



SIGNED ON, WRITTEN OFF

An inquiry into welfare dependency in Britain

May 2013



THE CENTRE FOR
**SOCIAL
JUSTICE**

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About the Centre for Social Justice

The Centre for Social Justice (CSJ) aims to put social justice at the heart of British politics.

Our policy development is rooted in the wisdom of those working to tackle Britain's deepest social problems and the experience of those whose lives have been affected by poverty. Our Working Groups are non-partisan, comprising prominent academics, practitioners and policy makers who have expertise in the relevant fields. We consult nationally and internationally, especially with charities and social enterprises, who are the champions of the welfare society.

In addition to policy development, the CSJ has built an alliance of poverty fighting organisations that reverse social breakdown and transform communities.

We believe that the surest way the Government can reverse social breakdown and poverty is to enable such individuals, communities and voluntary groups to help themselves.

The CSJ was founded by Iain Duncan Smith in 2004, as the fulfilment of a promise made to Janice Dobbie, whose son had recently died from a drug overdose just after he was released from prison.

Managing Director: Christian Guy

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Preface

This report lays bare the nature and scale of the employment, worklessness and welfare dependency challenges gripping Britain. They are not new. Nothing more than a cursory glance at what we present in this paper reveals how people have been trapped in poverty and low income for decades. Millions of people – the unemployed as well as many in some kind of work – are now reliant on social security to make ends meet. Too many families have become stuck in static neighbourhoods with little aspiration or hope of a self-reliant future.

During the significant period of economic growth under the previous Government, welfare spending on people of working-age rose by around 40 per cent in real terms – partly as a result of Tax Credits to those in work. This surged from under £3.3 billion in 1997–98 to more than £20 billion by 2010–11. Until 2010, nine out of 10 families with children were entitled to some form of support from the state. Meanwhile, one in every five households had no one working and almost two million children were growing up in workless families.

More than 20 million families now receive some kind of benefit (64 per cent of all families). For 9.6 million families, benefits make up more than half of their entire income. Over this five-year Parliament, this Government is on course to spend more than £1 trillion on social security.

A number of explanations have been offered as to why economic dependency is so high. Some are quick to blame the recession and austerity. But whilst the economic crisis has undoubtedly made things worse, this position misses a much bigger and deeper point. In many neighbourhoods dependency was just as high or even rising before the recession took hold. Millions were left on the scrapheap at a time when jobs were plentiful and the economy as strong as it had ever been.

In some places, dependency on benefits actually increased during the good times – in almost 30 per cent of local authority areas, it was the same or higher in 2006 compared with 1999. In such communities, a growing national economy did not solve the problem, and is unlikely to solve the problem in the future.

These areas – some of which we feature in depth in this paper – should keep politicians and policy-makers awake at night. They represent years of tragic failure and indifference from the political class. People in these neighbourhoods have been consistently written off as incapable, and their poverty plight inevitable. Their lives have been limited by a fatalistic assumption that

they have little prospect of anything better. Whilst some campaigners accuse this Government of being callous for its benefit cap, the truth is there has been a much more damaging welfare cap in these communities for years – an unjust cap on personal potential.

This is why the Government was right to set about reforming the benefits system. The Universal Credit was developed at the Centre for Social Justice to ensure that people are always better off in work – it was conceived as a life boat for the working poor as well as those not in employment. Set to be rolled out later this year, it represents the most important change to the modern welfare system since its creation in 1948 by William Beveridge. And it marks a break with the outdated and flawed thinking of the past which assumed that the solution to poverty was simply to marginally increase the generosity of benefits. But, for those people stuck in poverty, their life's ambition is not limited to higher benefits – they want to get off benefits altogether and secure a job which pays a decent wage so they can support their family. The only transformational route out of poverty is work. There is no alternative. It is high time we got behind people to give them that chance.

We have been disappointed by some of the rhetoric underpinning elements of the Coalition's welfare reform. Attempting to create an artificial divide between those in work and the unemployed has backfired spectacularly. It has also undermined the important principles behind the overall programme and given those who stand in the way of reform an unnecessary 'free hit'. For the credibility of those running the country it is vital that the starting point is saving lives not money, and fighting poverty not claimants.

Yet despite recent rhetoric, there has been essential progress made to confront dependency and worklessness under this Government. And a great deal more cross-party consensus – at least behind closed doors – than one would gather from much of the coverage. But as this report exposes, this must mark the beginning not the end.

