

Response to the Government consultation on the Green Paper:

A new deal for welfare: Empowering people to work

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Introduction

This Green Paper (DWP, 2006) covers a wide range of topics that have been the subject of JRF research over many years – see the summary in the “Foundations” document, *Labour’s welfare reform: Progress to date*.¹ This response makes some specific observations on the direction of the Green Paper, which have been drafted by several researchers and commentators doing work for the Foundation, and in particular includes evidence on three projects due to report fully later this year.

Overall, the Green Paper is focused primarily on moving more people into work. The Foundation recognises the value of work in meeting people’s aspirations, providing the opportunity to earn income and to participate in society. If over the next few years, the Green Paper’s targets for enabling more people in disadvantaged groups to work are met, this will represent a major social achievement.

Some elements of the Green Paper also recognise the need to improve people’s experiences in work as a way of making jobs more sustainable. This is very welcome. In its work on older people’s experience of the labour market², the Foundation has argued that conditions such as healthy workplaces and work-life balance, which will make work more sustainable for the existing workforce, can be just as important as measures to help those who have dropped out of work to re-enter jobs. The Green Paper puts considerable emphasis on healthy workplaces, on occupational health and on persuading employers to extend flexible working to more employees. This represents a considerable advance from, for example, the extending working lives agenda as articulated in the 2002 Pensions Green Paper (DWP, 2002), when it was being promoted primarily in terms of measures to help people get back to work. The Government should give a priority to building on the aspects of the present Green Paper that relate to improving working lives, and look for innovative ways to engage with employers in order to promote this agenda.

¹ Donald Hirsch with Jane Millar (2004)
<http://www.jrf.org.uk/KNOWLEDGE/FINDINGS/foundations/n44.asp>

² See Donald Hirsch, *Crossroads after 50* (2003) and *Sustaining working lives: A framework for policy and practice* (2005), both available at www.jrf.org.uk

Nevertheless, the main targets being promoted by this Green Paper relate to moving people from benefits into jobs, and in particular people who have been relatively distant from the labour market in the past. Despite the potential benefits, there are also risks in such a strategy, and it is important that in carrying its policies forward, the Government takes account of these risks. They include:

- *The possibility that people are drawn into jobs of poor quality or short duration, and enter a frustrating ‘merry-go-round’ of unsatisfactory work and life on benefits.* Evidence has shown that people with erratic life experiences are at the greatest risk of deep poverty, as they get caught in the cracks between different support systems.³
- *The possibility that the pressures of entering paid work have negative effects on other aspects of people’s lives.* Lone parents in particular face difficult choices about their responsibilities as carers and as wage-earners. Clearly the more successful are efforts by Government and others to make employment more family friendly, the less problematic these choices will become. However, in the real world where many jobs are difficult to reconcile with family life, it is important not to think of paid work as always being the overriding priority.
- *The possibility that anti-poverty measures will focus excessively on moving people into work, rather than addressing the incomes of those who remain out of work and those in low-paid, temporary and part-time jobs.* Guy Palmer of the New Policy Institute explores below the relationship between the approach of the Green Paper and impacts on poverty, drawing on his work for JRF on monitoring poverty and social exclusion and on other data (see: www.poverty.org.uk).
- *The risk that services and benefit regimes will show insufficient understanding of the complex nature of employability and the consequences for the kind of support needed by disabled people and those with mental illnesses.* Below, Lucinda Platt, of the University of

³ See Monica Magadi and Sue Middleton (2005) *Britain’s Poorest Children Revisited: Evidence from the BHPS (1994-2002)*, London: Save the Children, pp 116-117.

Essex, draws on forthcoming research for JRF to show how employability, like disability, is not an 'either-or', and that the success of a strategy to help more disadvantaged people into work will depend on what kind of support they receive as well as what kind of jobs become available to them.

- *The risk of neglecting and undervaluing contributions outside paid work, especially among those groups who are presently being targeted for help to enter paid jobs.* David Boyle and colleagues, of the New Economics Foundation, have carried out research for the JRF, published in June, which starts to map the huge contribution made by unpaid work to society. Here, he argues that focusing narrowly on an 80% employment target could undermine rather than support and celebrate that contribution.

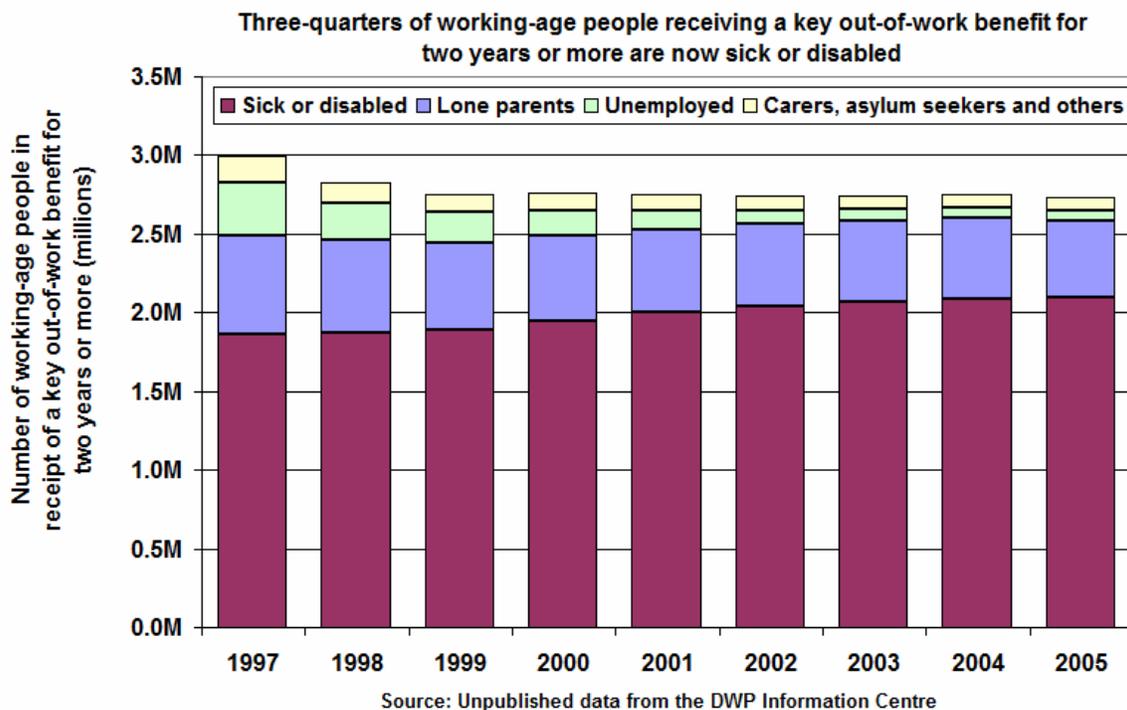
Further to these comments on issues around 'work', this submission follows up JRF's interest on Housing Benefit (HB) with a response from Professor Peter Kemp of the University of Oxford and colleagues to the Green Paper's chapter on this theme.

This concludes that while the current reforms have been going reasonably well, their extension to the social housing sector will be much more difficult, and that overall, many of the difficulties around the administration of HB and its effect on work incentives are likely to remain.

