
Breakthrough Britain

Briefing Paper 2

ECONOMIC DEPENDENCY AND WORKLESSNESS

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This is the Executive Summary of the Economic Dependency and Worklessness volume of the Social Justice Policy Group's *Breakthrough Britain* report. For further information, or to download the full report please visit www.poverty.debate.com

The most vulnerable people in society are being failed:

Over the past decade the Government has talked about getting people back to work and strengthening society. It has set highly aspirational targets including the eradication of child poverty and the attainment of an 80 per cent employment rate to help include those at the margins of society. It has made the sweeping claim to have "virtually abolished" youth unemployment (Welfare Reform Minister, Jim Murphy), while heralding the overall decline in unemployment as the result of its welfare policies.



Indeed, society has, overall, got richer, and unemployment is now lower than in 1997. However this masks a much bleaker picture: for the poorest in Britain, economic dependency is not being eradicated, it is becoming entrenched.

The rewards and opportunities of 14 years of uninterrupted economic growth are not accessible to all:

- More people are living in severe poverty today than in 1997.
- There are nearly 3.5 million people on inactive out-of-work benefits that place little or no work expectations on them, many of whom could do some work: benefit dependency is a way of life for many.
- In the past year the unemployment rate has increased and the employment rate has decreased.
- Nearly 58 per cent of Jobseeker's Allowance (JSA) claimants are *repeat* claimants.
- Youth unemployment is higher today than in 1997, up by 18,000, despite the Government spending almost £2billion on the New Deal for Young People.

Back-to-work support is failing, and the benefits system is trapping people in poverty and part-time, low pay, low prospect jobs - particularly people with significant and multiple labour market disadvantages. The benefits system also acts as a disincentive to family formation that leads to the best outcomes for children: (married) couple families. For the most vulnerable people in society their lives, and the life chances of their children, have got worse.

Why have Government policies failed?

Poor target setting and weak and ineffective work expectations:

The Government's aspirational targets are well intentioned but flawed. Their poverty measures take no account of either depth or persistence of poverty. Their child poverty target fails to recognise the true extent of both social and economic deprivation. Their use of an arbitrary single employment target rather than a series of carefully differentiated targets for different groups means that resources are not targeted effectively.

Economic dependency on the state in turn perpetuates social exclusion and contributes to poor health, as well as negatively impacting on the life chances of the children in workless households.

Weak work expectations have made a life on benefits a choice, regardless of an individual's capacity for work. These weak work expectations have driven the attitudes of not just those out of work, but also of those whose job it is to help them. By not expecting people who can work to do so, the Government is failing the very people it claims to be helping.



Ineffective and inefficient support for those moving from welfare to work:

The Government's flagship New Deal programmes are failing their participants: they are targeting the wrong people with the wrong activities, and their success rate has declined significantly since their inception. There is a clear mismatch between expenditure and desired outcome with just 14 per cent of programme spend going to disabled people and lone parents despite accounting for two thirds of out-of-work benefit claimants. A Department for Work and Pensions (DWP) research paper recently noted that the majority of clients who spent considerable periods of time on Government programmes were unlikely to move into work, and of the people who do find work, 40 per cent reclaim Jobseeker's Allowance within a year.

Not only are the Government's programmes less effective than a number of private and third sector providers, but they are also more expensive. Some of the best practice outsourced programmes cost half the amount of Government programmes and achieve double the outcomes.

Despite tentative steps in the right direction with the establishment of Employment Zones and Pathways to Work, the Government has not had the courage and commitment to follow international best practice and implement a personalised and localised, intensive, work-first approach. Jobcentre Plus remains centrally controlled and is responsible for the majority of claimants despite the organisation's structural inflexibility and ineffectiveness in dealing with people who have complex, and often multiple, barriers to work.

An overly complex benefits system full of perverse incentives:

The benefits system has many traps which disincentivise both work, and family structures that lead to the best outcomes for children and can protect against economic dependency.

There are higher rate long-term benefits which have the perverse incentive of encouraging long-term dependency. The complexity of the system discourages work through a lack of clarity and understanding, on the part of the claimant *and* their Jobcentre Plus adviser, as to what benefits are available in work. Additionally, high effective marginal tax rates - meaning people can lose up to 90 pence in every extra pound earned - ensure that for many progression in work is not financially worthwhile.

The number of couples apparently living apart is increasing due to the financial disincentive: according to

the Institute for Fiscal Studies (IFS) a couple can be up to £5,473 better off from tax credits if they lived apart. This undermines family life, which is damaging to both adults and children, and therefore to society at large.