With youth unemployment high and static for many years, there is a raging fire that no-one has yet come close to putting out. Scandalously, as we reveal in this report, ghettos of deep dependency continue to devastate pockets of British communities – some neighbourhoods have more than 50 per cent of people of working-age claiming out-of-work benefits. Social housing locks people into areas of low employment. Childcare costs continue to prevent many of our poorest parents who want to work from getting into employment. Job Centres often fail to help people find sustainable work. The 'couple penalty', which means many low-income parents lose benefits if they register as a couple, must be confronted.

Too many parents, young people and children are crying out for urgent action. It is time they had the hearing they deserve. I hope this paper makes a contribution to that effort.

Christian Guy

Managing Director, Centre for Social Justice

Members of the CSJ Working Group



The Baroness Stedman-Scott OBE, DL (Chairman)
Chief Executive, Tomorrow's People

Debbie Scott is Chief Executive of Tomorrow's People, a national employment charity that works in some of the UK's most deprived communities. She has been with Tomorrow's People since it was founded in 1984 and has imbued the charity with her enthusiasm and 'nothing is impossible' attitude.

Debbie is a leading thinker in the Welfare to Work sector and her advice is sought by many think-tanks and advisory boards. She was Deputy Chair of the Social Justice Policy Group, during which time they published the hugely influential *Breakdown Britain* and *Breakthrough Britain* documents.

Debbie is a founder member of the Employment Related Services Association and its first Chair. She has a number of external positions including Trustee of New Philanthropy Capital and member of the CBI's Employment Advisory Group.

She was appointed Deputy Lieutenant of East Sussex in 2007 and awarded an OBE in 2008 for services to the unemployed. In July 2010, Debbie was ennobled and took her seat in the House of Lords as The Baroness Stedman-Scott of Rolvenden.



Tom Wardle, Author and Researcher

Tom is the lead researcher for the CSJ's work on economic dependency and worklessness. He also coordinates the CSJ's work on child poverty and authored the recent Rethinking Child Poverty report. Prior to this, Tom was a policy intern at the CSJ. He holds a Bachelors degree in Politics and International Relations and a Masters degree in Poverty and Development, both from the University of Manchester.



Nicholas Boys Smith, Deputy Secretary General of the European Conservatives & Reformists Group and former Advisor to Peter Lilley MP

Nicholas worked at McKinsey & Co in London, Paris & Beijing. He then ran his own strategy consulting firm and economic policy consultancy working principally in capital markets and on tax and welfare policy. Nicholas was appointed by George Osborne as Secretary of the Tax Reform Commission working with Lord Forsyth and Sir Chris Gent and by Iain Duncan Smith as a Commissioner for Economic Dependency. From 2007 to 2013, Nicholas worked at Lloyds Banking Group, first as Head of Strategy for the Corporate Bank before working as Director of their International Wealth business.

Since March 2013 he has been Deputy Secretary General of the European Conservatives & Reformists Group. He is a consultant director of the think-tank Reform and is the author of a range of books and pamphlets on tax simplification, benefit reform and labour market regulation. He is also the founder of Create Streets whose mission is to campaign for social housing developments to be focussed on creating streets with houses and low-rise flats.

Nicholas holds an MPhil (with distinction) and an MA (double first) from Cambridge University as well as a range of professional qualifications.



Corin Taylor, Senior Economic Adviser, Institute of Directors

Corin Taylor is a Senior Economic Adviser at the Institute of Directors, and a member of the Advisory Board of the Economic Policy Centre. He has written and commissioned a number of pieces on energy and infrastructure policy, including on the impact of government policies on energy prices, nuclear power and the UK's space economy. He has also worked with Shell, the Energy Savings Trust, Michelin and Tomorrow's Company on the development of an energy efficiency campaign.

He was previously a member of the Social Return on Investment Working Group and Economic Dependency Working Group at the Centre for Social Justice, Secretary to the Public Sector Pensions Commission and Political Secretary to the Tax Reform Commission.

Prior to joining the Institute of Directors, he worked as Research Director at the TaxPayers' Alliance and Economics Research Officer at the Reform think tank. He has also written for Lloyds TSB and a number of think-tanks on a freelance basis, including Policy Exchange, Civitas and the Centre for Policy Studies.



Chris Arthur, Operations Director, ManpowerGroup

Chris has worked at ManpowerGroup for over twenty years, working up from Branch Consultant to being a part of the Senior Management Team as Director of ManpowerGroup Solutions.

Chris has worked with a wide number of private and public sector clients during his career. In his time at ManpowerGroup, Chris has been instrumental in developing a number of major on-site client contracts and has been at the forefront of developing industry-leading innovative workforce management solutions for a number of global organisations. He is passionate about making business easier for clients and in the opportunities that work can provide for everyone.