Theme 1: Work and poverty among lone parents and disabled people

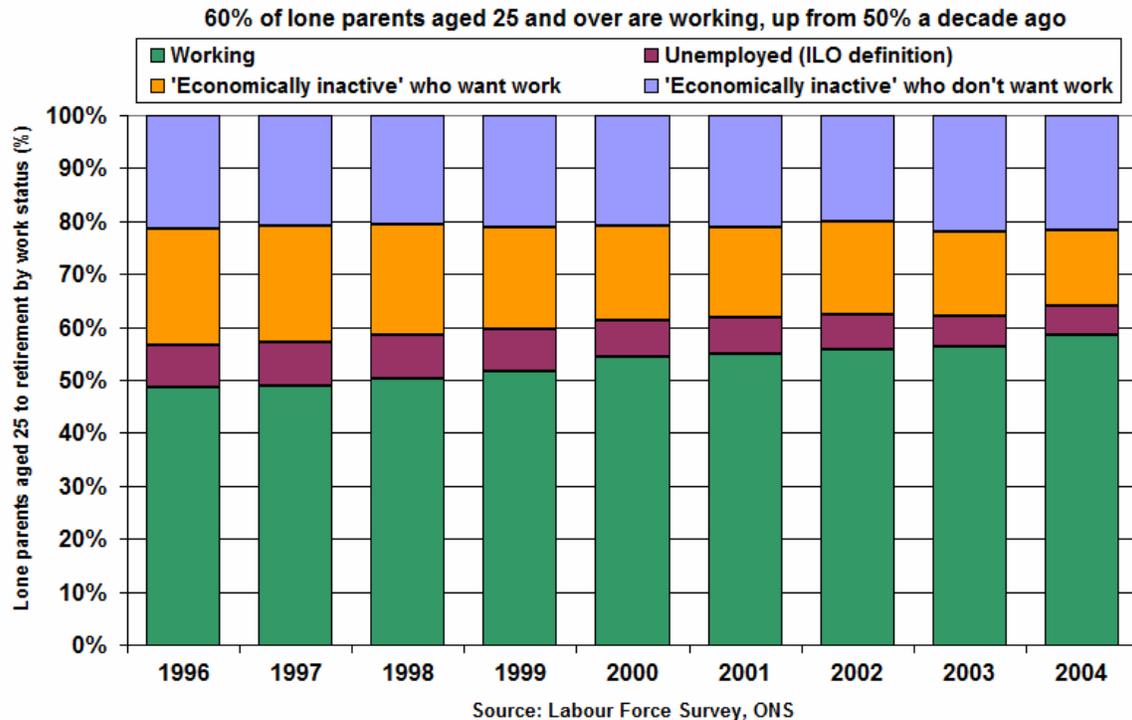
Guy Palmer, New Policy Institute

The main focus of the Green Paper is disabled people and lone parents. The graph below shows that this is the right focus: just about everyone who is long-term reliant on state benefits is either disabled or a lone parent.



LONE PARENTS

One of the Government's success stories: as the graph below shows, employment rates among lone parents have risen significantly over the last decade.

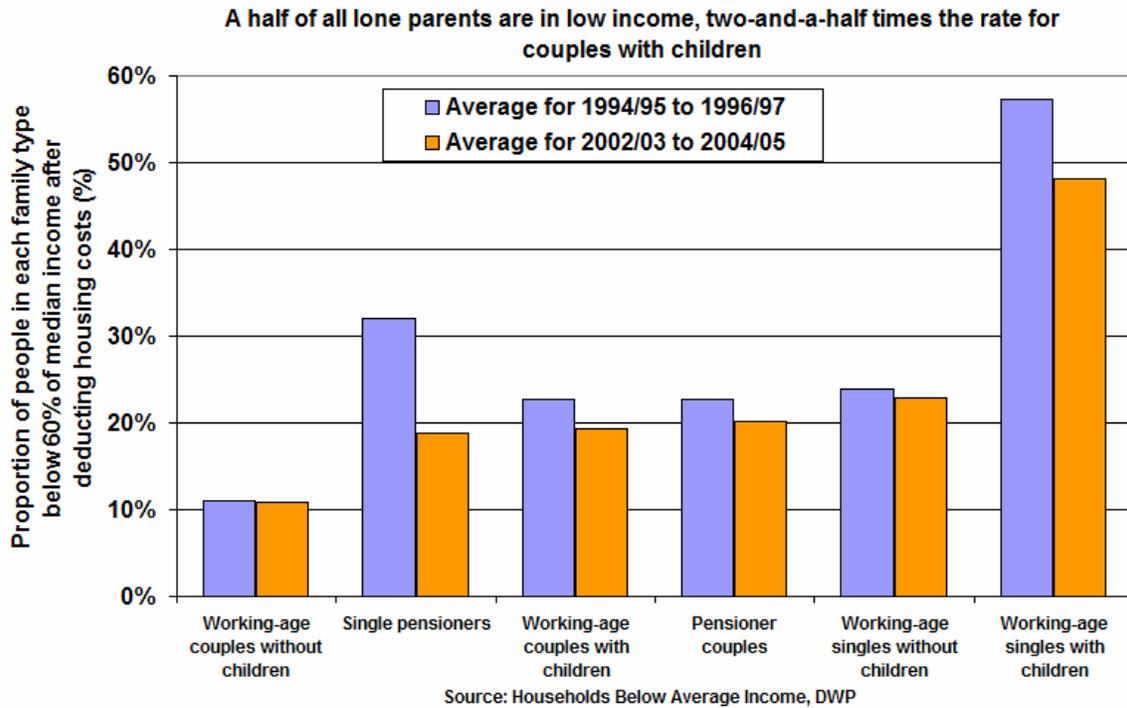


The Green Paper's objective is to keep this upward trend happening and its proposals for achieving this are basically extensions to the New Deal for lone parents. This seems a reasonable approach.

Nevertheless, even if the upward trend continues, there will inevitably still be many parents who are not working for years to come.

Most lone parents who work, even if part-time and on low pay, will not be in poverty⁴ (because the tax credits system is relatively generous to them). By contrast, most lone parents who do not work will be in poverty (because their benefits are less than the poverty line). So, the poverty rate for lone parents is closely aligned with the worklessness rate.

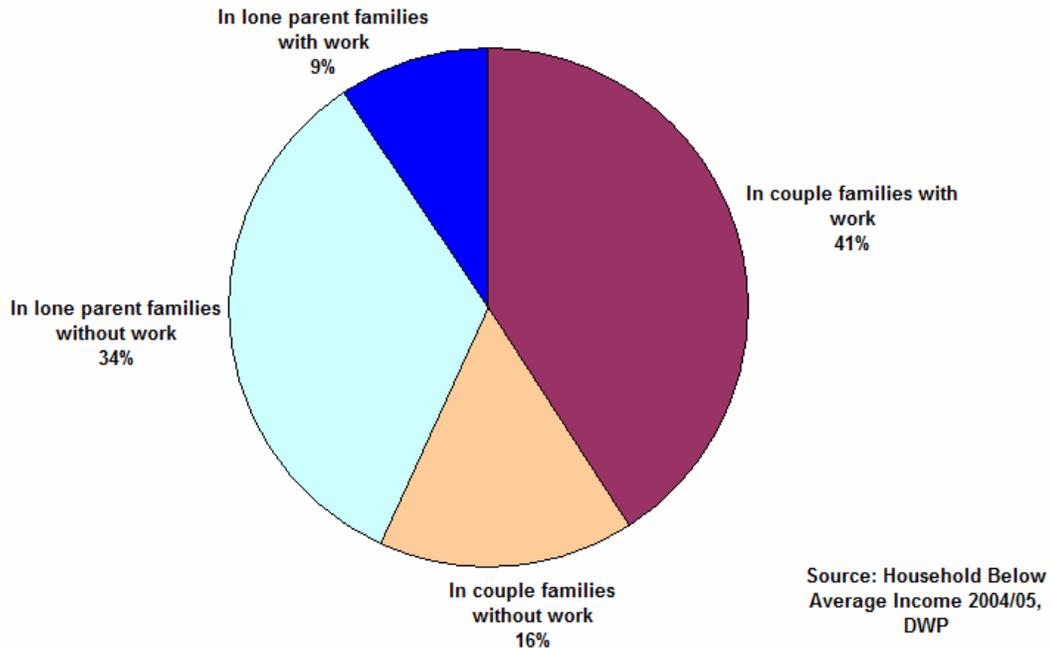
⁴ This paper uses the main measure of 'income poverty' used by the Government and others, namely a household income that is 60% or less of the average (median) household income in that year. The latest year for which data is available is 2004/05. In that year, the 60% threshold was worth £180 per week for a two adult household, £100 per week for a single adult, £260 per week for two adults living with two children, and £180 per week for a single adult living with two children. This sum of money is after income tax and national insurance have been deducted from earnings and after council tax, rent, mortgage and water charges have been paid. It is therefore what a household has available to spend on everything else it needs.



