delivery challenge***

In addition to our concern about the resources needed to develop and deliver the vision for IB reform, we are also concerned about its deliverability at a time of continuing major re-structuring and re-organisation of the services and programmes that are the responsibility of Jobcentre Plus and its partners. Central to the successful delivery of work-focused programmes is the work of PAs and their managers. Finding, training and supporting the numbers of highly skilled, professional PAs needed to provide the work-focused services – whether within Jobcentre Plus or through partner organisations – that will underpin the new ESA presents a significant challenge. There is also a tension between offering PAs flexibility to work creatively with harder-to-help customers, and the drive to contain delivery costs through cutting back on face-to-face customer contacts, and standardising business processes.

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<sup>15</sup> Experiences of the Job Retention and Rehabilitation Pilot: DWP Research Report 339.

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We have also noted a number of other areas – the proposals for older workers, for example – where potentially poor value for money and relatively heavy new burdens on the business should, we feel, be taken into account when deciding the Department’s future investment priorities.

### *Impact on complexity*

The current IB system is, in every respect, a highly complex one, in terms of its legal structure, its administration and in the ways it is communicated to those claiming the benefit. The new system that is proposed does not appear to offer anything to the cause of simplification and, with the addition of transitional protection for existing IB cases, there will in fact be an increase in complexity. This is perhaps unavoidable (and we would not argue against transitional protection except to suggest that alternatives to ‘lifetime of claim’ provisions might be considered) but it does not contribute to either the Government’s over-arching objective of simplification, or progress a move to a ‘single working age benefit’. At the very least, we believe that all opportunities should be taken to explore the scope for simplification at all stages of the new benefit’s development (for example, when incorporating Permitted Work rules).

### *Lone parents*

We welcome recognition of the importance of high-quality, affordable and appropriate childcare in the drive to bring more lone parents into the labour market, but we would question some of the assumptions around the effectiveness of the WFI process in moving lone parents into the New Deal for Lone Parents, and the proposed New Deal model as the vehicle for moving lone parents towards good quality, sustainable employment. We have seen no evidence to support the case for an increase in the frequency of WFIs at a time when other programmes (such as New Deal Plus, and the Adviser Discretion Fund) that are known to be effective, are under financial pressure. We are also disappointed that more has not been made of the scope for using New Deal programmes as a springboard to improving lone parents’ skill levels.

We give a cautious welcome to the Work Related Activity Premium (WRAP) but would expect that – whether it is an ‘opt-in’ or an ‘opt-out’ provision – its effectiveness in supporting and advancing progress towards employment should be closely monitored. It is well known that the factors that influence lone parents’ choices about employment are many and complex, and measuring WRAP’s impact and effectiveness will not be easy.

### *Housing Benefit*

We are disappointed by the proposals relating to HB. The revised Local Housing Allowance (LHA) seems to us to be more complex and less transparent than the scheme that was introduced in the Pathfinder areas. For example, it uses ‘median’ rents and new ‘room numbers’ criteria that would appear to make no provision for

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carers, and requires another transitional protection scheme. It is also less generous in practice, and may well have a significantly different impact to the successful Pathfinder scheme.

We are also concerned that none of the long-standing complexities of the HB system that act both as a damper on work incentives, and impose an administrative burden, have been addressed. The 'tapers' system, non-dependent deductions and earnings disregards must be worth further consideration in any radical reform of the benefit, and when looking for ways to ease the 'benefits trap' in the shorter term.

Finally, we remain wholly unconvinced of the case for applying some variant of the LHA to the social housing sector. It seems to us that none of the pre-conditions for the application of the LHA principles yet exist and that without preliminary changes to rent structures, social housing access, tenancy conditions and so on, any pilot would be so artificial that it would be meaningless.

### ***Conclusion***

We hope that you will find our comments helpful. The areas we have identified here are the ones that we shall most likely be focusing upon as the Green Paper proposals are taken forward, and we would welcome further engagement as these various measures are developed.

### ***The Social Security Advisory Committee's response to the consultation: Housing Benefit sanctions for anti-social-behaviour***

**4 August 2006**

Thank you for your letter of 5 June 2006 seeking the Committee's views on the introduction of a HB sanction for those people evicted from rented housing and who subsequently refuse to engage with support services.

For most people in Britain, anti-social behaviour is not a big problem. However, anti-social behaviour is an acute concern for a significant minority of people and has a significant impact on the quality of life – particularly when such behaviour is concentrated in areas of social housing. We see the potential of the 'rehabilitative' approach you have proposed. However, the pilot scheme that you have outlined is so light on detail that it is very difficult to assess whether it can both meet your objectives and avoid unwanted and counter-productive side-effects. In our discussions of the planned proposals, our concerns centred on the practical issues around operating benefit sanctions in the pilot scheme – in particular we had reservations about the design and usefulness of a pilot and the challenges posed by an evaluation of such small-scale trials.

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We were also concerned about the ethical and Human Rights issues around the sanctions policy and the implications of removing benefit from people who are almost certainly vulnerable in a number of ways. Of particular concern is the fact that the proposal is solely aimed at those living in rented housing. The proposal directly discriminates against tenants, since there is no equivalent scheme for owner-occupiers (apart from, perhaps, a few leaseholders who may exceptionally have forfeiture provisions in their leases) and we would have been interested to know what percentage of anti-social behaviour is linked to households in receipt of HB. It is probably true that owner-occupiers are less likely to be seriously anti-social, but there are definitely some homeowners who are just as capable of anti-social behaviour, and it is possible that some of them may be in receipt of an income-related benefit covering housing costs (and Council Tax). If anti-social behaviour, per se, is the target of the policy, it seems to us that equivalent provisions should be extended to this group.

We found that there seems to be a lack of clarity around the intended target of the sanctions. Your plans are couched in terms of action to tackle the behaviour of *households*. This seems to us to be problematic. If evictions are only used where the tenants themselves (as opposed to other members of the household and/or the extended family) are the 'main persons' responsible for the anti-social behaviour, this would seem to limit the scope of the scheme to address the offenders' behaviour. At the same time it could also harm those who were not responsible for the behaviour that led to eviction – particularly vulnerable adults or children at risk. But whoever is the target of the sanction – 'innocent' people may well suffer as a consequence of the actions of people whose behaviour they cannot control. Actually identifying and approaching the people who are the worst offenders, and securing their engagement in changing their behaviour, may be complicated by the break-up and dispersal of the households post-eviction. Individuals may move to other local authority areas where no pilot scheme is operating, or move in with another household rather than seek new accommodation.

The planned HB sanction is linked to the refusal of an individual or 'household' to engage with the rehabilitation process, but until we know more about the content of the rehabilitation programmes and the evidence of their success, it is difficult to see whether a HB sanction is an appropriate – or potentially effective – response. It is also unclear how the HB sanction will fit with the activities to support families within the Family Intervention Projects. The evidence from the Projects that have been piloted in Scotland (and are due to be extended in England and Wales) is that intensive work can help families to avoid eviction. If the Projects are effective in this regard, sanctions after the event do not seem to be the best way to secure positive engagement.

We also have some practical concerns. You have indicated that about 1,500 people are evicted every year for anti-social behaviour. We calculate that if 10 pilots are run in areas with high levels of eviction there is the potential for the imposition of a

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maximum of 150 sanctions per year. We would, therefore, question whether the pilots can generate sufficient data for an effective and meaningful analysis and evaluation of impacts and outcomes. We do not think that either the quantitative or the qualitative information that could be gathered would provide the basis for an adequate assessment of whether the threat of sanctions has encouraged people with significant behavioural problems to seek help. Nor will we know whether the sanctions process is swift, effective and transparent, and whether there are unanticipated negative consequences.

As the proposal stands, it can only be applied to tenants who are in receipt of HB. The policy presupposes that anti-social behaviour is exclusive to one group of benefit recipients, whilst the appearances and underlying causes of anti-social behaviour are many and varied. The pilot also seems to us to risk unintended side-effects and to be designed in such a way as to have only a very limited potential to demonstrate the connection between the consequences of individual behaviour and the punitive outcome, making it almost impossible to assess whether or not it is an effective deterrent. Furthermore, since the devolved administrations have developed their own approach to housing policy, it would be inappropriate to seek to introduce sanctions on a UK-wide basis. We sympathise with the pilot's aims, but on the basis of what we have seen, we do not think that a scheme of this nature can meet its objectives.

***The Social Security Advisory Committee's response to the second  
report of the Pensions Commission  
4 August 2006***

When you came to meet us on 11 January 2006, we said that we would debate and respond to the Second Report of the Pensions Commission. Here are some general observations, as well as our thoughts on a number of the specific proposals put forward in the report.

The Committee was unanimous in welcoming this report and we endorse both the analysis of the current situation and the objectives the Commission sets for the future. The Committee considers that this report is likely to be as significant as the Beveridge Report in 1942, and very much hopes that it will be a springboard for decisions about the future shape of pension provision in the UK. Failure to act urgently will simply make the problem even more difficult to tackle.

The Committee has spent considerable time discussing the issue of compulsion. The Commission's NPSS proposals for a mix of 'soft compulsion' for workers, i.e. automatic enrolment, with an opt-out provision, with full compulsion for employers who would have to contribute a minimum of 3 percent of salary for participants, posed a difficult dilemma for the Committee. Compulsory saving may be particularly difficult for low-paid employees or people with debt who need to maximise their income.

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The majority of the Committee is inclined to a position of full compulsion for both employees and employers. However, while recognising that the Pension Commission's proposal of an 'opt-out' for employees is probably more realistic in today's world of citizen choice, this approach does carry with it the risk that a significant number of poorer people will remain without adequate pension provision. It is, therefore, important that this consideration is factored into whatever the final package contains. We took the view that the scheme should be voluntary, but that providing for opt-out would be the best protection of individual choice in any compulsory scheme. However, it should not be *possible* to opt-out until after a mandatory 'free session' with a qualified financial adviser, and there should be no option to withdraw accrued contributions on leaving the scheme before reaching pension age. Such a scheme will, of course, need careful incorporation into income-related benefits, personal tax and tax credit law.