Maeve McGoldrick, Policy and Public Affairs Manager, Community Links

Maeve has been with Community Links for over four years heading up their policy and campaigning work on poverty, welfare and employment. Community Links is an innovative east London charity, running a wide range of community projects for 30,000 people every year.

Maeve coordinated the national Need NOT Greed campaign; seeking to formalise people working in the informal economy and to modernise the welfare system. Other policy areas Maeve is responsible for include the contractual design and delivery of the Work Programme, employment policy – including self-employment specifically and reforming employment support services. Maeve is a member of a range of poverty and employment-related advisory groups and taskforces for organisations such as JRF, SSAC and ERSA. She was the UK Ambassador for the European Year against Poverty, 2010.

Previously Maeve held policy and campaigning roles with the British Youth Council and ATD, Fourth World, an international anti-poverty organisation. She has also spent time as a family support worker, working with troubled families living in persistent, chronic poverty in the UK. She started her career working on poverty and employment programmes in China and New York.



Anne Linsey, Chief Executive, YMCA Training

Anne is Chief Executive of YMCA Training. Anne has worked in the voluntary sector for the past 30 years and involved in the design, delivery and management of high-quality programmes of work-related training and employment support for individuals, employers and communities.

Since 1994, this has been in the capacity of Chief Executive of YMCA Training, a national charity working with people of all ages, backgrounds and abilities; inspiring people to develop their skills and potential and so transforming lives.

Anne is currently a Trustee of the National Council of YMCAs in England and was also a board member of ERSA (the Employment Related Services Association) from its inception in 2005 until 2011. Anne served on the Northamptonshire Learning and Skills Council for six years and is currently a member of the Chartered Institute of Personnel Development and the Institute of Directors.



Mike Hughes, Founder and Chief Executive, Twenty Twenty

Mike is the Founder and Chief Executive of Twenty Twenty, a charity based in the Midlands helping disadvantaged and disengaged young people to believe in themselves, achieve in education, and find employment. Prior to that Mike was in Church ministry, and had a particular focus on launching and supporting charities and community projects in the UK and overseas. He is married to Heather, and has two teenage daughters, Megan and Ellie.



Deven Ghelani, Director, Policy in Practice

Deven Ghelani is the Director of Policy in Practice, an independent organisation founded to support the implementation of policy.

Deven led the CSJ's work on economic dependency for three years and has written extensively on welfare policy, government spending and employment. His publications include *Outcome-based Government*, a guide to maximising returns from public spending and *Creating Opportunity, Rewarding Ambition*, an analysis of entry level employment, with recommendations to improve employment opportunities for long-term job seekers.

He was a consultant at KPMG prior to taking strategy-focussed roles at a venture capital backed start-up and leading law firm before conducting independent research on welfare policy that led to his role at the CSJ. He has also worked on voluntary initiatives in the UK, Japan and East Africa.



Charmaine Young CBE, Chief Executive, Berkeley Foundation

Charmaine trained in Building Construction and has worked in Housing Regeneration for over 40 years. She worked in Local Government for 16 years, initially for Birmingham City Council and then for Sheffield City Council where she was Assistant Director of Housing. Since then she has worked in the private sector for Wimpey and Lovell Partnerships. In 1999 she was appointed as Regeneration Director for St George, London's leading mixed-use and residential developer, the first property developer to have been granted The Queen's Award for Enterprise: Sustainability Award in 2002.

Charmaine is a Fellow of the Institute of Directors and the Royal Society of Arts. In 2003, she was appointed a CBE by Her Majesty The Queen for service to Urban Regeneration and subsequently included in Who's Who. In September 2010 Charmaine became a Main Board Director of St George Plc. In February 2013 Charmaine became the Chief Executive of the Berkeley Foundation.



Professor Mike Brewer (Advisor to group)

Mike Brewer is Director of the ESRC Research Centre for Micro-Social Change, based at the Institute for Social and Economic Research at the University of Essex, and is also a Research Fellow at the Institute for Fiscal Studies. He has a long-standing interest in evaluating policies to encourage parents, especially lone parents, to work, including impact assessments of the WFTC, In Work Credit and Lone Parent Obligations. His other research interests include measuring and understanding trends in inequality and relative poverty.

Special thanks

The CSJ would like to thank the many people and organisations who have kindly given their time to contribute evidence during the course of this review. Our thanks go to the Working Group for their time and expertise. Particular thanks go to The Baroness Stedman-Scott OBE, DL, the Group's Chairman, for her incredible leadership and commitment to the review. Special thanks also go to Alex Burghart, CSJ Director of Policy, for his invaluable help and guidance.