So, given that there will inevitably still be many lone parents who are not working for years to come, it follows that, on present policies, there will inevitably be lots of lone parents in poverty for years to come. This is not consistent with the Government's 2010 and 2020 child poverty targets. The only obvious way of squaring this circle is to raise lone parents' out-of-work benefits so that they are above the poverty line.

The importance of all this is illustrated by the fact that almost half of the children in poverty are in lone parent households and a third are in lone parent households who are not working.

Two-fifths of the children in low income households live in couple households where at least one of the adults is in paid work



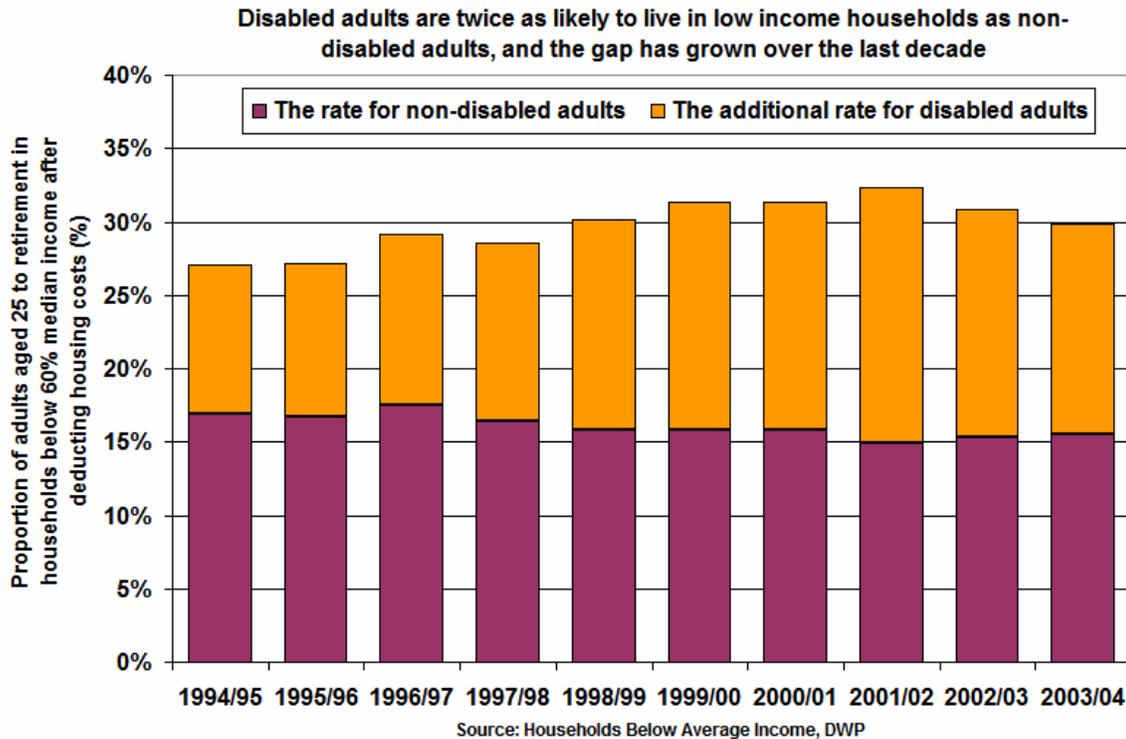
DISABLED PEOPLE

Poverty among disabled working-age adults

30% of disabled adults aged 25 to retirement age are living in poverty. This is around 1½ million people.

The graph below shows how this rate has changed over time and how it compares with the poverty rate for non-disabled adults. There are three messages, all sombre:

- The 30% 'poverty' rate for disabled working-age adults is fully twice that for their non-disabled counterparts.
- While little significance can be attached to year-to-year movements, the poverty rate for disabled working-age adults is now somewhat higher than it was during the mid- and late-1990s.
- The amount by which the disabled poverty rate exceeds the non-disabled poverty rate is now markedly higher than it was in the 1990s.



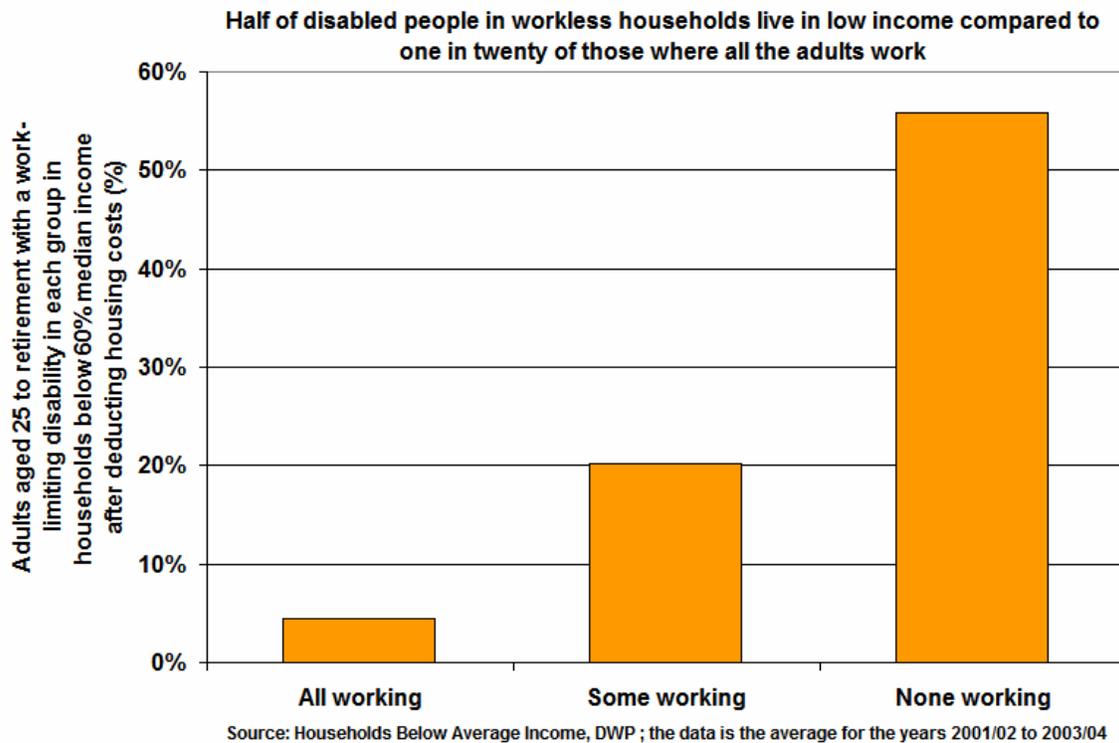
The lack of progress in reducing poverty rates among disabled people contrasts with the falling poverty rates for those two groups who have been the target of the Government’s anti-poverty strategy in recent years, namely children and pensioners. As a result, a much higher proportion of disabled working-age people are now in poverty than either children or pensioners.

The relationship between poverty and work

The graph below shows the how the risk of a person with a work-limiting disability being in poverty varies by the work status of the household. ‘All working’ is where one adult is in full-time work and the other – if applicable – is in full-time or part-time work; ‘some working’ is where no one is working full-time but one or more are working part-time; and ‘none working’ is where none of the adults in the household are working. It shows that:

- Unsurprisingly, work substantially reduces the risk of disabled people being in poverty. Only 5% of disabled people in ‘all working’ households are in poverty compared to 55% of those in workless households.