The key debate is around the question of the compulsory contributions to be made by employers; this is more difficult to determine, and there is not a full consensus among the Committee's members. We believe that the responsibility for pension provision should be a shared one between individuals, their employers and the state, and we recognise that many employers have a good record of discharging this responsibility. However, in our discussions the view was put forward strongly that for small and medium-sized businesses (especially those for which the self-employed and sole traders are their main competitors) this could prove to be an unreasonable financial burden and administrative responsibility.

Overall, the Committee was not convinced by this argument. Some members felt that it was wrong to generalise about the capacity of smaller businesses and employers to take a share of the responsibility for future pensions provision, and questioned whether there is hard evidence to support this point of view. Nonetheless, it was unanimous in believing that this is a real and possibly legitimate concern on the part of small businesses – one that should be tested against whatever evidence is available. If there proves to be an argument of substance here, then consideration should be given to some easing of the responsibility for appropriately defined small and medium-sized businesses. The corollary of this would be that an additional responsibility would then have to be picked up by the state in some way or other. However, whatever the balance between the respective contributions for the recommended NPSS, we do not think that the overall contribution should be less than the total 8 percent proposed. Whatever decisions are taken, it seems to us that the Commission's proposals mean that the way companies deal with their employees' pensions provision has never been more important, particularly in a period of transition.

We were particularly struck by the report's highlighting of the most serious situation that those now in their 20s and 30s will face by the time they reach retirement, and the number of important decisions that need to be made by the Government. Pension planning is a long-term issue. Making small manageable changes and seeking to

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shift negative cultural attitudes towards saving and planning for 'life after work' now, is likely to be an effective approach.

We recognise that the real challenge for the Government will be to create the consensus needed to implement a sustainable agenda, and that part of the solution must lie in the establishment of a simpler, less complex system which everyone is capable of understanding. Importantly, part of this challenge will be to find innovative ways of providing incentives for younger people to prepare for retirement. They are the most difficult to convince of the long-term benefits of saving, especially as the knock-on effect of saving for their retirement is having less money to spend on mortgages, services and consumer goods, and paying off debts incurred in higher education, etc.

Turning to two of the specific proposals, we offer the following observations:

**The establishment of a low-cost National Pension Savings Scheme and mandatory matching employer contributions, equal to 3 percent of salary.**

We think that the establishment of a NPSS is a good way of balancing the risks between public and private expenditure. We support the concept of a new savings scheme which could provide low charges and good value for lower-income individuals. We recognise that there is a tension between individuals saving and individuals paying increased taxes towards a better basic state pension. To support the more vulnerable, it is necessary to get public support for, and promote the wider social benefits of the latter.

We very much like the notion of Individual Accounts within a NPSS. Being able to identify one's own pension wealth could be a very good way to encourage personal responsibility, and build public support for such a scheme. We believe that it should also be possible to make such a scheme comprehensible to the 'ordinary participant'. In our work scrutinising the Department's public information strategy and products over the last few years, we continue to be struck by the daunting complexity of so much of the information that is – most often quite necessarily – offered to the general public. Any scheme that offers the individual contributor a 'visible' investment, and has a degree of transparency in its terms and conditions would, we believe, encourage participation.

For us, this is one of the most attractive features of the proposed NPSS and we think that the Government should look carefully at how this could effectively and efficiently be achieved. We believe also that it is vital to ensure that the scheme is delivered within the proposed management charge of 0.3 percent – anything greater than this will tend to disillusion the participants and may well increase the level of opt-out. Consideration should be given to a statutory cap on the charges.

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**The state pension age to be increased for men and women and future state pension increases to be linked to earnings rather than prices.**

We are broadly in favour of a flexible retirement age with no upper limit, and we support the notion that society should move away from a clear dividing line between work and retirement at any particular age. We agree that looking towards a more gradual transition from full-time to less-time working patterns seems logical and could help change perceptions of what retirement and pensions actually mean in peoples' lives. At present, both signify the onset of 'old age' – a potentially daunting transition which exacerbates concerns about having an adequate income in the years ahead. Extending working life – with all that this entails for workers, employers and Government agencies and services – may be the key to solving the pensions question in the medium to long-term. However, we would want the Government to ensure that any increases to the retirement age should be kept under review and should reflect increases in life expectancy. Planning for around the average life expectancy is reasonable, but planning for 30 years or more of retirement is much more problematic.

Whatever the reformed package of policies, it is critical that the state recognises that state pensions for the poorest citizens will have to be more generous than now. We welcomed the proposal to link the basic state pension to earnings, and a higher state pension for the over-75s is a good way to reach a high proportion of the pensioners who are most likely to resist claiming means-tested benefits. This would also represent a substantial boost for women, many of whom can be expected to live beyond that age and – currently – have much smaller pensions than men, as much of their working lives have been interrupted to care for children.

We were interested in the discussions relating to health inequalities in the context of extending working life. A paradox of the past 30 years is that people have been retiring earlier while – for some at least – their life expectancy, including healthy life expectancy, has been rising. We are aware that much 'early retirement' is not voluntary, but is often the result of insufficient job opportunities in some of the more economically deprived regions of the country, and, possibly, discrimination against older workers. Some of these poorest areas are blighted by the many problems that contribute to a lower life-expectancy.

We are concerned that making lower-paid employees wait longer for their state pension may have a disproportionate impact on the less advantaged members of society. Women and/or carers, and those with existing health conditions and other barriers to full participation who may not have a substantial history of reasonably well-paid employment, are disproportionately disadvantaged. It is our view that if people are going to have to work longer, there needs to be major investment in tackling these inequalities, and directing changes in attitudes and practices in the employment of older people. We would welcome further debate on these issues which we believe may be critical to the credibility of proposals to extend working life.

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The Committee will be particularly interested in whatever options are accepted, and will welcome further opportunities for debate and discussion on the Government's proposals.

*The Social Security Advisory Committee's response to the White Paper,  
Security in retirement: towards a new pensions system*

15 March 2006

We welcome the publication of the White Paper – *Security in retirement: towards a new pensions system*, and the proposals aimed at increasing personal savings, helping to close the gap in retirement savings, and reducing the growing dependence of pensioners on means-testing. We also welcome the central pillars of the White Paper. We welcome, in particular, the reduction in National Insurance contributions to 30 years, which will certainly enable more people, particularly women and carers, to be confident of being entitled to the full basic state pension at the full rate. We also welcome the eventual restoration of the link between average earnings and the basic state pension and the measures to streamline and simplify the pensions regulatory environment. We are pleased that more money has been promised to the Financial Assistance Scheme to help the tens of thousands of workers that took advice, saved for retirement and then found their savings were lost when their employer went bankrupt. We hope that the proposals will go a long way towards putting in place a sustainable, simpler and more transparent system of pension provision.

We support the proposals for a new national pensions savings scheme (NPSS) for those on low incomes, and without access to an employer's occupational scheme. We believe that the underlying principle of employees and employers sharing responsibility for the provision of pensions is entirely right and that NPSS should prove a suitable vehicle for this. In our response to the Second Report of the Pensions Commission and in our discussions on the White Paper, we were concerned that the question of compulsory contributions to be made by small and medium-sized employers (especially those for which the self-employed and sole traders are their main competitors) had not been fully addressed. We believe that there is a case for further consideration of how small firms can be helped to adjust to compulsory contributions, possibly through financial and other support for small businesses that are unable to absorb the costs of meeting their new responsibilities.

We agree with the proposals that people should have the choice and the right to opt out of the NPSS - but it is essential to ensure that people make the right financial choices. The Financial Services Authority's (FSA) recent baseline survey of Financial Capability shows the very low levels of capability consumers have with regard to choosing appropriate financial products. Experience with the Child Trust Fund confirms this, showing that many people do not know what to do with their vouchers and so do not invest them. The management costs will be a key factor in whether people will have the confidence in the scheme, but advertising by private companies may encourage people to enter other schemes with higher management costs

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than the NPSS. If the Government is to keep charges low, it must specify only what is necessary in its pension product. Moreover, we hope that the NPSS might be run at lower cost than the current proposed 0.3 percent target. (ATP in Denmark, for example, runs the Danish supplementary state pension scheme for a charge of 0.1 percent). We appreciate that further debate and thought is needed over the details but if the scheme is to be delivered within the proposed management charge of 0.3 percent, we believe that this rate should be statutorily capped to ensure that costs do not rise over time.

We also believe that there needs to be a recognition that auto-enrolment may not be sufficient to build demand for the NPSS product among the six to ten million target customers. Recent research by the insurance industry suggests that the number of people saving adequately for their old age has fallen from 55 percent to 46 percent. The FSA survey also found low levels of capability with regards to planning ahead (including planning for retirement). Thought, therefore, will need to be given to creating demand for the NPSS – as many more people opt for self-employment, they may fall outside the net and many of those within it may opt-out altogether unless they accept the rationale and need for a supplementary pension. Pension, endowment and bond mis-selling in the last two decades have all contributed towards a collapse of confidence in the financial services industry. Building the public's confidence in the NPSS will be a key challenge and so too will be implementing the NPSS by 2012. The risk is that in the period before the launch, consumers will delay starting to save for their retirement – delays in pensions saving are unlikely to be made up later.