We are also very grateful to the Berkeley Foundation, ManpowerGroup and Sweep Kuusakoski for their generous support for this paper.



Chairman's foreword

The stark facts of this State of the Nation report are well laid out. In his Preface, the Managing Director has outlined the gravity of the situation in which we find ourselves and the report identifies some of the really challenging social issues facing the UK.

Since the first *Breakthrough Britain* report, there has been a lot of progress. However, there is still an enormous amount of work left to do and we are now at a point where the focus must be on the areas posing the greatest challenge to prosperity and social cohesion. It is not a time to look back at what was and how things used to be done, but a time to look forward, to start building solutions which are tangible at a local level in the communities which are suffering so much. To do this, we intend to scour the country talking to as many individuals and organisations as possible. We will come up with workable, fundable and sustainable models and interventions that will make a real difference on the frontline of poverty, deprivation and hopelessness.

It is essential that we know what we are up against, but the real determination must be in what we are going to do to move things forward. Our Working Group wants to speak to anyone and everyone who has really good ideas about what can be done. We are looking for solutions that build resilience not reliance; innovations that motivate and inspire rather than stigmatise and marginalise; and we want answers that give people with determination a feeling of a destiny and hope for the future that things do not always have to be like this.

This report draws attention to the scale and challenges that economic dependency and worklessness pose to the UK today. You will find everything you need to know in the report and I ask you to please, please join us in this venture.

The Baroness Stedman-Scott OBE, DL

Executive summary

Economic dependency and worklessness are amongst the most destructive forces in our society. Wherever long-term worklessness is found, so too is social breakdown. Successive governments have failed for decades to tackle a chaotic welfare system that has trapped generations of people in poverty and left them unable to realise their potential.

Following the Centre for Social Justice's (CSJ) pioneering *Breakthrough Britain* research published in 2007, we are revisiting the challenges posed by the welfare system and other broader barriers to employment. Our central guiding question remains the same: what more can be done to help people find work, stay in work, and achieve economic independence?

We continue to argue that work, not welfare, is the best route out of poverty. There really is no viable alternative to work. The public share this view. CSJ/YouGov polling conducted for this report found that **85 per cent of people agree that work is the only reliable route out of poverty.**

I Economic dependency and worklessness in the UK today

Since we published *Breakthrough Britain*, countries all over the world have suffered the worst financial crisis since the Second World War. Despite the hardship it has brought, **the recession is not the primary cause of the UK's high economic dependency and worklessness.**

- The number of people in the UK who are dependent on at least one out-of-work benefit rose slightly during the recession but has hovered between four and five million for more than 15 years;
- 25 per cent of local authorities actually saw working-age dependency on benefits rise during the economic boom;
- Despite GDP falling by more than six per cent, the employment rate has remained relatively static. It fell by around two percentage points during the recession but never dropped below 70 per cent.

a) Out-of-work dependency is alarmingly entrenched in some UK neighbourhoods

Economic dependency and worklessness at a national level is a cause for concern. But these figures mask the fact that **in some pockets of the UK, the problem is far more deep-rooted.** In Liverpool, for example:

- Some neighbourhoods have more than 40 per cent of working-age people claiming out-of-work benefits;
- Nearly 16,000 people have been on out-of-work benefits for 10 years or more;
- The working-age welfare bill reached £1.9 billion in 2011–12.

There are other neighbourhoods in the UK where the **majority of working-age people are claiming out-of-work benefits**. In one neighbourhood in Denbighshire it is almost 70 per cent.

b) Intergenerational worklessness does exist

Some think-tanks and journalists have claimed that intergenerational worklessness is a rare or even non-existent phenomenon. This is justified by the fact that the Government does not collect figures. Yet this is not the same thing as the problem itself not existing. Our research has found that:

- 96 per cent of our Alliance of poverty-fighting charities surveyed say it exists;
- Many of our Alliance members see it regularly; second, third or even fourth generation.

c) Youth unemployment is a serious cause for concern

Youth unemployment rose by nearly twice as much as it did for older people during the recession (as a share of the population). There are many parts of the country where the number of NEETs (young people not in education, employment or training) is close to one in four: **But youth unemployment has been rising since 2004, well before the recession.**

d) In-work dependency

It is sometimes assumed that everyone who is economically dependent is out of work. This is not the case. **There are many people claiming benefits who are in work.**

- Under this Government, around 4.3 million working families are receiving one or more of Working Tax Credit, Child Tax Credit, Council Tax Benefit and Housing Benefit;
- Under the previous Government, nine out of 10 families with children were eligible for some form of welfare support.

e) Welfare spending

Since the modern welfare state was created by William Beveridge, the amount governments have spent on welfare has risen significantly.