- Social security benefits for disabled workless households are clearly insufficient to bring many of them out of poverty. Furthermore, unlike benefits for children and pensioners, the level of these benefits for disabled people have essentially been restricted to inflation-only rises since 1997 and have therefore been falling back against average incomes.



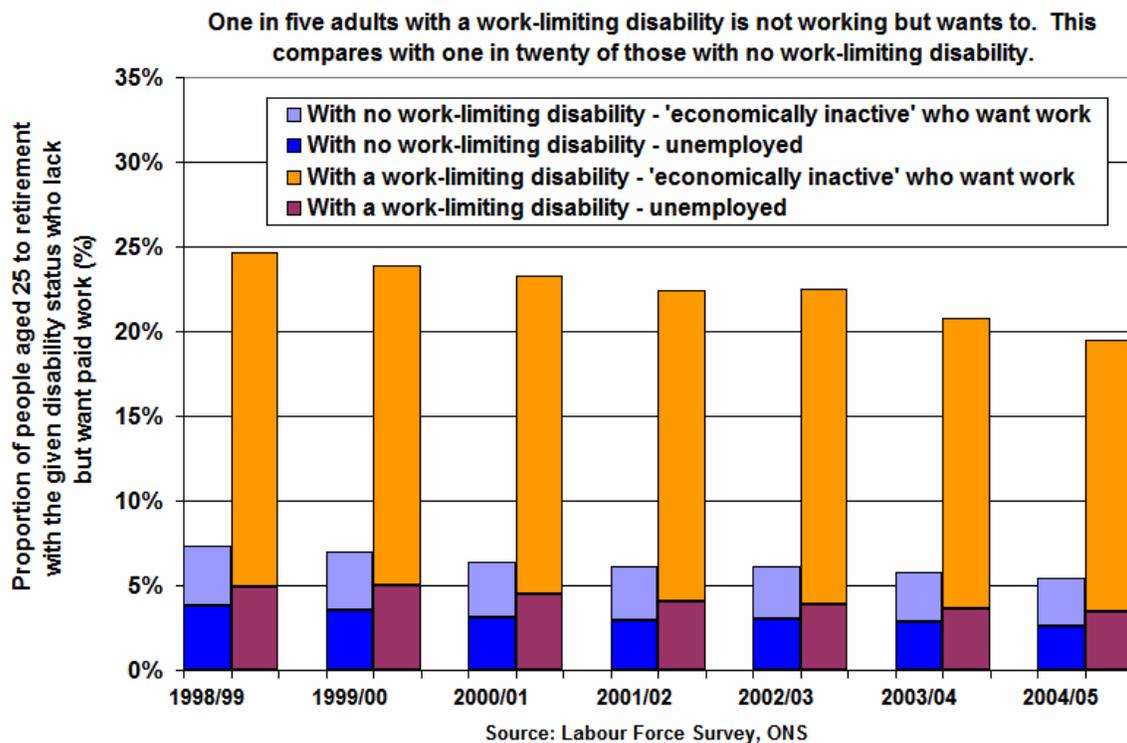
The main reason why the poverty rate for disabled people is so high is that relatively few of them work: 60% of adults aged 25 to retirement age with a work-limiting disability are currently not working compared to only 15% of their non-disabled counterparts. However, many of those who are not working say that they want to work but have not been able to find a job: 20% of disabled adults aged 25 to retirement age – 1 million people – are not working but say that they want to.

The graph below shows how this rate has changed over time and how it compares with the equivalent rate for non-disabled adults. It shows that:

- The vast majority of disabled adults who are not working but want to count as 'economically inactive' rather than 'unemployed'. This

is because, although they want to work, they fail to meet one of the two criteria required to be considered 'unemployed', namely that they are available to start work in the next two weeks and have been actively seeking work in the last four weeks.

- The proportion of people with a work-limiting disability who lack but want work has come down from 25% to 19% over the last six years, while the comparable rate for people without such a disability has come down from 7% to 5%. In both cases, these 'want work' rates have come down by a quarter. This shows that there has *not* been any tardiness on the part of disabled, working-age adults to respond to the better employment conditions of recent years.



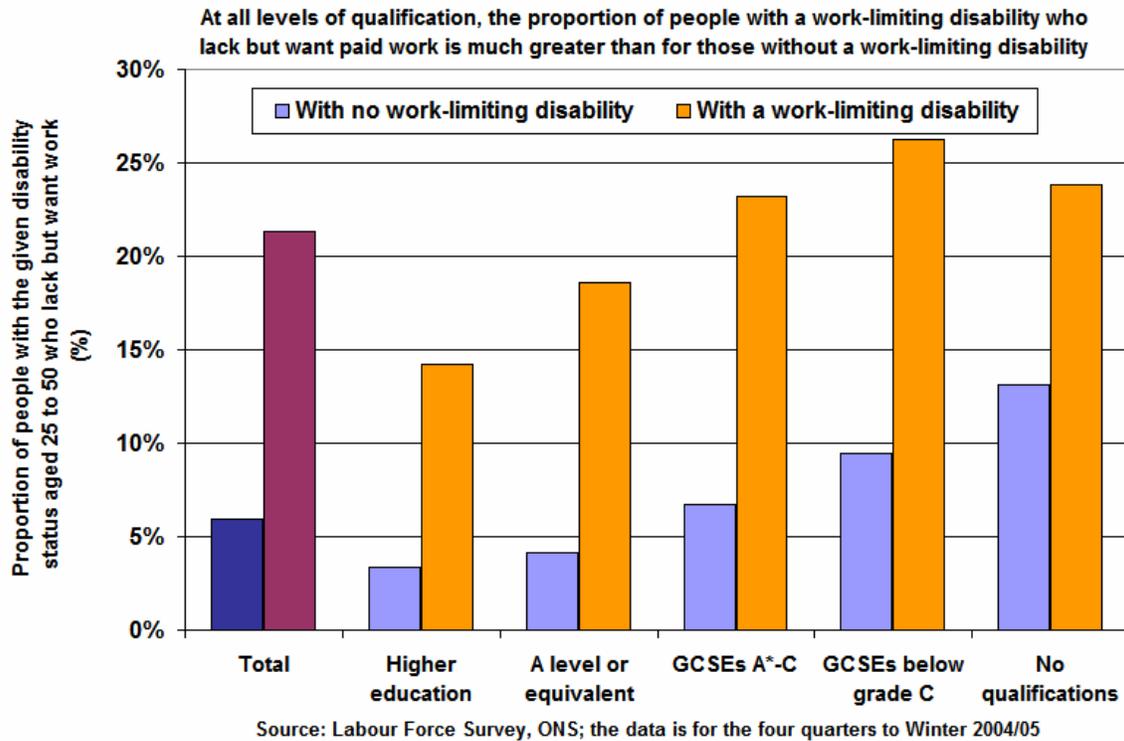
Even if all those wanting work found it, the employment rate for disabled people would still only be 60% (the 40% who are currently working plus the 20% who say they want to). This means that there will always be many disabled people reliant on benefits. The reform of Incapacity Benefit (IB) that these people need relates to the level of benefit rather than help to move into work.

The conclusion we draw from this analysis is that the problem disabled people face is the result *neither* of a more generous benefits regime that offers disabled people a 'comfortable' existence *nor* of a failure on the part of disabled people to respond to the overall growth in jobs. Rather, it is because, despite the improved economic situation and the desire of many of them to work, many have not been able to find jobs. In a situation in which a fifth of people with a work-limiting disability still lack but want work, reform of the way in which the DWP supports these people is clearly important.