There is no doubt that Pension Credit for people aged 60 and over and the Savings Credit for people aged 65 and over improved the incomes of the poorest customers. We welcome the Government's premise that one of the key outcomes of the reforms is that by 2050 there will be a third fewer pensioners entitled to Pension Credit but believe that this does not go nearly far enough; even with this reduction there will still be around 28 percent of pensioners subject to means-testing. The goal should be a further reduction of means-testing. However, for future pensioners, the complexity of the current pensions system and the practice of means-testing for Pension Credit and Savings Credit may act as a disincentive for many to save for their retirement.

If means-testing of pension income is going to continue for the foreseeable future, the Government will need to work hard to ensure that even more people do not become reliant on means-tested benefits in retirement.

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# Annex A

## *List of the Committee members' visits and meetings*

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### *Visits to operational sites made since 1 August 2005*

8 August 2005	Yeovil Jobcentre Plus – <i>Pathways to Work</i>
17 August 2005	Leicester Jobcentre Plus
22 August 2005	Westminster Jobcentre Plus
28 September 2005	York Jobcentre Plus
6 October 2005	Rusholme Jobcentre Plus
21 October 2005	Norwich Pension Centre
11 November 2005	Cambridge Jobcentre and Social Security Offices
25 November 2005	Exeter Jobcentre Plus
25 November 2005	Dundee Jobcentre Plus
29 November 2005	Easton Jobcentre Plus
1 December 2005	Glasgow Jobcentre Plus – <i>Working Neighbourhood Pilot and Pathways to Work</i>
6 December 2005	Balham Social Fund Centre
8 December 2005	Garston Contact Centre
9 December 2005	Toxteth Jobcentre Plus
14 December 2005	Basildon IB Pathways
2 February 2006	Swansea Pension Centre and Swansea Social Security Office – <i>Working Neighbourhood Pilot</i>
3 February 2006	Cardiff Charles Street Jobcentre Plus & Merthyr Tydfil Jobcentre Plus – <i>Want 2 Work</i>
24 February 2006	Rhondda Cynon Taff and TonyPandy Jobcentre Plus – <i>Pathways Pilot</i>
27 February 2006	Basildon IB Pathways – return visit

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29 March 2006	Rhondda Valley and Bridgend Jobcentre Plus
6/7 April 2006	Northern Ireland Pension Centre & voluntary sector stakeholders
12 April 2006	Derbyshire Condition Management Programme
24 May 2006	Liverpool Jobcentre Plus & HMP Walton
12 June 2006	Wick Jobcentre Plus
13 June 2006	Stornoway Jobcentre Plus

***National Insurance interviewing sites***

26 June 2006	Dundee and Perth
30 June 2006	Portadown National Insurance Processing Centre; and Lurgan Jobs and Benefits Office
20 July 2006	Yeovil Pathways
28 July 2006	Pembroke Dock Contact Centre
28 July 2006	The London Homelessness Partnership

***Other meetings and events***

30 September 2005	Redcar Welfare Rights Unit
23/24 November 2005	EU Presidency meeting on Tackling Economic Inactivity, held in Cardiff
November 2005	UK Presidency of the EU 2005, Roundtable on Social Inclusion, held in Glasgow
10 November 2005	Visit by delegates from the Chinese Ministry of Labour and Social Security
23 May 2006	Meeting with Incapacity Benefit Personal Advisers, Northern Ireland
29 June 2006	Equality Impact Assessment Workshop
19 July 2006	Meeting of the Welsh Assembly Government

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## Annex B

### *Regulations considered by the Committee and coming into force in Great Britain since 1 September 2005*

This is a list of those regulations put to the SSAC which the Committee decided did not require formal reference. The list refers only to regulations covering Great Britain: however, in most cases, the SSAC agreed to regulations similar in effect in relation to Northern Ireland.

#### **Statutory Instrument Number:**

#### **2005**

- |      |   |
|------|---|
| 2154 | The Social Security (Claims and Payments) Amendment (No. 3) Regulations 2005  |
| 2183 | The Income-related Benefits (Amendment) Regulations 2005  |
| 2294 | The Social Security (Tax Credits) Amendment Regulations 2005  |
| 2446 | The Social Security (Incapacity) (Miscellaneous Amendments) Regulations 2005  |
| 2465 | The Social Security (Miscellaneous Amendments) (No. 2) Regulations 2005   |
| 2502 | The Housing Benefit and Council Tax Benefit (Miscellaneous Amendments) (No. 3) Regulations 2005   |
| 2604 | The Social Security (Incapacity Benefit Work-focused Interviews) Amendment (No. 2) Regulations 2005   |
| 2677 | The Social Security (Deferral of Retirement Pensions, Shared Additional Pension and Graduated Retirement Benefit) (Miscellaneous Provisions) Regulations 2005 |
| 2687 | The Social Security (Care Homes and Independent Hospitals) Regulations 2005   |
| 2724 | The Social Fund Cold Weather Payments (General) Amendment Regulations 2005  |

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2878	The Social Security (Civil Partnership) (Consequential Amendments) Regulations 2005
2894	The Housing Benefit and Council Tax Benefit (Miscellaneous Amendments) (No. 4) Regulations 2005
2904	The Housing Benefit and Council Tax Benefit (General) Amendment Regulations 2005
3061	The Social Fund Maternity and Funeral Expenses (General) Regulations 2005
3078	The Social Security (Retirement Pensions and Graduated Retirement Benefit) (Widowers and Civil Partnership) Regulations 2005
3205	The State Pension Credit (Amendment) Regulations 2005
3294	The Housing Benefit and Council Tax Benefit (Miscellaneous Amendments) (No. 5) Regulations 2005
3360	The Social Security (Hospital In-Patients) Regulations 2005
3391	The Income-related Benefits (Amendment) (No. 2) Regulations 2005
3466	The Jobseeker's Allowance (Jobseeker Mandatory Activity Pilot) Regulations 2005
3476	The Social Security (Payments on account, Overpayments and Recovery) Amendment Regulations 2005
<b><u>2006</u></b>	
516	The Social Security (Deferral of Retirement Pensions etc.) Regulations 2006
536	The Social Security (Incapacity Benefit Work-focused Interviews) Amendment Regulations 2006
551	The Social Security (Claims and Payments) Amendment Regulations 2006
588	The Social Security (Miscellaneous Amendments) Regulations 2006
644	The Housing Benefit (Amendment) Regulations 2006

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692	The Social Security (Provisions relating to Qualifying Young Persons) (Amendment) Regulations 2006
712	The Social Security Benefits Up-rating Regulations 2006
718	The Social Security (Young Persons) Amendment Regulations 2006
799	The Statutory Sick Pay (General) Amendment Regulations 2006
832	The Social Security (Miscellaneous Amendments) (No. 2) Regulations 2006
909	The Social Security (Working Neighbourhoods) Miscellaneous Amendments Regulations 2006
961	The Social Fund (Application for Review) (Amendment) Regulations 2006
962	The Employment Zones (Allocation to Contractors) Pilot Regulations 2006
1000	The Employment Zones (Amendment) Regulations 2006
1026	The Social Security (Persons from Abroad) Amendment Regulations 2006
1069	The Social Security (PPF Payments and FAS Payments) (Consequential Amendments) Regulations 2006
1402	The Social Security (Income Support and Jobseeker's Allowance) Amendment Regulations 2006
1752	The Social Security (Students and Income-related Benefits) Amendment Regulations 2006
1981	The Social Security (Lebanon) Amendment Regulations 2006

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## Annex C

### *Membership of the Committee (as at 31 July 2006)*

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**Sir Richard Tilt** joined the Prison Service in 1966 as a graduate entrant, and worked in a variety of prison establishments before governing Bedford and Gartree prisons. From 1990 he worked in Prison Service HQ, first as Head of Industrial Relations, then as Director of Services. In 1994 he was appointed Director of Security, and in the same year he became Director-General. He retired from the Prison Service in 2000. He has been an NHS Chair for five years and is the Social Fund Commissioner. He is a governor of de Montfort University. He was a Churchill Fellow in 1991 and was knighted in 1999.

**Kwame Akuffo** has been a law teacher since 1982 and is currently a Senior Lecturer at Ealing Law School, Thames Valley University. He has worked for many years in community relations and community legal service delivery. He is Vice Chair of Ealing Racial Equality Council and runs a free law clinic, the Community Advice Programme (CAP), where he currently serves as Chairman. He teaches International Human Rights, Public International Law and Trusts. His research interests include International and Comparative Law, race relations and Law in Development. He also sits as a JP and a member of the Steering Committee of Ealing Community Legal Services Partnership. He was a member of the Independent Monitoring Board at HMP Wormwood Scrubs until February 2004.

**Les Allamby** is Director of Law Centre (NI). He is a solicitor and sociology and social administration graduate. He is a social security adviser involved in advocacy before the Social Security Commissioner, and with taking cases to the ECJ and ECHR on social security issues. He is currently a member of the Legal Services Commission in Northern Ireland and from 2006, a member of the Legal Services Review Group in Northern Ireland. From 1999-2004 he was the Chairperson of the Standards Committee for Northern Ireland, reporting on the quality of decision making for social security and child support. He has written widely on legal and social policy issues. He has also served as an election monitor and supervisor in Bosnia and Pakistan.

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**Simon Bartley** is Managing Director of S4 Consulting Limited and Non-Executive Director or Company Secretary of a number of other Companies. He was educated at Durham University where in 1979 he graduated with a BSc in Engineering Science and Management and in 1985 with a MSc in Management Science. He is currently undertaking a Doctorate in Business Administration doing research into Small Businesses and Vocational Education. Simon is a Chartered and a European Engineer, a Member of both the Institution of Civil Engineers and of CIBSE and is a Fellow of the Institution of Engineering Technology and of City & Guilds.