- The government originally spent just £11 billion a year in real terms in 1948 on welfare (4 per cent of GDP). It now spends more than £200 billion a year (13 per cent of GDP);
- During the recent economic boom, welfare spending on people of working-age rose by around 40 per cent in real terms;
- Nearly two-thirds of the real terms cash increase in working-age welfare spending (between 1997–98 and 2010–11) was driven by higher spending on Tax Credits, which are

- substantially more generous than the benefits they replaced;
- The Coalition Government is forecast to spend £1 trillion on welfare over the course of this Parliament;
- Birmingham is the local authority which spends the most overall on working-age welfare, spending £5.5 billion in 2011–12;
- Sefton is the local authority which spends the most per capita on working-age welfare, some £6,278 per person in 2011–12.

2 Barriers to work

The problems of economic dependency and worklessness pre-date the recession and will not be resolved by a return to economic growth alone. There is much more that can be done, even in the absence of growth, to break down the barriers which prevent thousands of people from finding, taking and staying in work.

a) Preparing people for work

One of the best ways of ensuring that a young person does not end up dependent on benefits is to ensure that they are equipped with the right skills for the 21st century workplace. Whilst this is well recognised by government and employers alike, **the UK is failing to properly prepare our young people for work.**

- 'Hard' skills (e.g. numeracy and literacy) are important for getting a job but almost four million people of working-age in the UK have no qualifications at all;
- 35 per cent of businesses are dissatisfied with the basic literacy of school and college leavers and 30 per cent are dissatisfied with their basic numeracy;
- The UK has slipped down the global league tables. Between 2000 and 2009 (latest available figures) it has fallen from 4th to 16th in science, 7th to 25th in reading and 8th to 28th in maths;
- 'Soft' skills (e.g. work ethic and time-keeping) are also important for getting a job but employers report a poor work attitude and ethic as the main reason (62 per cent) for turning away applicants;
- 68 per cent of our surveyed Alliance members said they come across young people growing up in workless households who think that some jobs are 'beneath' them.

b) Back-to-work support

Back-to-work support can be vital for those who find themselves unemployed. This 'journey' usually begins at Jobcentre Plus (JCP). However we are concerned that **JCP is not doing enough to reduce economic dependency and worklessness.**

- Less than half (48 per cent) of JCP staff work in face-to-face operations;
- Evidence from our Alliance strongly suggests that many JCP advisers either do not spend enough time getting to understand the needs of claimants, or that the quality of advice depends heavily on the quality of the individual adviser;

- Many claimants still have no up-to-date CV after claiming benefits for 12 months;
- Some Alliance members feel so strongly about this that they have set up alternative employment services for people which allow them to bypass JCP;
- JCP measures its performance on the number of people it gets off benefits. It is successful on this measure but this is not the same as getting people into sustained work. On this measure its performance is less clear;
- Among small businesses (which make up 84 per cent of employers) less than 20 per cent use JCP to recruit.

c) Housing

Social housing has an important role to play in providing affordable accommodation to people on low incomes. **Yet social housing can act as a barrier to finding employment.**

- Only 23 per cent of social housing tenants are in full-time work;
- Across the country, one in eight moves is linked with work. However, only a few thousand social tenants each year move home for job-related reasons;
- There are 'neighbourhood' effects which mean those in social housing are less likely to work than those in the private rented sector.

d) Other barriers to work

Without childcare, many parents are unable to work. **But childcare in the UK is expensive,** both for government and for parents.

- A parent buying 50 hours of childcare per week for a child under two faces an average annual bill of £11,000 per year;
- In 2013, the Government will spend £2.3 billion on the childcare subsidy. This is the second highest in the OECD.

Transport can also act as a barrier to employment, both in terms of its cost and availability. Not only can expensive or inaccessible transport prevent an unemployed person from getting to work, it can prevent them from searching for a job in the first place as they cannot get to an interview.

3 Next steps

This 'State of the Nation' review outlines the scale of economic dependency and worklessness in the UK today and offers insight into some of the factors that are driving it. The second phase of the *Breakthrough Britain II* review will form innovative and radical policy recommendations for the government to tackle economic dependency and worklessness. We will do this by taking evidence from a wide range of organisations and individuals and travelling the country to learn from those already working effectively to reverse social breakdown.

chapter one

Introduction

1.1 Context

The publication of *Breakthrough Britain* by the Centre for Social Justice (CSJ) in 2007 fundamentally altered the British political landscape. The policy-making context was changed and a tired national debate about tackling poverty was reinvigorated.