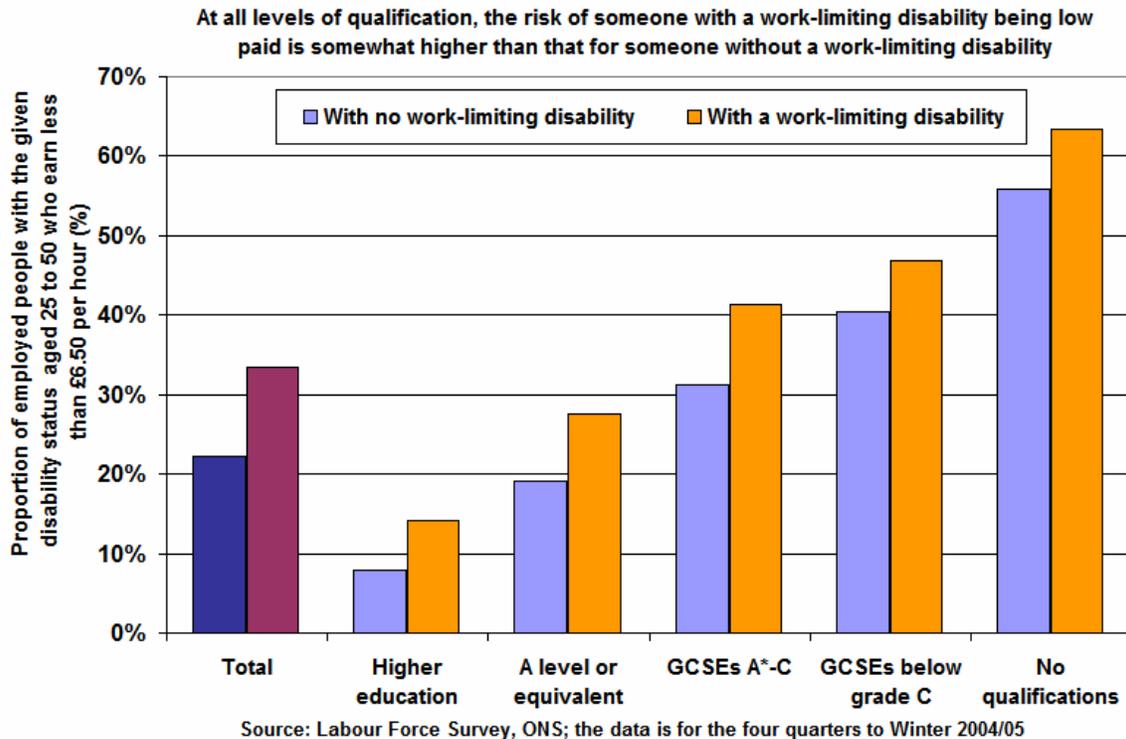
Finally, the Green Paper states that its target is to reduce the number of people in receipt of IB by 1 million over the course of a decade. If we conservatively assume that this means increasing the numbers in work by a million (rather than simply removing some of them from the benefit even though they remain out of work), and if we also conservatively assume that they all have a work-limiting disability, this implies that the Government target is to increase the number of people with a work-limiting disability who are in work by a maximum of 1 million. Given that there are around 5 million working-age adults with a work-limiting disability, then achieving this target would raise the employment rate from the current 40% to 60%. In summary, therefore, even if the Government achieves its target, around two-fifths of disabled people will still be dependent on social security benefits in ten years' time. Note that this 60% rate would be far below the Government's definition of full employment (80%), let alone the current employment rate for non-disabled people (85%).

Why do so many disabled want but lack work?

One possibility is that it is not disability per se that is to blame but the fact that disabled people have fewer qualifications. Certainly, the lower a person's level of qualifications, the higher is the risk that they will find themselves lacking but wanting work. However, as the graph below shows, at *every* level of qualification, a disabled person is always much more likely than a non-disabled person to be lacking but wanting work – to such an extent that a disabled person with a degree is more likely than a non-disabled person with no qualifications to find themselves lacking but wanting work. With a pattern this clear cut, higher 'lacking but wanting work' rates cannot simply be explained away by lower qualifications.



Not only do disabled people face a much higher risk of being out of work, they are also somewhat more likely to be low paid than non-disabled colleagues with similar qualifications. This is true for both men and women and for both full- and part-time workers.



The finding that, at every level of qualification, people with a work-limiting disability are more likely to be low paid *and* more likely to be 'lacking but wanting work' than people without a disability is of great importance. According to basic economic theory, such a situation cannot arise simply as a result of disabled people being more reluctant than non-disabled people to take particular jobs at particular rates of pay. Rather, it is only possible if employers as a whole discriminate against one type of worker compared with another. Our finding, therefore, is clear evidence that the way the labour market works discriminates against disabled workers.

We appreciate that discrimination is a sensitive word. We would stress that the outcome we observe is 'after the event', that is, the sum total of the effects of all employment decisions taken by all employers. It comes about despite many employers' no doubt good intentions. We also recognise that there are other factors, for example problems with transport to and from work, that are the fault of neither the would-be employee nor the would-be employer.

Nevertheless, we note that Government reports refer to ‘attitude’ problems on the part of employers.⁵ Also, the recommendations for remedial action from the Prime Minister’s Strategy Unit include employer-led campaigns to promote the business benefits of employing disabled people, establishing a single point of information for employers and developing a new system of accreditation for employers. When considering benefit reforms, we therefore think it is right to use the hard word ‘discrimination’ because it reminds policy makers that, whatever the intentions, it is the reality that disabled people face.

We draw three specific conclusions from the evidence of discrimination:

- First, while discrimination persists, the goal of substantially increasing the rate of employment among disabled people can only in practice be realised at the expense of lowering even further the average earnings of disabled people.
- Second, since changing employer attitudes is bound to take a long time, benefit reform needs to be implemented on the clear understanding that big shifts in employment will also take a long time.
- Third, the Government needs to follow through strongly on the observation in its five-year strategy about the “need to change the expectations and attitudes of...employers”.⁶ By doing so, it would gain a better understanding of the whole problem, with consequent improvements to benefit reform itself.

Conclusion: what should the goals of reform be?

The high proportion of disabled people who lack but want work confirms the rightness of setting higher employment for disabled people as one of the Government’s goals. At the same time, the high levels of poverty among disabled people, coupled with the difficulties presented by the labour market, show that the problem cannot be tackled through benefit reform alone. Rather, a much more balanced

⁵ For example: *Improving the Life Chances of Disabled People: Final Report*, London: Strategy Unit (January 2005); *Mental Health and Social Exclusion: Disabled for life?*, London: Social Exclusion Unit (2004); *Attitudes towards, and experiences of, disability in Britain*, London: DWP Research Report No.173 (2002).

⁶ *Department for Work and Pensions Five Year Strategy*, London: TSO, February 2005, p 42.

approach is needed and the question is how to stimulate it. One possibility would be for Government to set not just one goal, relating to employment, but three, namely:

- the employment rate for disabled people;
- the poverty rate for working-age, disabled people; and
- average earnings for disabled people in work.

In both the latter two cases, the goal would be to eliminate, over time, the difference between disabled and non-disabled people.

Developing policy within this framework might be more complex but to ignore this complexity, as the Government is in danger of doing at the moment with its single-minded pursuit of the employment target, risks failure there while deepening other problems.

Theme 2: Disability and illness

Lucinda Platt, University of Essex, Sarah Salway, University of Sheffield, Kaveri Harriss, London School of Hygiene and Tropical Medicine and Punita Chowbey, University of Sheffield

Research funded by the JRF: 'Limiting illness and poverty: breaking the vicious cycle', to be published late 2006.

This contribution focuses on the proposals in Chapter 2 of the Green Paper. The response comes from the researchers on a project on poverty and long-term illness among four ethnic groups (Ghanaian, Bangladeshi, white, Pakistani) in the East End of London. The response reflects material gathered in conducting the project, from interview respondents and group discussions, as well as from the relevant literature, and also incorporates the observations of the researchers themselves.