He is Chair of SummitSkills, the Sector Skills Council for the Building Services Engineering Sector which covers the electrotechnical, heating, ventilating, air conditioning, refrigeration and plumbing industries, a Member of The City & Guilds of London Institute Council and a Director of both SFEDI and the Council for Enterprise. Simon's other business representations include him being a Member of the Small Business Council as well as being past Chair of the CBI's Small and Medium Enterprise Council. He currently Chairs both the 14-19 Diploma Steering Group for Construction and the Built Environment and the BSI SME Policy Committee.

**Brigid Campbell** studied Classics before entering the civil service, working mainly with expert advisory committees in the medical field. She subsequently underwent teacher training, spent five years in a Citizens Advice Bureau, and went on to study law and qualify as a solicitor. After a short spell in practice, she joined the teaching staff of The College of Law and became the College's Head of Welfare Law, co-authoring the student textbook used for the Legal Practice course. She was appointed to the Independent Tribunal Service (now The Appeals Service) in 1995, and sits as a part-time Chairman, with particular experience in disability and incapacity appeals. Since retiring from the College of Law in 2000 she has returned to Citizens Advice.

**Dr Angus Erskine** is an Honorary Senior Research Fellow in the Department of Applied Social Science, in the University of Stirling. He has taught at the Universities of Stirling, Glasgow and Edinburgh and the, then, Sunderland Polytechnic. He has many years of experience working with local area-based anti-poverty initiatives. His most recent research has been race issues. He is particularly interested in social security delivery in rural areas. He was Chair of the Editorial Board of the Journal of Social Policy and Review Editor for the Journal of Social Policy. He has researched and written on social security, employment, social exclusion and poverty and co-edited The Student's Companion to Social Policy and The Dictionary of Social Policy.

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**Richard Exell OBE** is the TUC's Senior Policy Officer responsible for social security. He took part in the European Commission's discussions leading to the Recommendations on Minimum Standards in Social Protection and the Guarantee of Benefits and Resources, and was a member of the trade union team in the discussions leading to the conclusion of the European agreement on parental leave. He has acted as rapporteur's expert for the Economic and Social Committee on two reports, including that on social exclusion. He is a member of the Disability Rights Commission.

**Alison Garnham** is joint-Chief Executive of the Daycare Trust, taking up her position in June 2006. Prior to this, for nine years she was the Director of Policy and Research at One Parent Families. She worked for many years as a welfare rights adviser and for a number of women's organisations before, in 1989, joining the Child Poverty Action Group (CPAG) where she co-authored a number of publications about the Child Support Act. She has subsequently written about lone parenthood and child poverty, including an edition of *Poverty: the Facts*, published by CPAG. Before joining One Parent Families she was Senior Lecturer in Social Policy at the University of North London (now London Metropolitan University) where she remains an Honorary Research Fellow.

**Professor Helen (Elaine) Kempson** is Professor of Personal Finance and Social Policy Research at the University of Bristol. She is also Director of the Personal Finance Research Centre at the University. For the past 20 years she has undertaken research into various aspects of money management and use of personal financial services, especially among low-income families. In recent years, this has included a large body of work on access to financial services and financial exclusion. She was a member of the HM Treasury Policy Action Team 14 on Access to Financial Services and a member of the DTI Foresight Panel on Personal Financial Services. In 2002 she undertook the first independent review of the Banking Codes, and was reappointed to review the codes again in 2004. She also undertook the independent assessment of the Financial Ombudsman Service in 2004. Elaine is currently a member of the Financial Inclusion Taskforce, the Banking Code Standards Board and the DTI Advisory Group on over-indebtedness.

**Laurie Naumann** took early retirement from the Scottish Council for Single Homeless in 1999. He had been involved in setting it up and was director from 1978. From 1992 to 1995 he was seconded to The Scottish Office Social Work Services Inspectorate. Between 1981 and 1992 he was secretary of the Care in the Community Scottish Working Group. He is currently undertaking a mixture of voluntary and self-employed work in the housing and social service field and on voluntary sector issues, mainly in Scotland. At present he is Chair of the Highland Housing and Community Care Trust, the Consultation and Involvement Trust Scotland and the Refugee Survival Trust. He is a board member of Garvald Centre Edinburgh, the Kingdom Housing Association, the Voluntary Action Fund and FEAT Enterprises.

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**Professor Anthony Ogus CBE** holds a Chair of Law at the University of Manchester, having previously held appointments at the Universities of Leicester, Oxford and Newcastle-upon-Tyne. He has worked with social scientists in appraising different aspects of law and has written extensively on welfare law, including a textbook on social security. He is a member of the Editorial Advisory Committee of the Journal of Social Security Law. He has also served on committees of the Economic and Social Research Council.

**Pat Smail** is a research consultant and partner in Focus Consultancy, undertaking social research across the public and charitable sectors in Wales. She has been a non-executive director of Gwent Healthcare NHS Trust for over eight years; for some years she was Trust Convenor for Complaints and now holds special responsibility for children's services. She is a registered social worker and has worked in both Wales and England, primarily in children and family services. She is also joint Chair of MIND Monmouthshire and Advisor to an Autism charity. Her current research interests include community regeneration and social enterprise.

**Professor Janet Walker** is Emeritus Professor of Family Policy in the Newcastle Centre for Family Studies at the University of Newcastle-upon-Tyne where she was Director until 2005. She has directed over 40 studies in the fields of marriage and divorce, parenting, and criminal justice, many of which have involved the evaluation of Government initiatives and proposed legislative reforms. She has been an expert consultant for the Council of Europe and a non-executive Director of Newcastle City NHS Trust where she was responsible for dealing with complaints from the public. She has worked closely with statutory and voluntary sector services, and is a member of the Board of Trustees of the National Family and Parenting Institute. She is a Fellow of the Royal Society of Arts and of the Academy of Learned Societies for the Social Sciences.

**Professor Robert Walker** is Professor of Social Policy, University of Oxford and Research Fellow at the Institute for Fiscal Studies. He has devoted his career to informing policy advance on issues related to social security, poverty and social exclusion in Britain and elsewhere through the assembly and dissemination of evidence and by direct engagement in the policy process. After a spell in the civil service, he worked at the Universities of Kent and York before directing the Centre for Research in Social Policy at Loughborough University and becoming Professor of Social Policy, University of Nottingham. He has undertaken over 60 research projects and published 18 books including *'Social Security and Welfare'* (OUP-McGraw-Hill2005). He is a Fellow of the Royal Society of Arts.

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## **Annex D**

### ***Financial statement***

The Committee held 12 full meetings during the financial year 2005/06. The Chairman is paid remuneration of £21,000 per annum. The daily fee for other Committee members (at July 2006) is £210. In the year ending 31 March 2006 expenditure on remuneration, fees, travel expenses, subsistence, accommodation and hospitality for the Committee Chairman and members totalled £99,140.

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# Annex E

*Social Security Advisory Committee*

*Occasional Paper No. 1*

## ***Sanctions in the benefit system: Evidence review of JSA, IS and IB sanctions***

This paper was produced in support of advice offered to the Secretary of State in accordance with the Committee's remit (s 170(i) (a) of the SSA 1992 refers). The original text was sent to Ministers in February 2006 and is now being given wider distribution. We are grateful for the assistance of our Research and Policy Specialist, Anna Bee, who prepared the paper for us, and to Departmental officials who provided factual information. However, the views expressed and any conclusions reached in the paper are solely the responsibility of the Committee.

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# *Sanctions in the benefit system: Evidence review of JSA, IS and IB sanctions*

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## *Introduction*

This paper arises out of the Social Security Advisory Committee's (SSAC) interest in the use and impact of benefit sanctions. In 2005, officials in the Department for Work and Pensions (DWP) undertook a review of the current sanctions regimes for Jobseeker's Allowance (JSA) and Income Support (IS) claimants that resulted in two research reports (Peters and Joyce 2006, and Whiting and Joyce 2006). The Committee maintained a close interest in the review and two Members sat on the steering group that oversaw the Departmental research. This occasional paper does not report on primary research, as this is not within the Committee's remit. Instead, it draws on the findings of the DWP research projects and the wider literature on benefit sanctions.

Section 1 of this paper sets out the aims and objectives of and the existing regime for JSA sanctions and lone parent and Incapacity Benefit (IB) Work Focused Interviews (WFIs) and associated sanctions. Section 2 considers some of the current evidence on sanctions. Section 3 makes policy recommendations.

## *Section 1 – The current sanction regimes*

Sanctions have a long history and two of the main employment sanctions (misconduct and leaving voluntarily) date from 1913 and the introduction of Unemployment Benefit. The purpose of sanctions is to ensure that claimants comply with the responsibilities associated with the benefit entitlement. Sanctions are used to counter the undesirable disincentive effects that are believed to be associated with the availability of benefit. Under the current 'rights and responsibilities' agenda, conditionality and the use of sanctions have been spreading beyond JSA claimants to lone parents and IB recipients, as DWP has focused its attention on helping claimants on inactive benefits enter work. Sanctions have also been used in other countries' welfare systems, though Burgess and Garrett (2005) have noted that 'their use throughout Europe is not widespread'.

DWP recently set out its principles of welfare reform. Principle four sets out its intent to '*Balance rights with responsibilities, while recognising the need for support and care where appropriate.*' Central to this desire is a 'something for something' contract between the State and individuals. This suggests that financial support will be provided in return for individuals agreeing to the commitment associated with claiming benefits. The continuing use of sanctions is implicitly central to this 'something for something' contract.

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## *JSA sanctions*

The rationale for the JSA sanctions regime is to protect the taxpayer by ensuring that benefit is only paid when the claimant meets eligibility requirements or satisfies conditions for benefit. The specific objectives of JSA sanctions were set out in the Department's internal interpretation of the rationale for a sanctions regime in 2004.

### **Main objectives**

- To induce individuals to act in accordance with their job-search responsibilities as part of the 'rights and responsibilities' agenda.
- To reduce the number of individuals who become voluntarily unemployed.
- To increase the job-search effectiveness of the unemployed.