The Economic Dependency and Worklessness volume exposed a number of flaws in the Government's policies, notably poor target-setting and weak and ineffective work expectations for the unemployed; ineffective and inefficient support for those moving from welfare to work; and an overly complex benefits system full of perverse incentives.

These experience-led reports – shaped by mass domestic and international evidence-gathering – presented an unprecedented diagnosis of poverty in the UK and outlined a fresh vision for fighting it. This vision rested on recognising that using money alone to combat disadvantage, as important as income is, is too narrow an approach.

Through these conclusions and the thousands of people who shaped them, the CSJ demonstrated the need to identify and tackle the root causes of poverty, and not merely the symptoms. We showed that, for too long, five pathways to poverty have characterised life in our poorest neighbourhoods. These are: family breakdown; economic dependency and worklessness; educational failure; drug and alcohol addiction; and serious personal debt. These pathways are interconnected. For example, a child who experiences family breakdown is less likely to achieve at school. Someone who fails at school is less likely to enter work and more likely to be on benefits. Consequently they are then more likely to live in financial poverty and debt. And so the cycle continues.

As a result of *Breakthrough Britain*, a debate was initiated about ending welfare dependency for the millions of people trapped in worklessness. Yet much has changed in the policy-making environment since we published in 2007. In particular, the economic crisis has led to one of the deepest and longest recessions on record and there have already been significant public expenditure reductions to deal with the national deficit. We also have the first coalition government since 1945.

However, what remains clear within the debate about putting Britain on a secure financial footing is the need for a social recovery as well as an economic one. As the CSJ has shown, the costs of social breakdown are significant and often preventable. We believe it is time to revisit *Breakthrough Britain*. In view of the monumental challenges now confronting policy-makers and society, this review will lay fresh foundations for tackling poverty in an age of austerity. Once again, this must be based on a recognition of poverty's root causes.

The CSJ has conducted a national audit of social breakdown for each of the six policy areas which comprise *Breakthrough Britain II*. This 'State of the Nation' report sets out the key problems and trends in relation to economic dependency and worklessness and will act as a 'springboard' for the main report to be published in Spring 2014, comprising of a number of policy recommendations for the government.

1.2 Dependency can take a number of different forms

If someone is economically dependent it means that they rely on welfare payments from the state to meet their basic needs. A person can be dependent for a range of reasons, including:

- Those who cannot work due to a disability or illness;
- Those who have retired and receive a State Pension;
- Those who want to work but are unable to find a job;
- Those who work but whose wages are too low to support the household;
- Those who choose not to work.

For those who are unable to work due to a disability or illness, the CSJ made clear in *Breakthrough Britain* that it is vital that benefits are set at a level which ensures those in receipt are supported to a level appropriate for them to participate fully in society.¹ The primary focus of this report will be on the latter three of these five groups – those who are of working-age and capable or potentially capable of some work.

1.3 Work, not welfare, is the best route out of poverty

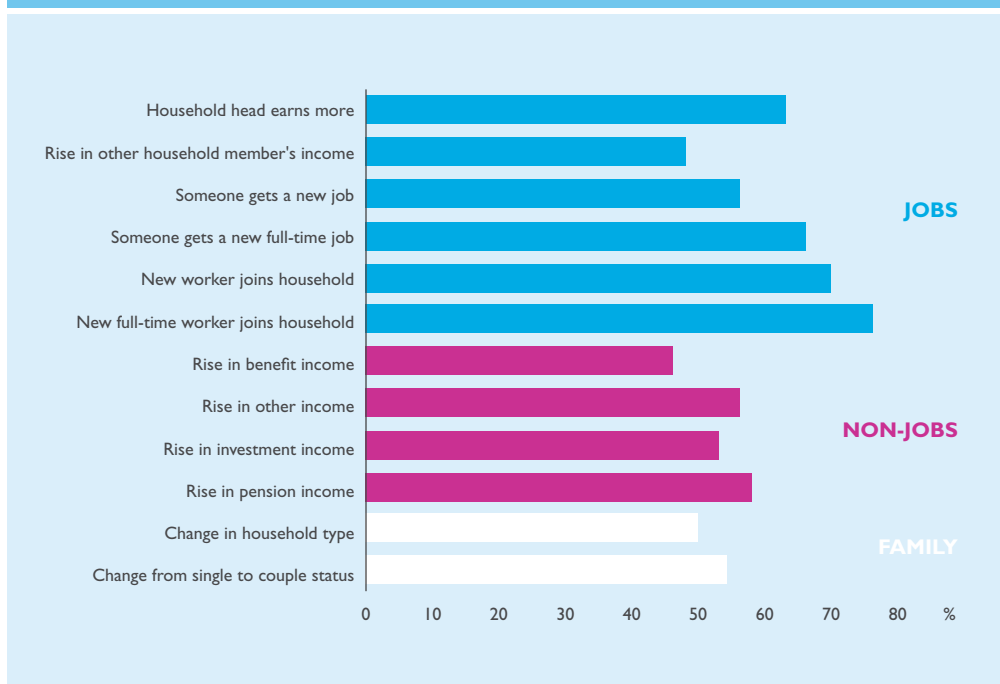
Being in work is the most powerful weapon in the fight against poverty. There is no alternative to work. Children in couple households where two adults are in full-time work only have a one per cent chance of being in financial poverty (where poverty is defined as having less than 60 per cent of median UK income). This is compared to a 64 per cent chance for children where neither adult works.² Similarly, as Figure 1 shows, the chances of staying out of poverty a year after someone in a family gets a new job are 56 per cent, and 76 per cent when a new full-time worker joins the household.³