Positive messages from the Paper are recognised as:

- the emphasis on early intervention.
People's conditions appear to assume greater permanence as time goes on, and with time the possibility of working begins to seem more remote. A particular focus of early intervention should be access to rehabilitation-type treatments at a sufficiently early stage, so as not to delay recovery.
- the recognition of mental health problems as a major factor in being out of work.
Mental health problems will often accompany, stem from, or interact with physical health issues – even if the physical issue is the 'primary' reason for being economically inactive. Mental (ill-) health has also been closely linked with the experience of unemployment itself.
- the general valuing of work, the desire to be in work and regarding it as a positive experience, which is congruent with most people's attitudes and approaches.

- the efforts to 'join up' the various actors that may play a role in a sick person's trajectory, including the proposals to place employment advice workers in GP surgeries.
- being clearer about the extent to which engagement in the labour market can be developed without loss of benefit (for example, through permitted work); clarity about financial implications of work and the consequences of falling back into unemployment would also be valued.

However, the Paper also raises a number of concerns, both in relation to these points and further aspects in its proposals and narratives.

Mental health and the value of work

In some cases coping psychologically with unemployment is identified with adjusting to being out of the labour market – being 'realistic'. For example, some older Bangladeshi men, who have intermittent work histories and low levels of formal skills and who then become ill, may come to regard this as a stage of life of reduced activity and greater reflection. Conversely, for those for whom work is very important, failure to gain it may lead to depression and apathy. Some jobs, and some elements of seeking work, may also be highly stressful. The increased stress on conditionality may increase these stresses, without necessarily producing results in terms of positive employment outcomes, depending on the accumulation of barriers that people face in getting work (see further below). And financial anxiety and limited financial support can lead to poorer mental health, particularly in the longer term. People with mental health problems may also experience greater difficulties negotiating the system and thus claiming their entitlement. They may also fear the stigma associated with mental health problems and thus resist being open about them, potentially increasing their isolation. Ensuring adequate levels of benefit are thus crucial in maintaining people's mental well-being prior to (re-)entry into the labour market; and making the system of claiming benefit more straightforward to reduce the stresses of the claiming procedure and the need, for example, to appeal being turned down first time.

Multiple barriers to work and the differing significance of levels of functioning

The Green Paper stresses functional capability in discussing the eligibility of claimants for either (or none of) the elements of the proposed new employment and support allowance. However, functional capability interacts with skills and qualifications. Different levels of skills mean different levels of functional capability mean very different things in terms of employability. People's previous experience of work will also be relevant here. For example, those who have never (for example many Pakistani and Bangladeshi women) or only intermittently been in employment and who then contract a health condition, will have very limited chances of engaging in the workplace. Among multiple barriers to employment such as low skills, lack of relevant experience and limited networks, health problems may only be a minor factor in worklessness. The emphasis on getting people 'back to work' may simply be unrealistic and inappropriate for some people.

Moreover, functioning is related to both context and to other demands placed on individuals. The role of fatigue is central to a lot of people's experience of chronic ill-health. They may be able to perform quite well over a limited period (such as during the PCA); but need time out for rest if in a job for extended periods. Caring responsibilities can also create demands on energy and thus reduce the ability to engage in extended periods of paid work. For some, the demands of family and caring will effectively preclude any serious consideration of labour market engagement, but should this be a basis on which to penalise them financially? For others, employers would have to be sufficiently flexible in terms of allowing frequent rests and part-time hours to enable people to cope with the fatigue sufficiently. Multiple health problems can also have a cumulative effect on functioning (including increasing fatigue) that would be hard to recognise within the limited context of the PCA. In addition, check-ups, hospital visits etc. increase the demands that illness makes on the individual and on any potential employment situation.

Like disability, employability is not an either/or condition

The distinction between the work-ready and those eligible for support seems both an unhelpful and potentially unrealistic dichotomy. It stigmatises (and relatively penalises) those who are deemed 'work-ready' but genuinely cannot gain a job (as discussed above). But it also potentially continues to dismiss the potential employment contribution of those with severe levels of impairment, who nevertheless may be – or may become – capable of work (just as the previous 'exempt' category did). Not only can people's functioning improve over time, as is acknowledged, but their skills and knowledge, which may change perceptions of their (in)ability to work, can also change over time. But the workplace itself is also dynamic – it has required different qualities over time, for example the increasing importance of technology; and technology itself has transformed for many disabled people their range of opportunities (or the means by which employers can respond to facilitating them doing their job) in the workplace, as well as more widely. Related to this it is not clear how and in what forms employment support that may be of benefit to them will be offered to those who receive the support element of the employment and support allowance (except for those in 'reserved circumstances').

Appeals and fraud and error

It is noted that there are very low levels of fraud and error in this area, but the Paper nevertheless appears to regard this as an area worth substantial focus, including the introduction of ad hoc checks on the existing caseload. Is this an appropriate focus of resources in the circumstances? And why is it not balanced by a discussion of how underpayments are to be dealt with, or claims by eligible non-claimants are to be encouraged?

It is noted that there are a lot of appeals relating to IB, and that a lot of them are successful. These two facts do not suggest that the people are making misguided claims, though the stress in the Paper would appear to be on discouraging appeals by ensuring 'that claimants have a clearer understanding of the basis for the initial decision'. And to what extent will the 'reconsideration process' block or delay the progress of appeal to tribunal? It would be helpful to

have more information on what the nature of the reconsideration process will be.

The proposals have the potential for putting pressure on patients' relationship with their GPs. Concerns have been expressed that the relationship is being jeopardised by placing the GP in the role of 'arbiter'. Moreover, patients living in the East End, and in Tower Hamlets in particular, felt that it was very rare for GPs to 'protect people from work', and they were already extremely reluctant to provide sick-notes or to entertain the possibility that people who are ill should not be active.

Benefit rates and take-up

In deciding to get rid of the increase in benefits that occurred with duration with IB, it is claimed that such a system is 'perverse'. However, that is purely looking at benefits from the point of view of work incentives or incentives to remain on them. This is an approach that belies all the positive effects of work (including paying more than £78 per week), that have been claimed. However, benefits are not just about levels of motivation but, more fundamentally, about providing adequate support for those whose health conditions mean they require it. And in the context of adequate support a benefit which increases over time is perfectly rational. Over time on a low income, what savings people have get used up while their material conditions deteriorate. Long-term rates of benefit recognise this. If benefits are not planned to increase with time, then consideration should be given to how the living standards of those who are obliged to spend long periods on the benefit are maintained.

Moreover, despite the claim that benefits will not go up, there *will* be some increase over time, at least after three months. After the assessment period – lasting up to three months, people who are eligible for the employment support component will receive a rate higher than that of the current long-term rate. They will thus see their income stabilise at a substantially higher rate than the Jobseeker's Allowance they will have been receiving during the assessment period.

The Paper states that there is going to be no change to Disability Living Allowance (DLA); but there should be some recognition that receipt of DLA is very low among those in employment. Consideration might helpfully be given to ways in which it can be more accessible to support those in work, and take-up rates overall can be improved. There are indications that some assessors may consider the fact of being in work invalidates a claim for DLA, and this could have major implications for 'passported' benefits as well as having additional, targeted financial support to remain in work.

There needs to be greater clarity about what the purpose of the benefit is. It is implied, and illustrated in Figure 2.4, that those who are not expected to work get more money than those who are expected at least to engage in work-related activities. Though this could be under the optimistic expectation that the time spent looking for work among the 'employment group' will be very short and will thus not necessitate so much benefit, it suggests, rather, that the sums involved are driven by concerns with motivation and an old-fashioned distinction between the 'deserving' and the 'undeserving', rather than having any fundamental relationship to need. However, the retention of the Enhanced Disability premium and the Severe Disability premium indicates that there will be extra support available for those on both components of the employment support allowance related to the severity of their health condition/disability. The retention of the additional premia is something that is raised as a question for comment in the Paper. As receipt of these benefits is dependent on DLA or Attendance Allowance (AA) receipt, then it is particularly important to consider issues of take-up of DLA/AA, and make sure that selection into the employment strand of the employment and support allowance doesn't appear to invalidate eligibility for these benefits, as noted above.