There are also a number of subsidiary objectives that arise because the imposition of sanctions may have undesirable effects on certain claimants. It may not be possible to achieve the subsidiary objectives without limiting the pursuit of the main objectives.

### **Subsidiary objectives**

- To limit the extent to which JSA sanctions create counterproductive incentives.
- To ensure that the imposition of each JSA sanction is warranted and that vulnerable client groups are not unduly affected by such penalties.
- To ensure that those who incur a JSA sanction do not become socially excluded as a result.

### *The JSA sanction regime*

This section provides a brief overview of the complex JSA sanction regime. In summary – sanctions involve the loss of JSA for between two and 26 weeks. There are two types of sanction – variable length and fixed length. Over the last five years the total number of sanctions has been fairly consistent at between 130,000 and 150,000 per year.

- **Variable length** sanctions are triggered by behaviours concerning 'employment', i.e. leaving employment voluntarily, refusal of employment or losing employment through misconduct. These sanctions entail the complete loss of all JSA for a period of up to 26 weeks. In 1986 it was increased from six to 13 weeks and in 1988 to 26 weeks. Variable length sanctions account for 86 percent of total JSA referrals but only 33 percent of these referrals result in a sanction being imposed (see Table 1).
  - **Fixed length** sanctions are levied on behaviours concerning 'employability'. In practice, this means a failure to comply with the requirements of Jobseeker Directions and the mandatory New Deals. Again the sanction means the complete loss of benefit for periods of two, four and 26 weeks for, respectively, the first, second and third 'offences'. They account for 14 percent of all referrals with 61 percent of referrals resulting in a sanction being imposed.
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Sanctions can be applied in a variety of circumstances including:

- Leaving employment voluntarily without good cause (LV).
- Dismissal from employment due to misconduct.
- Neglect to avail of an opportunity of employment.
- Refusal of employment.
- Refusal to carryout a jobseeker's direction.
- Non-attendance at mandatory training schemes/programmes or discharge for misconduct.

Entitlement decisions are made if a person has not been fulfilling JSA entitlement criteria. This usually means signing on time but also includes actively seeking employment and being available for work. Sanctions differ from issues of entitlement in that, if successfully upheld, a sanction will preclude someone from being able to receive JSA for some future period (up to 26 weeks). However, there is nothing to stop a person with an adverse entitlement decision from making a 'new' claim straight away. Entitlement decisions have therefore, not been considered in detail in this paper.

In all instances the mechanism for applying the sanction or entitlement doubt is broadly the same:

- 1** If an adviser considers a customer has not complied with their JSA conditions, or mandatory programme conditions, the case is referred to a Decision Maker (the Jobcentre Plus Decision Maker and Appeals (DMA) Service) and the customer is informed of the situation in writing.
- 2** The customer is given the opportunity to state their reasons for non-compliance, which are forwarded to the Decision Maker (DM), along with any other supporting evidence.
- 3** If these reasons constitute good cause, then no sanction is applied, otherwise a sanction of up to 26 weeks can be applied.
- 4** The customer is given the opportunity to seek a reconsideration or appeal and to apply for hardship payments if they are eligible.

Hardship payments are available to some sanctioned claimants in an attempt to mitigate some of the impacts of the sanction. A payment means that rather than losing their benefit, the applicant's personal allowance is reduced (usually by 40 percent). Claimants classed as 'vulnerable' can access a payment throughout their sanction, while all others can access a payment from the third week of their sanction. Claimants need to show that they, or their dependants, would suffer hardship unless they receive a payment. However, payments are not paid automatically. The sanctioned claimant must be aware of them, know how to apply and believe that they meet the eligibility criteria. There is also no central mechanism for identifying those eligible and ensuring that they apply.

**Table 1** *JSA sanctions – Data to August 2005 (DWP website)*

	<b>All cases referred<sup>1</sup></b>	<b>All cases decided<sup>2</sup></b>	<b>All cases with adverse decisions</b>	<b>Decided cases with adverse decisions</b> %	<b>Referrals with adverse decisions<sup>3</sup></b> %
<b>Varied length sanctions</b>					
Discharge from HM forces	230	160	20	12.5%	9%
Leaving employment voluntarily	1,385,590	1,068,930	340,200	32%	25%
Lost employment through misconduct	358,490	297,480	77,080	26%	22%
Neglect to avail of an opportunity of employment	1,100	760	190	25%	17%
Refusal of employment	439,490	347,320	139,980	40%	32%
<b>Total varied length sanctions</b>	<b>2,184,900</b>	<b>1,714,650</b>	<b>557,470</b>	<b>33%</b>	<b>26%</b>
<b>Fixed length sanctions</b>					
Giving up place on training scheme/employment programme	36,990	27,950	15,480	55%	42%

*Continued*

**Table 1** *Continued*

	<b>All cases referred<sup>1</sup></b>	<b>All cases decided<sup>2</sup></b>	<b>All cases with adverse decisions</b>	<b>Decided cases with adverse decisions</b> %	<b>Referrals with adverse decisions<sup>3</sup></b> %
Losing place on training scheme/employment programme due to misconduct	67,510	54,870	33,830	62%	50%
Refusal of place on training scheme/employment programme	4,600	3,160	2,080	66%	45%
Neglect to avail of place on training scheme/employment programme	3,930	2,540	1,300	51%	33%
Failure to attend place on training scheme/employment programme	197,950	158,620	96,340	61%	49%
Refusal to carry out a Jobseeker direction	41,510	34,040	21,660	64%	52%
<b>Total fixed length sanctions</b>	<b>352,480</b>	<b>281,190</b>	<b>170,690</b>	<b>61%</b>	<b>48%</b>
<b>Total sanctions</b>	<b>2,537,380</b>	<b>1,995,840</b>	<b>728,160</b>	<b>36%</b>	<b>29%</b>

<sup>1</sup> All figures are rounded to the nearest 10.

<sup>2</sup> All figures show the latest decision given for each case referred – if a case has been reconsidered, the new decision is taken.

<sup>3</sup> Data not presented in published DWP statistics.

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### *Lone parent sanctions*

The lone parent sanction regime is associated with non-attendance at, or non-participation in, a mandatory Work-Focused Interview (WFI). WFIs were first introduced in 2001 and then gradually rolled out to the whole eligible population based on the age of their youngest child. New lone parents have an initial WFI when they make a claim to IS, at six months and then annually until the end of their claim. Existing claimants had an initial WFI (when they were rolled out to their cohort) and then annual review WFIs. From October 2005 all lone parents with a youngest child aged 14 and over who have been on IS for at least 12 months have quarterly review WFIs to offer extra support as they approach the end of their IS eligibility<sup>1</sup>.

The key aims of WFIs are to encourage more lone parents to:

- seek work or take steps to improve their chances of doing so; and
- join the New Deal for Lone Parents (NDLP, which remains voluntary).

The aims of WFIs are very similar to those of the voluntary meetings associated with NDLP. The evaluation of NDLP showed it to be effective for lone parents who voluntarily participated, yet participation rates remained low (approximately 5-10 percent of the eligible population). Mandatory WFIs were, therefore, introduced to encourage more lone parents to join NDLP and sanctions were introduced to try and ensure that lone parents attended the WFIs.

### *Lone parent sanction regime*

New lone parents currently have their claim withdrawn if they do not attend a WFI. They have five days from failing to attend their WFI to show good cause before their claim is withdrawn, unless there is a reason to believe there is a mental health or learning disability. If an existing customer fails to attend their WFI and does not make contact within five days, if there is evidence to show that the WFI process has been explained to them, their claim is sanctioned. If the WFI process has not been explained, before a sanction is considered, their case is referred to a Visiting Officer for a home visit. Existing (stock) lone parents can be sanctioned 20 percent of their IS claim for non-attendance. The sanction for existing claimants is incremental, so that they lose an additional 20 percent for each review WFI not attended. No lone parent can be left with less than ten pence per week of IS to allow access to 'passport' benefits<sup>2</sup>.

Prior to October 2003, a lone parent could ask for their WFI to be deferred any number of times and had three chances to attend each WFI before having to show good cause for failing to attend, prior to their claim either being withdrawn or

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<sup>1</sup> Quarterly WFIs have been piloted for lone parents with a youngest child aged 12 in Extended Schools Childcare pilot areas and the recent Green Paper announced further, more frequent lone parent WFIs.

<sup>2</sup> Some benefits and tax credits act as 'passports' to other benefits. For example, IS can act as passport to free school meals and health benefits.

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sanctioned. The regime was then tightened up and the new process allows customers who fail to attend their WFI the opportunity to rearrange the appointment only once before they are required to show good cause for not attending the interview. Since the introduction of WFIs in April 2001 and August 2005, there had been around 58,400 sanctions applied to lone parents' IS claims. In addition, there had been 9,600 IS claims 'disallowed' due to non-attendance at an initial WFI for lone parents making a fresh claim to IS.

### *Incapacity Benefit sanctions*

As with lone parents, IB sanctions are imposed for non-attendance at, or non-participation in, a WFI. WFIs are a central element of the Government's stated aim to support more IB claimants in moving into work. The 2002 Green Paper (Pathways to Work: Helping people into employment) set out a number of ways in which to improve the work focus of IB through the Pathways to Work pilot. These included offering a framework of support in the early stages of a claim to ensure that IB claimants maintain contact with skilled PAs throughout the crucial early stages of a claim through a series of WFIs.

In the Pathways Pilot areas, new claimants have a series of six mandatory WFIs, while existing claimants have three WFIs. In non-Pathways Jobcentre Plus Districts, all new claimants have one WFI eight weeks into their claim. In non-rolled out areas, IB claimants do not yet have to attend mandatory WFIs.