The three key principles which must underpin reform:

Our objectives establish the key principles which must underpin any reforms. Hence the targets government sets, the work expectations it establishes, the welfare-to-work services it provides, and the benefits system it designs must recognise that:

Work is the key route out of poverty for virtually all working-age households

- Being part of a working household is the best and most sustainable route out of poverty. It also decreases the likelihood of future generations living in poverty and dependent on benefits, and has the potential to increase their wage levels.

Family structure is vital for both adults and children

- Committed (married) couple families with at least one working member lead to the best outcomes for both children and adults, reduce the likelihood of economic dependency on the state, and therefore benefit society as a whole.

State assistance is fundamental, for those who truly cannot work

- This must be set at a level that ensures those in receipt of it are supported to a level appropriate for them to participate fully in society.

These principles, and the policy recommendations that result from them, will move us towards the vision of a stronger, more supportive, and more socially cohesive society.

YouGov Polling

- 91 per cent of people polled agreed that 'Living on benefits should not be a way of life'
- 86 per cent of people polled agreed that 'The benefits system should be a 'something for something' system. If people receive benefits it is reasonable to require them to seek work'
- 87 per cent of people polled agreed that 'Lone parents and disabled people capable of working should be encouraged to do so'
- 80 per cent of people polled agreed that 'It is reasonable to expect that disabled people and people with health conditions should work if they are able to do so'
- 71 per cent of people polled agreed that 'It is reasonable to expect that lone parents work part-time once their youngest child is 5 years old, and full-time once their youngest child is in secondary school'
- 71 per cent of people polled agreed that 'Within the benefits system there should not be a financial disincentive against couples living together'
- 70 per cent of people polled agreed that 'The benefits system should not penalise married or co-habiting couples, even if it means giving a single person half the benefits of a couple'
- 79 per cent of people polled agreed that 'People should be able to keep at least 50p in every extra pound they earn'

- 88 per cent of people polled agreed that '**The benefits system should be simplified**'
- 70 per cent of people polled agreed that '**Support for people should not be determined by the benefit that they are on; a more holistic approach is needed to ensure all are helped into work**'
- 75 per cent of people polled agreed that '**Many private and voluntary sector organisations have a success rate at getting people back to work double that of the government programmes. If they are more successful we should let them do more**'

Policy recommendations:

Our recommendations are summarised below along the three themes of work, family structure and state assistance.

Work as a route out of poverty:

We have recommended the following policies in order to facilitate and support people in their transition from welfare to work:

Clear work expectations must be attached to the receipt of benefits for people who can work

- People in receipt of Jobseeker's Allowance must be actively seeking, or preparing for, work on a full-time basis, and advisers must enforce this condition. Hence unemployed people should be fully engaged in a customised welfare-to-work programme designed by their Personal Adviser. This may include intensive job search, basic skills training, work-related training and confidence building.
- Disabled people and people with health conditions should actively seek, or prepare for (including undertaking a condition management programme), work for either a minimum of 20 or 5 hours depending on the individual's capability for work. This could include the same activities as those available to Jobseeker's Allowance claimants, plus rehabilitative support.
- Lone parents should actively seek, or prepare for, work for 20 hours when their youngest child reaches 5, and full-time (30 hours whilst their children are of school age) when their youngest child reaches 11. Whilst their youngest child is below the age of 5 they should spend between 5 and 10 hours a week preparing for work.

Back-to-work support must be tailored to the individual

- Programmes must be personalised, comprehensive, based on an accurate assessment of the individual, and a work-first approach. The emphasis must be on *sustained* job placement with aftercare. We recommend that providers continue supporting their clients for a minimum of 12 months. Only by doing this can we support those furthest from the labour market back to work, and enable them to *stay* there and progress.

Back-to-work services should be state determined but not state delivered

- Support programmes should be delivered by private and third sector organisations - who, as stated above, achieve much greater outcomes than their public sector counterparts - with contracts being awarded to the best performing providers.

The Government should pilot real devolution of decision-making, funding and contracting of welfare-to-work services

- Local employment consortia should be piloted with a view to maximising the coordination and impact of

local public service spending, while ensuring that the needs of local markets and economies are met. As well as providing more effective support to workless people, this would also start to address the problem of geographically concentrated worklessness and poverty.