Equity between new and old claimants: The new system relates only to new claimants. It is, however, proposed to work with old claimants – who remain on the old benefits – to attempt to engage them in the labour market and return them to work – as far as is possible. But, meanwhile, it appears that there will be some inequity in the amounts of benefit received between the two groups. For someone who has gone through the period of assessment and is on the new employment and support allowance they will be being paid, it is said,

at a rate higher than the current long-term rate. Meanwhile, an existing claimant, who may also be expected to engage in work-related activity, will be being paid a smaller amount in the long-term rate of IB. If both enter work fairly soon after being engaged in work-related activity, then this inequity will not be of that much significance; and this seems to be the assumption of the Paper (that most of those on long-term IB will end up in work once they are encouraged). But how realistic is this expectation? And meanwhile, is it fair to pay different rates of benefit to those in comparable situations? The Paper suggests that the protection offered to those currently on benefit from the new system is some form of gain for them. But if they want to work, as it is said most of those on IB do, but can't (yet) find suitable employment, then their 'protection' on IB actually penalises them relative to new claimants. It is only 'protection' if what appears to be an underlying assumption of the Paper – that they are actually 'work shy' – is valid, but the evidence to support such an assumption seems very thin, and indeed cited evidence seems to point in the opposite direction.

Theme 3: Activity outside paid work

David Boyle, New Economics Foundation

Research funded by the JRF: ‘Hidden work: Co-production by people outside paid employment’, to be published w/c 19th June

1. *Too narrow a focus on paid employment risks undermining the vital efforts that people on IB are playing in their own neighbourhoods, and without which the social cohesion is likely to be considerably lower.*

Our research has revealed a vast range of informal, unacknowledged work that is undertaken in those neighbourhoods considered to be most ‘disadvantaged’, by people frequently considered a ‘drain on society’ – single mothers, refugees and asylum-seekers, people with mental health problems, and those too young or too old for conventional jobs.

The total cost of IB (£6.8 billion) is dwarfed by the value of the unpaid work undertaken every day across the UK. But if the focus of the New Deal is simply reducing IB numbers, then many of the true costs of 80% employment will be ignored. These include costs like higher rates of youth crime. The ‘work’ many of them do to keep local neighbourhoods safe, clean and inviting, keeping people healthy and happy, and enhancing people’s abilities as parents, friends, neighbours, and potential employees, never appears in Government employment statistics.

The question for the Government is just how significant they consider a parent’s potential to contribute to individual, family and community well-being, and whether forcing lone parents in particular into paid jobs is always the best solution. And, given rates of teenage pregnancy, self-harm, truancy, bullying, drug and alcohol abuse, and childhood obesity, whether there might be better ways of engaging them.

2. *Government policy would benefit from a broader view of what constitutes useful work, and some means by which those who are making a contribution are recompensed for doing so.*

Those who are involved in co-production – working alongside public services as well as using their services – are doing useful work, though they may not be capable or fit for paid work. It is axiomatic that they deserve the basic necessities of life. In the long run, co-production would work best under a simple Citizen's Income regime, but even if no payments to people in return for the effort they make are forthcoming, the potential of time banks and other co-production networks could be maximised by allowing participants to earn awards in kind.

It should not be too great a leap for Government to recognise both that this work is necessary, and not affordable or replicable at market prices. Similarly, in many cases, such activity is more sustainable and more useful than low-paid work. As a bare minimum, there needs to be a shift – not so much in regulation but in attitude – towards volunteering and active citizenship by benefits officials.

The bottom line is that some people who are doing vital unpaid 'work' are themselves on IB, and that this activity needs to be supported. And if it is not recognised by additional welfare payments – and there are good reasons (the state defining what useful work is) why they should not be – then some other encouragement for local activity needs to be included.

The Green Paper seems to recognise this, but does not follow through with the implications of it. Some of those on IB may be more cost-effective remaining active in their local communities. And if they are recompensed, that support should be funnelled as far as possible through local institutions that may be affiliated to or funded by public services, but are independent of central government.

3. *Voluntary sector delivery requires a new way of funding voluntary sector suppliers.*

We agree very much that the voluntary sector will need to deliver many of these programmes, but our research suggests that simply replicating public service systems in the voluntary sector underlines the benefits of both. Chronic funding uncertainty is endemic in the

voluntary sector and likely to lead to disillusionment and disengagement – as well as rapid staff turnover.

Present funding arrangements seek out innovation and evaluation at the expense of successful efforts on the ground, and that leads to deep cynicism among those who have lent their unpaid efforts to the research – knowing that it will shortly be replaced by something else, often staffed by the same people. On the other hand, providing Government services via large voluntary sector agencies subsumes the potential for local informality and innovation of the voluntary sector under the rigour of targets, regimes and regulation.

There needs to be new ways of funding voluntary sector partners, possibly related to their Social Return (SROI) that gives them security and freedom to innovate. This might be possible with the community service agreements being pioneered by the Scarman Trust. The problem of small charities being squeezed out might be helped if large charities could be supported to provide back-office functions for small ones: so that the small-scale voluntary infrastructure can be freed up to operate more effectively.

It is also absolutely vital that targets are reduced to simple, robust but light-touch measures that allow flexibility for projects to focus better on the assets of participants.

4. *Encouraging personal responsibility means that personal initiative needs to be encouraged.*

The truth is that initiative is now regarded in practice by benefits officials with great suspicion, and the Green Paper shows no recognition of this. The involvement of one of the researchers in our Hidden Work project – who were themselves outside paid work – triggered an investigation into their benefits position, which implied that, whatever the regulations are, self-help is extremely risky for many of those on welfare. This suspicion is particularly counter-productive because this individual was being encouraged at the time to get themselves exactly that kind of experience, but on an *official* Government course.

As a bare minimum, there needs to be a shift – not so much in regulation but in attitude – towards volunteering and active citizenship by benefits officials. In theory, the regulations support it, but in practice claimants still prefer not to risk admitting it, and feel a sense of powerlessness and vulnerability in the face of obscure distinctions between ‘volunteering’ and ‘unpaid work’. There is a clear need, not just for encouragement, but for enthusiasm – and to include in that enthusiasm the efforts claimants make to involve themselves outside official Government training schemes. The present deep suspicion of self-help is precisely the opposite of the attitude that is required.

Theme 4: Housing Benefit/Local Housing Allowances

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Research funded by the JRF: 'Housing Benefit payment methods: the claimant perspective', to be published late 2006.

Housing Benefit reform

A succession of reports published by JRF and others has shown that the Housing Benefit (HB) scheme suffers from multiple problems and is in need of reform. These manifold difficulties were officially acknowledged in the Housing Green Paper published in May 2000 (DETR/DSS, 2000) and in November 2002: the Government announced a major programme of HB reform to tackle these problems. This programme has two main components.

First, the Government has implemented a wide range of initiatives that aim to simplify and speed up administration. This includes, for example, measures such as the abolition of benefit periods and improved electronic communication between local authorities and Jobcentre Plus offices. These administrative reforms have been backed by around £200 million of additional resources, the first time that significant sums have been ploughed into improving the administration of the scheme. As the Welfare Reform Green Paper pointed out, there are now signs of real progress being made, such as the reduction in the average time taken to process new claims.

Second, the Government is also making structural reforms to HB. The new Local Housing Allowance (LHA) is currently being trialled for private rental claimants in 18 'pathfinder' local authority areas and evaluated in nine of them by an independent team of researchers. The central feature of the LHA is that the maximum entitlement to HB is no longer calculated on claimants' own rent. Instead, it is based on an average amount for each size of accommodation in the local market area. As the Government has claimed, this is the most radical reform of HB since it was first introduced in 1982/83.