### *IB sanction regime*

#### **Pathways to Work pilot areas**

If a claimant fails to attend/participate in the initial interview they will have one further opportunity to attend if they show good cause, before a sanction is imposed. The guidance states that prior to the WFI, customers should be fully aware of the requirement to attend and participate in a WFI and the consequences if they do not do so without showing good cause. Customers with a stated mental health condition or learning disability must be visited before a sanction is imposed, even if the IBPA has made contact at the pre-WFI stage. All customers must be visited where previous verbal contact has not been made.

If the customer fails to attend/participate in the initial WFI, the IBPA will issue the 'IBR Good Cause' letter informing them that they have five working days to show good cause for non-attendance and that they must contact the office to rearrange the WFI **before any sanction is considered**. If the customer has a mental health condition or learning disability the case must be referred for a notified visit in all cases before a sanction is considered.

When a sanction is imposed the order of priority for deducting benefits is as follows: IS, IB and Severe Disablement Benefit (SDA). The sanctions are cumulative. However, if the customer already has two sanctions applied for failing to attend/

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participate and then fails to attend/participate in a further WFI the case must be referred for a notified visit in an attempt to minimise the risk of multiple sanctions. Claimants must be left with at least ten pence per week benefit.

### **Jobcentre Plus**

Until October 2005, claimants attended one WFI at the point of claim. If the WFI was not waived or deferred and they did not attend, they did not receive IB. Currently, IB claimants attend one WFI at eight weeks into their claim. As with WFIs in Pathways areas, non-attendance without good cause can result in a sanction of 20 percent of benefit.

## *Section 2 – Evidence review*

This section considers some of the evidence on JSA, IS and IB sanctions. It explores many of the issues raised in the DWP review but also draws on relevant non-DWP research. The evidence on JSA and lone parents is included in the main body of this section as the recent evaluation covered both client groups. The very limited evidence on IB claimants is presented at the end of this section and the majority of the international evidence is presented in **Annex A**.

### *The rationale for sanctions*

While sanctions are considered necessary for the functioning of the benefit systems, it is inherently difficult to answer the central question of whether sanctions themselves actually work in terms of inducing individuals to act in accordance with the jobsearch regime. There is some evidence from analysis of administrative data and laboratory experiments to suggest that both the threat of a sanction (the ex-ante effect) and the imposition of the sanction itself (the ex-post effect), coupled with a tightly monitored benefit system, can reduce the overall time claimants spend on benefit (van Ours, 2004). A Swiss study (Lalive et al., 2002) considered the effect of sanctions on the duration of unemployment (the authors were able to separate out the effects of a warning of a sanction from the effects of the imposition of the sanction itself). They found that both a warning and an imposition of a sanction had the effect of moving people off benefit and that unemployment duration was substantially reduced where the offices of the public employment service issued sanctions warnings at a higher rate.

A study of administrative data on welfare recipients in Rotterdam, found that the transition rate from welfare to work was about twice as large after sanctions were introduced than before (Ochel, 2004). There is little description in this instance of what other support was offered to help this transition, although the study does conclude that closer monitoring and counselling of job seekers, as well as sanctions, may have had a positive effect on their jobsearch behaviour. The evidence from these studies reflects the idea that claimants behave in a rational manner, prioritising economic considerations and that they have a full understanding of the sanction regime. The studies do not explore the different experiences of individuals within the system.

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In the case of JSA, there is no impact assessment of the effect of sanctions themselves. There is, however, econometric analysis to show that, after the introduction of the tighter JSA regime in 1996, exit rates rose significantly (between 21 and 28 percent). While it seems that JSA had an impact on the claimant count, it is less clear whether it had an impact on jobsearch activity and promoted higher flows into employment. Previous research suggested that it did, yet recent analysis of Labour Force Survey (LFS) data found that JSA did not increase movement into employment or measures of jobsearch activity, at least not in the short term (Manning, 2005).

While the analysis described above suggests that sanctions may increase benefit off-flow rates, the evidence from the recent DWP evaluations and earlier qualitative work with JSA claimants, suggests that claimants themselves believe that sanctions have only a weak influence on their own behaviour, especially in terms of jobsearch. There is some evidence that sanctions act as more of a deterrent for those who have been sanctioned, as the table below taken from the 2005 survey illustrates. However, nearly half (46 percent) of those sanctioned stated that the threat of a sanction would make no difference to whether they looked for work.

**Table 2** *Whether the threat of a sanction affected the likelihood of looking for work*

	<b>Not referred</b>	<b>Referred</b>	<b>Sanctioned</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Made me more likely to look for work	44	49	50
Made no difference	53	48	46
Don't know	3	3	3
<i>Base</i>	<i>1,207</i>	<i>347</i>	<i>324</i>

Base: All those who were told by an Adviser that their benefit could be reduced or stopped (unweighted 1878). Source Peters et al., 2005.

If, though, we assume that sanctions can reduce time on benefit and fulfil their stated objectives, they can only do so when benefit recipients fully understand their responsibilities and know how to modify their behaviour to avoid a sanction. The recent JSA quantitative study suggests that currently not all JSA recipients fully understand the sanction regime and therefore how to avoid a sanction (Peters and Joyce, 2006). While the majority, 74 percent of claimants, partly or fully understand the benefits system, 18 percent reported little or no understanding. A significant minority (32 percent) of survey respondents claimed not to have been told about the possibility of sanctions. In addition, when sanctioned respondents were asked how they could have avoided the sanction, 23 percent said it could not have been avoided and a further 21 percent were unsure how it could have been avoided.

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The 2005 qualitative study of 30 lone parents found that while they had a general awareness that they might be sanctioned, they knew little of the specifics of when a sanction would be imposed (Whiting and Joyce, 2006). This suggests that the system, for both active and inactive claimants, is not always working as intended, as some claimants do not know about or fully understand their responsibilities and therefore, how to alter their behaviour to avoid the imposition of a sanction.

There is evidence that mandation can have some positive effects on voluntary clients. Since the introduction of mandatory lone parent WFIs, the participation rate in NDLP has increased from between five to ten per cent of the eligible population to approximately 20 percent. Outcomes from NDLP have remained at about 45 percent, even with the increased participation rate. WFIs themselves (without subsequent participation in NDLP) have a small positive net impact on exits from IS for existing lone parents but no significant impact on new or repeat lone parents (Thomas and Griffiths, 2004). WFIs can, therefore, be seen as a useful means of helping lone parents move off benefit, either directly or through increasing their participation in NDLP.

However, more frequent WFIs, and the concomitant increase in the possibility of sanctions, need to be backed up with the provision of wider support, such as childcare, so that the additional WFIs do not produce diminishing returns. There is also the issue of the impact on NDLP with increasing lone parent mandation. Evans et al. (2003) highlighted the fact that mandation does not necessarily solve the issue of increasing participation rates, as mandation can take considerable time and resources. In programmes with strong mandation and high sanctioning rates, the relationships between customers and programme staff are likely to be characterised by higher levels of conflict. UK research has consistently pointed to the importance of the supportive PA customer relationship, a relationship that could be jeopardised with increasing mandation.

### *The sanctioning process*

The evidence on JSA has consistently highlighted the fact that the sanctions system is complex and difficult to understand, both for customers and PAs. Customers, especially the more vulnerable, often do not understand the processes and this leads to the system not functioning as it should. There are a number of specific issues associated with the process including:

- Claimants do not understand the sanctioning rules.
- The sanctioning process is not clearly explained.
- There is a lack of uniformity in the application of sanctions.
- There is a lack of support for those who have been sanctioned.

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### *Claimants do not understand the sanctioning rules*

The 2005 quantitative study found that 18 percent of respondents had little or no understanding of the rules associated with claiming JSA. In addition, certain characteristics reduced the level of understanding further. For example, 47 percent of non-white clients with literacy problems stated that they had little or no understanding of the system. Moreover, knowledge of specific sanctionable offences amongst the survey respondents was low. For example, only 19 percent of respondents mentioned (unprompted) 'not actively seeking work' and only two percent mentioned (unprompted) 'leaving a job voluntarily without good reason' (Peters and Joyce, 2006). The qualitative evaluation found that the sanction for leaving voluntarily (LV) was especially poorly understood by new claimants. Those who had been sanctioned felt they were being punished for making a personal choice and mentioned reasons such as bullying and dislike of their manager as being valid reasons for leaving a job (Joyce et al., 2005). The 2005 data show that less than a third of LV decisions (32 percent) actually result in a sanction, although LV cases accounted for just over half of all sanction decisions (53 percent).

This lack of reported understanding of sanctions is not necessarily a reflection of claimants' recent introduction to the benefit system. On the contrary, a proportion of the JSA claimant group develop a pattern of making repeated benefit claims. We might, therefore, expect that claimants who have experience of claiming would have a better understanding of the sanction regime, including LV. Therefore, attempts must be made to explain the existing system and reinforce the message, or alternatively, to change the system itself so that it is more transparent.

### *The sanctioning process is not clearly explained*

A key criticism of both the JSA and lone parent sanction processes concerns the letters that are issued. For example, the letter issued to a lone parent after they have failed to attend a WFI does not clearly state how much the sanction might be and most JSA claimants are only told that their benefit 'may be affected' if they do not fulfil their obligations. The National Audit Office (2003) recognised the issue of poor written communication and highlighted the fact that sanction letters may list the reasons for a decision but do not explain the decision with respect to the customer's specific situation. Verbal communication, in addition to letters, is important so that clients can understand what is going to happen to their benefit. Qualitative research suggests that when lone parents were told why they had been sanctioned over the phone or face-to-face, it helped them to understand both the reason for the sanction and their options for removing it from their claim (Whiting and Joyce, 2006).