The contracting of services must be competitive and professional

- Providers should be given public star ratings according to performance. This would ensure competition between providers and therefore increased job placement outcomes.
- There must be a level playing field for providers, with contracting carried out by experts in welfare-to-work services.

Payment of providers should be primarily results-based

- Administrative costs should be paid upfront to ensure that smaller providers are not prevented from competing due to financial risk.
- Payment should reflect the goal of *sustained* work by paying the bulk of the money once a client has been in work for 6, 12, 24 and 36 months. This would ensure that providers tackle a client's underlying barriers to work, and prevent the current recycling prevalent within the system due to the lack of effective support.
- There should be a tiered payment system according to the complexity of a client's case - their distance from the workplace - which recognises the level of support that different clients will need.



A Centre for Social Justice (CSJ) Commission should look into

- The phasing-in of a unified out-of-work benefit for those who can work (part-time or full-time).
- Whether it is possible to increase work incentives within the Tax Credit system, and be more flexible in the number of hours or size of earnings that entitle the receipt of Tax Credits.
- The tapering levels of Tax Credits.

A serious and thorough review of the Housing Benefit system is needed. A CSJ Commission should review options for

- A national roll out of the Local Housing Allowance scheme to *both* social and privately rented housing.
- Abolishing the proposed cap of £15 per week on the amount that an individual can keep from finding a lower rent.
- Making the system easier to access and more comprehensible, in particular with regards to eligibility rules and points of contact.

Encouraging family formation that leads to the best outcomes for children and adults:

We have recommended the following policies in order to strengthen the (married) couple family, and to give children the greatest possible chances in later life:

Lone parents should be expected to work (as per above) as their child/ren grow up

- This is in order to reduce the chances of poverty and ensure that there is a working role model in the household. This will in turn reduce the chances of the child/ren being in poverty in adulthood.

Parents should be given the opportunity to front-load child benefit

- The 'front-loading' of Child Benefit will ensure that parents are able to care for their children in the formative early years (0-3). An incoming government should consider how best to introduce this policy and may wish to pilot or phase-in the proposal. If the policy is piloted or phased-in, then the Government should start with families with children considered 'at risk' (see the Family paper for details), in order to improve the life chances of children.



A CSJ Commission should consider

- The possibility of introducing a couple element into Housing Benefit.

Government must address the 'couple penalty' in Working Tax Credit

- This would ideally be in one reform, but if it is not possible to do so in one budget, then in stages.

State assistance for those who cannot work:

We have recommended the following policies in order to ensure that those who *truly* cannot work are fully supported:

Government should follow the recommendations made in Volume One Fractured Families

- This is with regards to support for carers, and the Family Group's proposal for a transferable tax allowance.

Government should maintain an appropriate level of support for severely disabled people who cannot work

- This should ensure that they do not fall below the poverty line.

The experiences of other countries that have reformed their welfare systems have demonstrated that cross-party consensus is an important enabler for change. Reforms that implement real and lasting positive change will require political will. It must also be clear to all those delivering the back-to-work services that the new work expectations and support levels have bipartisan support and therefore will remain in place regardless of who is in government.

Preliminary costings suggest that significant savings will result from the implementation of these policies in the medium- to long-term, providing that success rates are met. However the fundamental aim of the Working Group was to design a set of proposals which will support people into work, thereby reducing poverty and social exclusion.

Our policy recommendations have been developed from a powerful range of national and international evidence heard by the Economic Dependency Working Group between December 2005 and June 2007. An incoming Government should test the policies within this report, working closely with public, private and third sector partners and, most importantly of all, those for whom current welfare policies have failed.

ECONOMIC DEPENDENCY WORKING GROUP

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ABOUT THE SJPG

The Social Justice Policy Group was commissioned by Rt Hon David Cameron MP, Leader of Her Majesty's Opposition, in January 2006 to make policy recommendations to the Conservative Party on issues of social justice.

The Policy Group is chaired by the Rt Hon Iain Duncan Smith MP, former leader of the Conservative Party and Chairman of the Centre for Social Justice, and its Deputy Chairman is Debbie Scott, Chief Executive of Tomorrow's People. The Policy Group's Secretariat is hosted by the Centre for Social Justice.

The work has been done through six working groups, which have examined key "pathways to poverty": family breakdown, educational failure, economic dependency, indebtedness and addictions. A sixth group has studied how the third sector might be supported to do more to give vulnerable people second chances and help them escape poverty.

For further information, or to download the full report of the Social Justice Policy Group, *Breakthrough Britain*, please visit www.poverty.debate.com

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