1 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, London: Centre for Social Justice, 2007

2 HM Government, *State of the nation report: poverty, worklessness and welfare dependency in the UK*, London, HM Government, 2010

3 Written evidence submitted to the CSJ by Joseph Rowntree Foundation

Figure 1: Chance of staying out of poverty in the year after different events



The public, poverty-fighting charities and politicians from across the political spectrum overwhelmingly support this notion of work as the best route out of poverty.

85 per cent of the public agree that work is the only reliable route out of poverty.

CSJ/YouGov polling, 2012⁴

'There is only one real route out of poverty and it is work.'

David Cameron, Prime Minister and Leader of the Conservative Party, 2012⁵

'The best way to get children out of poverty is to get more parents in work.'

Stephen Timms MP, Labour Shadow Employment Minister, 2012⁶

'Work... is the surest route out of poverty.'

Nick Clegg, Deputy Prime Minister and Leader of the Liberal Democrats, 2010⁷

4 CSJ/YouGov polling, 2012 (1722 adults)

5 Speech by the Prime Minister; David Cameron, Conservative Conference 2012, 10 October 2012

6 Stephen Timms MP, March 2012 [accessed via: <http://www.labour.org.uk/to-get-children-out-of-poverty-must-get-parents-in-work,2012-03-13> (08.05.13)]

7 Speech by the Deputy Prime Minister; Nick Clegg, Social Mobility, August 2010

'Work is very important, not just as a way of improving income but as a route to recovery for people with mental health difficulties. Making a contribution through paid work or volunteering is important to improving morale.'

Rhian Beynon, Head of Policy and Campaigns, Family Action⁸

1.4 Work has other positive consequences

Beyond reducing the chances of living in income poverty, there are broader reasons why work is important for individuals, families and society. For example:

a) Research by the Department for Education found that persistently workless households are associated with:

- **Social housing** – 71.3 per cent are in social housing;
- **Single parenthood** – 67.3 per cent are single parent households;
- **Illness** – 56.2 per cent have a parent with a long-term limiting illness;
- **Low qualifications** – 49.4 per cent are households with no qualifications;
- **Poor grasp of English** – 17.1 per cent are households where English is not the first language;
- **Teenage pregnancy** – 12.3 per cent comprise of teenage mothers.⁹

b) Children from workless households are more likely to be workless themselves in later life compared with those from working households. For example, sons are over twice as likely to experience workless spells themselves if they come from a family where the father was not in work throughout childhood compared to those with a father who was.¹⁰

c) Higher employment is good for society. It increases tax receipts and reduces government spending on welfare, health and crime.¹¹ For example, in relation to youth unemployment, in 2012:

- The total cost to the economy in terms of taxes foregone was likely to be just over £600 million;¹²
- The total cost to the economy in terms of lost output was likely to be £10.7 billion.¹³

⁸ Evidence to CSJ Working Group, January 2013

⁹ Department for Education, *Intergenerational transmission of worklessness: Evidence from the Millennium Cohort and the Longitudinal Study of Young People In England*, London: Department for Education, 2012

¹⁰ Lindsey Macmillan, *The Intergenerational Transmission of Worklessness in the UK*, Bristol: University of Bristol, 2010

¹¹ Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, London: Centre for Social Justice, 2007

¹² The ACEVO Commission on Youth Unemployment, *Youth unemployment: the crisis we cannot afford*, London: ACEVO, 2012

¹³ Ibid

1.5 Not everyone in work is able to escape poverty

Whilst being in work drastically reduces the chances of living below the income poverty line, it is not a guarantee. Even when one or more family members are in work, a household may remain below the line. This is because working and not working are not simple binary variables which determine on their own whether someone is in poverty or not. Whether a job allows someone to escape poverty can also depend on the:

- nature of a job;
- level of job security;
- number of hours worked;
- hourly pay;
- prospect of promotion or pay rise.¹⁴

For example, a single adult with no children who is living by themselves and only working for a few hours per week at the national minimum wage (£6.19 an hour) is deemed to be a working household. However, by working few hours for a relatively low hourly wage, it is perhaps not surprising that this household still falls below the poverty line, which is £168 per week before housing costs (for a single person household with no children).¹⁵

However, if they were working full-time (35 hours a week) for the national minimum wage then they would earn around £217 a week and fall above the poverty line.