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*There is a lack of uniformity in the application of sanctions*

The current data show a worryingly large variation in referral rates across regions and districts (between six and 21 percent of claimants). This variation is not a recent phenomenon. Bivand (2002) described a regional pattern of sanctions for New Deal for Young People (NDYP) options that bore no relation to either New Deal job entry rates or to other identifiable factors. Table 3 shows the differing sanction rates both across districts and across different options. There are clearly different sanctioning rates across options that are likely to be related to their perceived 'attractiveness' and effectiveness.

**Table 3** *Percentage of claimants sanctioned on each option:  
January-March 2001*

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<b>Region*</b>	<b>Subsidised employment</b>	<b>FTET</b>	<b>Voluntary sector</b>	<b>ETF</b>	<b>Total</b>
Yorks and Humber	8	10	39	39	23
Scotland	4	15	19	32	19
West Midlands	5	12	12	36	15
South West	5	3	22	31	14
London and South East	3	3	17	32	10
Wales	4	5	11	18	9

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Source Bivand, 2002:17. \*The districts are the old Employment Service districts.

Lone parent PAs appear to have considerable autonomy in terms of when to impose a sanction. They generally view a sanction as a last resort and will try and make contact with a lone parent on numerous occasions before they refer them to the DMA service. This autonomy is a double-edged sword. While it allows PAs to make decisions based on lone parents' individual circumstances, it can also lead to the unequal imposition of sanctions for the same 'offence'. In addition, the recent qualitative research with PAs suggested that they believed that in some instances a lone parent should have received a sanction but the DM had not imposed one, even when another lone parent had received a sanction under similar circumstances (Whiting and Joyce, 2006). There is, therefore, inequity in the system because a claimant's area of residence, or the attitude of their PA, may determine whether or not they are sanctioned. However, some level of autonomy is important and there needs to be a sensitive balance between an overly rigid system and one that is equitable.

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### *There is a lack of support for those who have been sanctioned*

There appears to be insufficient support for sanctioned claimants. For example, although the majority of lone parents who are sanctioned later attend a WFI, administrative data show that approximately 20 percent are living with a 20 percent reduction in IS. This might be because it is a fraudulent claim but recent qualitative research illustrates that it may also be because the lone parent does not understand that they have been sanctioned but instead believes their benefit has been revalued for another reason. The recent JSA survey found that very few sanctioned claimants appealed the decision as they felt it would be 'futile' and were also unsure of the help they would receive with their appeal (Peters and Joyce, 2006).

### *Which claimants receive sanctions?*

The recent quantitative study of sanctions found little evidence of any major differences in profiles of clients who had been sanctioned, referred for a sanction or not-sanctioned. However, the study did find a clear distinction between JSA and New Deal clients. Those sanctioned under New Deal were more likely to report learning difficulties and less likely to have qualifications than those not sanctioned under New Deal (Peters and Joyce, 2006). These findings chime with previous research that discovered that New Deal clients who are sanctioned appear to be more disadvantaged than their peers (Bryson et al., 2000).

Black claimants have the highest sanctioning rate once referred (30 percent compared with 27 percent for white claimants)<sup>3</sup>. Further internal DWP analysis was undertaken to consider whether factors other than ethnicity could help explain the differing sanction rates. Logistic regression revealed that ethnicity, region, age and gender are all statistically significant variables in predicting whether a sanction occurs once referred. However, the higher sanction rate for black claimants cannot be explained by region (or whether a referral occurred in London).

It is worth noting that the logistic regression procedure does not take into account the propensities of different characteristics to be referred. Also, a black claimant is less likely to be referred (11 percent referral rate compared to 14 percent for others) and so the higher sanction rate, once referred, could be explained if these referrals were 'more certain/accurate'. The overall sanction rate is lower for black claimants at three per cent compared to four per cent for all other ethnic groups combined. Further exploration of the issue will require more in-depth analysis that is planned by DWP analysts for the future.

Of those individuals referred for a sanction decision or opinion between April 2000 and August 2005, 33 percent were female (462,340 individuals) and 67 percent were male (952,490 individuals). Of those individuals sanctioned, 27 percent were female (152,580 individuals) and 73 percent were male (414,000 individuals). This means that 33 percent of women who were referred received a sanction while 43 percent of men who were referred received a sanction.

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<sup>3</sup> Includes black African, black Caribbean and black other.

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In terms of which claimants receive, and which avoid sanctions, we can identify four broad groups:

- The majority who appear to understand the rules well enough to fulfil their obligations and so not get sanctioned.
- A minority who understand the rules well enough to avoid a sanction even if they do not fulfil their responsibilities.
- A third group who accept their sanction and understand why they received it.
- A fourth group who do not understand the rules and are sanctioned.

The evidence suggests it is this fourth group that are of greatest concern and where efforts to improve the system need to be focused. As Briton (2002) highlighted, it is important that we are able to distinguish between those who exploit the system in spite of receiving the help they need and those who do not receive the help they need and so are at risk of being sanctioned and becoming disengaged.

Based on qualitative work, Finn (2003) described the categorisation of NDYP participants by PAs into two hard to help groups: the 'hard to place' and the 'hard core'. The 'hard to place' often had multiple employment barriers including debt, lack of stable accommodation and learning or behavioural problems. The 'hard core' were seen as a small but significant minority who were 'working the system'. From his research with PAs, Finn (2003:716) concluded that: *'notwithstanding the controversial sanctioning regime associated with NDYP, the advisers remained sceptical about its power to change the behaviour of the 'hard core'.*

Analysis of lone parent sanctions between April 2001 and March 2004 found that higher proportions of sanctioned lone parents were younger, with a younger 'youngest child', white, not disabled and new and repeat claimants. There is no quantitative study for lone parents so we do not know whether a higher proportion of sanctioned clients consider themselves to have learning difficulties. The qualitative survey suggests that clients with literacy needs are more likely to mention problems understanding the sanction process, but the numbers in the study are very small.

### *The impact of sanctions*

A consistent message has emerged in terms of the impact of JSA sanctions on individuals. Several reports have discussed the material hardship and emotional problems associated with sanctions (see for example Saunders et al., 2001 and Vincent, 1998), although there is still a great deal more to be known about the differential effects on claimants.

A number of qualitative studies have shown that JSA sanctions have a significant financial impact (as would be expected). However, the severity of the impact depended on a number of issues, including whether the claimant received timely information about entitlement to hardship funds, lived with their parents, had a partner and children or were able to find work immediately following the sanction

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(Saunders et al., 2001). Hardship payments replace much of the lost benefit but not all claimants are eligible and possibly some of those who are eligible do not claim. The impact on younger claimants who live with their parents may be mitigated by financial support from them, but this simply spreads the impacts of the sanction onto the family unit. The Department has little information on the longer-term impacts of sanctions. For example, there is currently no information on people who may become homeless as a result of a sanction or whether a sanction leads to long-term health impacts such as anxiety and depression.

In the recent quantitative survey, 68 percent of those sanctioned stated they had experienced financial hardship as a result of a sanction. The responses to the financial hardship included taking out a loan, becoming overdrawn at the bank and falling into arrears with bills. The financial hardship may also have implications for emotional well-being and relationships with family, especially if the family are supporting the sanctioned individual. In addition, for some claimants it makes it more difficult for them to search for work as they do not have money to pay for transport to interviews etc. The financial and other hardships caused by sanctions will have a negative impact on wider Government targets around child poverty and social inclusion.

Hardship payments are available for some sanctioned claimants to mitigate some of the financial impacts of the sanction. They are primarily available for those clients classed as vulnerable, such as pregnant claimants, those who are single and looking after a 16-17 year old and those with a long-term medical allowance. DWP data show that in 2004, 27 percent of sanctioned claimants applied for hardship payments and 91 percent of those applicants received payment. Overall, 25 percent of those sanctioned received a payment as a result. However, we do not know how many sanctioned claimants are eligible to apply and so the 25 percent figure tells us little about whether those eligible are applying and receiving the payments. We also do not know about claimants' awareness and understanding of hardship payments. It is important that the payments are fully explained to all sanctioned claimants so that they are aware of the support that may be available to them and can then make an informed decision about whether to apply.

### ***Incapacity Benefit sanctions***

There is currently very little evidence on IB sanctions under Pathways to Work. IBPAs have significant autonomy in terms of referral for a sanction and the guidance that is issued to them is extensive (eight pages). There are numerous opportunities for waivers and deferrals. Customers with a stated mental health condition or learning disability must be visited before a sanction is imposed, even if the IBPA has made contact at the pre-WFI stage. All customers must be visited when previous verbal contact has not been made.

Administration data show that between the start of the first seven pilots and April 2005 there had been a maximum of 182 sanctions.

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There has not yet been any research specifically on IB sanctions (research is planned for 2006/07) but the issue of sanctioning has been picked up in qualitative research with PAs and customers. The evidence suggests that IBPAs have differing views towards sanctions. Some PAs do not believe in the use of sanctions for IB claimants and may use a range of tactics to avoid imposing a sanction. Others view sanctions as being part of the IB reforms and fundamental to the 'rights and responsibilities' agenda. There were some examples of management guidance to reduce the FTA rate, partly through an increased use of sanctions (Knight et al., 2005). This points to an uneven attitude to and use of sanctions across districts that needs to be addressed as conditionality is rolled out further.

The Welfare Reform Green paper, published in January 2006, promised to extend Pathways provision across the country by 2008. Bringing the majority of IB clients into the Pathways system of WFIs and providing the same level of tailored support is likely to require more resource than has currently been promised. Stanley and Asta Lohde (2004), after considering the evidence and possible policy direction on IB, noted that '*extending conditionality on disabled people would bring substantial financial and political risks as well as threatening real harm to disabled people*'.

### ***Section 3 – Policy recommendations***

Set out below are a number of policy recommendations that emerge from our consideration of the evidence presented in Section 2 and the DWP sanctions review.