While the LHA represents a radical change to the way HB is calculated, most of the controversy has focused on the fact that it is normally to be paid to the claimant rather than their landlord. The only exceptions are if the claimant is deemed to be 'vulnerable' or is more than eight weeks behind with their rent, in which case the benefit will be paid directly to the landlord.

Although it is too early to draw definitive conclusions, the DWP's evaluation reports, Shelter's report *On the Right Path?*, and the Citizens Advice report *Early Days*, all suggest that the implementation of the LHA has gone reasonably well. Inevitably, there have been some problems – for example, some tenants have encountered difficulties in opening bank accounts. But, overall, the concerns raised when the LHA was announced have not so far been realised.

The emerging evidence from the LHA evaluation provisionally suggests that it successfully tackles the problem of private tenants 'shopping in the dark' for somewhere to rent while on HB. It sweeps away the need for the complex rules about unreasonable rents and also avoids the need to refer individual applications to the Rent Service. It is more transparent for claimants, while at the same time giving them, at least in theory, an incentive to shop around for accommodation. If the early signs are borne out in the longer term, it should encourage most claimants to take more responsibility for paying their rent without getting into rent arrears.

Should the LHA be extended to social housing?

If things appear to be going relatively smoothly in the private rented pathfinders, extending the LHA to social rented housing may be much more difficult. This is because rents are determined, and tenancies are allocated, very differently in social housing from in the private sector.

A fundamental premise underlying the design of the LHA is that claimants are able to make choices, or trade-offs, between quality of accommodation and the price they have to pay for it. For this to happen, there needs to be a reasonably consistent relationship between the attributes of a property (in terms of its size, amenities, location, etc) and the rent charged for it. But at the moment, this

appears not to be the case in many areas. Moreover, there are differences in the rents charged by local authorities and those charged by housing associations letting homes within the same area. The result is that different rents may be charged for broadly similar properties.

These inconsistencies mean that it may not be easy to make the sorts of trade-offs in social housing that are implied in setting a standard LHA. It will also make it difficult to set a single LHA level for all social housing tenants in each local authority area. In England and Wales, if not in Scotland, these problems have been recognised and a long-term process of rent restructuring and harmonization in social housing is underway. But this process is expected to take many years and, in practice, may prove to be difficult to fully achieve.

The LHA is also premised on the assumption that claimants will be able to move accommodation in order to exercise choice and make the trade-offs between rent and quality. In other words, the assumption is that, once the LHA has been set, claimants could choose to move to somewhere more expensive and make up the difference out of their own pocket. Likewise, they could choose to move somewhere cheaper and thereby make a saving.

But despite moves toward choice-based lettings, claimants have much less scope to make such trade-offs or move accommodation in social housing than in the private rental sector. Outside of low demand areas, tenants may have to wait years before they can transfer from one property to another. Consequently, many existing social housing tenants are not in a position to shop around for accommodation.

Therefore, if the LHA is to be introduced into social housing it will need to be modified to reflect the rent structures, tenancy allocation and transfers systems that exist, which are very different from those in the private rental market. Designing an LHA that meets the Government's objectives for reform while still providing an adequate amount of help with housing costs and not arbitrarily penalising claimants, will not be an easy task. It may be necessary to delay the introduction of the LHA into social housing until rent restructuring has been more fully completed and choice-based lettings for both new

tenancies and transfers for existing tenants have been universally implemented.

In the meantime, two of the Government's objectives – personal responsibility and financial inclusion – could be achieved by paying HB to the claimant rather than the landlord (as with the LHA, it should continue to be paid directly to the landlord where the tenant is vulnerable or in rent arrears).

JRF research on HB payment methods

JRF is currently funding research at the Universities of Oxford and York into HB claimants' views and experiences about how their benefit is paid. This qualitative research study involves interviews with private, housing association and local authority tenants. The preliminary findings suggest that:

- Most claimants know how much their rent is and felt it is their responsibility to pay it. In most cases, rent is the first priority among their bills.
- Most people want to stay with their existing payment method (whether that is payment to the landlord or the claimant). Claimants whose benefit is currently paid to their landlord say they do not want the 'hassle' of receiving it themselves, or that payment to them would be confusing or worrying, or that it is the landlord's money and therefore should go directly to them.
- It may not be too difficult for some tenants to adjust to having the HB paid to them instead of the landlord, especially if they are already receiving other benefits into a bank account and paying bills by direct debit. However, they may need guidance, information and support as they make the transition and get used to managing the HB passing through their account.
- However, it also appears that for some tenants payment to them would be problematic, especially those with no savings or little financial leeway. In particular, the lack of coordination in rent and HB payment dates could result in the tenant becoming overdrawn and thereby getting in debt due to bank charges.

- A minority of claimants say they would spend the money on other things if the HB was paid to them.
- Most respondents seemed to have a budgeting routine worked out that suits their income sources, income receipt methods and intervals, but a minority are more chaotic in their money management practices.

The implications of these provisional findings for the Green Paper appear to be:

- (1) Some of the Government's concerns about HB recipients are largely unfounded (e.g. lack of responsibility for rent, lack of budgeting skills).
- (2) People are anxious about change in their HB payment method and will need guidance and support to make dealing with the HB less of a worry than it seems to be.
- (3) Some people have genuine difficulties with money management and will need assistance with opening bank accounts and some way of ensuring payment dates coordinate, to avoid bank charges/arrears.
- (4) A minority of people admit that they may spend their HB money on other things. This underlines the importance of retaining the direct payment of HB to landlords where the claimant is unlikely to pay the rent and/or is in rent arrears.

Longer-term problems

Even if a successful design for a social housing LHA is found, that does not mean that the problems of HB have been solved. Many of the difficulties surrounding HB are the result of the highly complex rules that govern the scheme. Much of that complexity stems from the rules about three key variables that determine how much HB people get. These are the assessment of eligible income, complications that arise from the composition and status of the people living in the household (including the issue of non-dependant deductions), and

the determination of eligible rent. In addition, the responsiveness of HB to changes in circumstances is also a major source of complexity.

The LHA tackles the problems that arise from the difficulties surrounding the determination of eligible rents, but leaves the others largely untouched. Unless these problems are tackled, many of the problems highlighted in the Housing Green Paper will remain.

One way forward would be to greatly simplify the rules governing the scheme, thereby making HB less finely tuned to individual circumstances and changes in circumstances. But while that approach may sound fine on paper, in practice it would produce significant losses for claimants or require a substantial increase in benefit levels (or a combination of both). Consequently, substantial simplification of HB is probably best seen as something to be achieved over the long term.

In the meantime, there is a need to tackle the problematic interface between HB and the working and child tax credits. Although HB interacts with these tax credits, they have different and incompatible means tests. Housing benefit is calculated on net, current income, while the tax credits are based on gross, annual income. They also operate different rules about how changes in circumstances are taken into account. Having such different means tests working side by side hardly seems sustainable and suggests that some kind of harmonisation is required. Harmonisation would also facilitate the introduction of a housing tax credit.

Conclusion

The evidence so far suggests that the implementation of the LHA is going reasonably well – though whether it will have the behavioural effects anticipated by the Government, only time will tell.

Extending the LHA to social housing could prove to be more difficult than for private rented tenants. This raises questions about just how much of the private rented LHA design needs to be carried over into a social housing version in order to achieve the Government's objectives for the reform. In the short term, it would be easier to make payment to the claimant the default method rather than, as now,

payment direct to the landlord. However, this would need to be undertaken carefully and backed up by adequate resources for money advice in each local authority area.

Finally, while the LHA, together with the administrative reforms that have been introduced, help tackle some of the problems of HB, much of the scheme's complexity will remain in place. Even after a national roll-out of the LHA and its possible extension to social housing, delays in processing claims, variations in performance between local authorities, and disincentives to take up jobs, are likely to persist for some time to come. Significant progress is being made, but there is still a long way to go.

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