#### ***Improving the communications associated with the sanction regime***

Communications need to be improved at all stages of the sanction process (e.g. the initial discussion of the responsibilities of benefit receipt, when a sanction is being considered, when it is imposed and after it ends). The written material needs to be made clearer and a greater use of face-to-face or telephone interaction should be used. This is especially the case for claimants with English for Speakers of Other Languages (ESOL) or Basic Skills needs. Any new communications should be designed to respond to the different needs of customers and the Department should consider methods such as group sessions and the use of technologies such as DVDs to help get the message across.

Tied into improved communications, is the need to consider how to engage effectively with those who are at risk of a sanction and those who have been sanctioned. All sanctioned claimants should be told about the availability of hardship payments and offered support in applying for them when appropriate. The resource implications of reworking the communications and increasing face-to-face contact may be significant, but it is essential that claimants have a good understanding of the sanction regime and their own responsibilities within it.

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### *Leaving voluntarily*

The evidence suggests that the retrospective sanctioning for leaving employment voluntarily (LV) is not well understood and penalises people who have genuine reasons for leaving a job. For those people who do understand the sanction associated with LV, it may actually act as a disincentive to try out a job. It is also difficult to see how LV has a deterrent effect on people who are yet to claim benefits. There are two options for changing LV:

- A complete removal of the LV sanction.
- An easement whereby sanctions would not be imposed the first time claimants left a job voluntarily. Subsequent cases could then be considered as possibly deserving of sanction – but by this stage the claimant should have been informed of the LV sanction.

These two options would help overcome the lack of specific understanding of the sanction amongst potential claimants. They would also reduce the inefficiency in the current system and help support a flexible labour market. However, given that LV is such a long-standing element of the benefit system, it is unlikely that it could be easily removed without impacting on the rest of the JSA regime.

### *Fixed fines*

We are aware that there has been some consideration within the Department of introducing a system of fixed fines, as set out in the 2005 Budget Statement. There are two options for fixed fines: the first as a replacement for the current sanctions regimes and the second as an addition to the current regimes (for example, for failing to keep a Jobcentre Plus appointment). Referral for the fines would be more 'automatic' than now, although there would still need to be a decision making and appeals procedure.

Depending on the level at which the fines were fixed, they would be likely to reduce the financial impact on claimants (if they replaced the current regime) and would reduce the time between 'offence' and financial penalty. The fines would need to be set at a level that produced a deterrent effect but did not cause undue hardship. It would be important to ensure that changing the regime to include fixed fines did not add to the complexity of the benefit system.

### *Differing referral and sanctioning rates*

There are inconsistencies in the administration of the regime. There are significant differences between districts in terms of the numbers of referrals and sanctions imposed, which leads to inequity, as where a claimant lives may determine whether they are sanctioned. There needs to be closer monitoring of the sanction administration on a regular basis. Jobcentre Plus managers should be monitored centrally on key indicators associated with sanctions. This action would not entail setting a national target rate for referrals and sanctions but instead would involve developing an indicator that could be used to monitor rates and deal with anomalies

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in the sanction regime. It should minimise any inequity in the regime caused by the markedly different sanctioning rates across districts.

*Lone parents*

Steps should be taken to ensure that under a more intensive WFI regime, lone parents do not face the possibility of multiple sanctions leading to the loss of benefit within a short period of time. For existing lone parents with children aged under 14 it would take over at least three years to lose entitlement to all but 10 pence of IS through non-attendance at WFIs. With quarterly WFIs this will be reduced to just over one year. We would like to see the monitoring of multiple sanctions and analysis of a sample of cases each year to ensure that lone parents are not losing benefit through a lack of understanding of the system.

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## *Annex A*

### *International evidence*

In the majority of OECD countries there has been a movement towards labour market ‘activation’ policies. These welfare-to-work policies have included a range of initiatives, including the use of sanctions. Nearly all countries have sanctioning in place for refusing employment or participation in a labour market programme and for losing a job when in a labour market programme. The UK sanction regime is relatively lenient in legislative terms and although all benefit and sanctioning regimes are different, there are some similar findings from research and evaluation. These include:

- Issues around communicating the sanction regime to claimants.
- Inconsistencies in application.
- Higher sanctioning rates for disadvantaged groups.
- Inconclusive evidence on the impact of sanctions.

### *US welfare sanctions*

Until 1996, the principal programme of support for families with little or no income was the Aid to Families with Dependent Children (AFDC). This was a federal-state programme of cash assistance and sometimes services for low-income families with children. Although states varied in how they implemented AFDC, a family generally needed to have little or no income, have a child under 18 and be deprived of parental support or care. In 1996 the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) came into force. Under PRWORA, states were provided with block grants to spend in any manner designed to satisfy the law.<sup>4</sup> Overall, the welfare reform removed entitlement to many federal benefits. A key programme of relevance to lone parents (the bulk of benefit recipients) was Temporary Assistance to Needy Families (TANF).

A key element of PRWORA is that it prohibits states from using funds to assist families with children for more than 60 months. It also provided strong incentives to reduce the welfare caseload and promote rapid employment growth. The overall effect was to promote a ‘work first’ approach. Most states require a parent to participate in work-related activities on or before the youngest child reaches one. Non-compliance sanctions are often harsh. In a ‘whole family sanction’, if an adult is deemed not have participated in a programme, the whole family’s assistance can be cut off. According to a General Accounting Office Study, more than 100,000 families nationally were experiencing sanctions in any one month and possibly as many as 750,000 people had been sanctioned between 1996, when TANF was implemented, and 2002 (MDRC, 2002).

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<sup>4</sup> The law had four purposes: to provide assistance to needy families, to end dependency on benefits by promoting job preparation, to discourage out of wedlock pregnancies and to encourage the formation and maintenance of two-parent families.

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Studies in the US have found that welfare recipients who are sanctioned are a diverse group but on average, face more barriers to employment than other welfare recipients. They are also less likely to be in work after leaving welfare (Bloom and Winstead, 2002). Greenberg (2003) points out that compared to other welfare recipients, those experiencing sanctions tend to experience multiple barriers to work, including lower educational attainment, less work experience and health-related barriers to work.

As in the UK, there is evidence that welfare recipients do not necessarily understand the sanction regime and therefore, how to avoid a sanction being imposed. Research relying on both self-reporting and official sanction records shows that approximately one-third of recipients are unaware of their sanction status and that information on sanctions policies is inconsistently delivered to recipients (Lee et al., 2004).

Waddan (2003) points to the possibilities for intervention in the US sanction regime, if it is assumed that welfare recipients fail in their obligations due to significant barriers or misunderstanding of the system rather than a desire to exploit the system:

- Use of personalised assessment of barriers to design participation requirements that are realistic for each claimant.
- Use of a conciliation process after non compliance but before a sanction is imposed.
- Once a sanction is imposed, the claimant should be told how to stop the sanction and allowed to do so as quickly as possible.

These suggestions are relevant to the UK sanction regimes as well, although there would be significant resource implications associated with their implementation.

There is a range of evidence from the US that illustrates the impact of sanctions, although US sanctions are generally more draconian than UK ones. For example, a longitudinal survey of welfare reform in Miami-Dade found a trend for lone parents who were sanctioned to be more likely to have a lower income, to be below the poverty line, to have greater debt and to experience greater material hardship than those who were not sanctioned. Women in an ethnographic survey, mentioned that one impact of sanctioning was the loss of their phone, which made it especially difficult to find a job, because potential employers could not call them or return their calls (Brock et al, 2004). The impacts of sanctions are not only felt by the benefit claimant themselves. A study of welfare receipt in three cities (Boston, Chicago and San Antonio) found that families who received welfare sanctions have children with particularly problematic developmental outcomes (Lohman et al., 2004).

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### *European welfare sanctions*

In 1996, the Netherlands introduced the New Social Assistance Act (NSA). The generosity of social insurance and assistance has been reduced, accessibility has been made more difficult and work obligations have been sharpened. As mentioned in Section 2, there is evidence that the tightening up of the benefits regime and the use of sanctions has increased the benefit exit rates (Ochel, 2004).

Since the NSA was introduced, lone parents with children aged five or more are required to work, whereas prior to this the requirement applied to lone parents with children aged twelve and above. The proportion of lone parents in employment increased from 37 percent in 1996 to 54 percent in 2002. However, comparing this trend with female employment rates in general, suggests that much of this increase was related to macroeconomic factors. The municipalities have a great deal of autonomy in how they enforce the tightening up of the regime for lone parents and it appears that case workers in many of them have been exempting large numbers of lone parents from participating in activation programmes.

The Netherlands has made some attempt to apply some form of work requirements for those accessing disability benefits. In 2003, the disabled caseload declined for the first time in seven years with one of the key drivers for this being the stricter gate-keeping procedures for receipt of long-term benefit (Stanley and Asta Lohde, 2004). Comprehensive reforms are due to be introduced in 2006.

During the 1990s, Austria experienced an increase in 'activation' policies including counselling, job placement and training undertaken by the Public Employment Service (PES). This increase in activation was accompanied by a stronger focus on labour market efficiency. Sanctions were introduced to 'encourage' unemployed people to look for work rather than rely on the social security system (Wroblewski 2004). Sanctions are imposed when claimants do not meet their obligations and the standard sanction involves the withdrawal of benefit for six weeks for a first 'offence'. The PES counsellors (PAs) have a fair amount of autonomy in deciding whether to impose sanctions and how severe they should be. Sanctioning rates increased from 4.5 percent of all claimants in 1993 to 16 percent in 1997. There are plans to tighten up the sanctioning regime by limiting claimants' reasons for refusing a job so that it will be easier to fill vacant positions in certain sectors and areas. Wroblewski (2004) suggested that *'although the duties of unemployed people have been increased, there are hardly any additional, formally-defined rights'*.

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