There are, therefore, important distinctions to be made, such as how many hours someone works and how much they are paid. These nuances can often get lost in the debate over work and its poverty-reducing potential. Arguing that work is the best route out of poverty is not the same as arguing that everyone who works will necessarily be out of poverty. Rather, being in work should be viewed as a route, or a 'journey' out of poverty over time as someone progresses in work. In order for someone to maximise their chances of escaping poverty, securing full-time employment with a decent hourly pay and opportunities for progression should be the goal.¹⁶

1.6 The modern welfare state has departed from its original purpose

The Beveridge Report (1942) and the subsequent White Paper on Employment Policy (1944) laid the foundations for the post-war welfare state established in 1948.¹⁷ Alongside a commitment to full employment, a National Health Service, a new approach to education and investment in housing was a system of social insurance. Crucially, this system was designed as a 'safety net' for those falling on hard times. It was founded on the principles of:

¹⁴ Written evidence submitted to the CSJ by Joseph Rowntree Foundation

¹⁵ Department for Work and Pensions, *Households Below Average Income: An analysis of the income distribution 1994/95–2010/11* June 2012, London: Department for Work and Pensions, 2012

¹⁶ Centre for Social Justice, *Creating Opportunity, Rewarding Ambition*, London: Centre for Social Justice, 2011

¹⁷ Sir William Beveridge, *The Report of the Inter-Departmental Committee on Social Insurance and Allied Services*, HMSO, 1942

1. Contribution

*'Benefit in return for contributions, rather than free allowances from the state, is what the people of Britain desire.'*¹⁸

2. Personal responsibility

*'The correlative of the state's undertaking to ensure adequate benefit for unavoidable interruption of earnings, however long, is enforcement of the citizen's obligation to seek and accept all reasonable opportunities of work, to co-operate in measures designed to save him from habituation to idleness, and to take all proper measures to be well.'*¹⁹

3. An incentive to find work rather than claim benefits

*'The state in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum it should leave room and encouragement for each individual to provide more than the minimum for himself and his family.'*²⁰

Since its creation more than 60 years ago, successive governments of all political parties have attempted various piecemeal reforms in an effort to improve the system and respond to our changing demographic landscape. Such reforms have been implemented with varying degrees of success.

However, what is clear is that over time the principles which encapsulated Beveridge's original vision have gradually been eroded. For example:

1. The importance of contributory benefits has declined. Beveridge's vision rested on the principle of 'something for something' whereby benefits are earned in return for National Insurance contributions. However, since 1978 the share of expenditure on working-age welfare accounted for by means-tested benefits has increased from 26 per cent to 80 per cent. By contrast, only £10 billion (around 10 per cent of the working-age budget) went on contributory benefits in 2012.²¹

2. Personal responsibility has withered. Conditionality in the benefits system is low. There are exceptions to this, with some conditionality required on the Work Programme and for claimants of Employment and Support Allowance (ESA).²² However Jobseeker's Allowance (JSA) claimants usually only have to attend a Job Centre once every two weeks and one study shows that the average JSA claimant spends just seven hours a week searching for work.²³ Another estimates it is just over six minutes a day.²⁴ Almost nothing

18 Ibid

19 Ibid

20 Ibid

21 Institute for Fiscal Studies, '70th anniversary of the Beveridge report: where now for welfare?', December 2012 [accessed via: <http://www.ifs.org.uk/publications/6475> (08.05.13)]

22 Department for Work and Pensions, 'ESA Sanctions Official Statistics, February 2012' [accessed via: http://research.dwp.gov.uk/asd/workingage/esa_san/esa_san_feb12.pdf (08.05.13)]

23 Stephen McKay, Alison Smith, Rachel Youngs and Robert Walker, *Unemployment and jobseeking after the introduction of Jobseeker's Allowance*, Leeds: Department of Social Security, 1999

24 Alan Krueger and Andreas Mueller, *The Lot of the Unemployed: A Time Use Perspective*, Germany: Institute for the Study of Labour, 2008

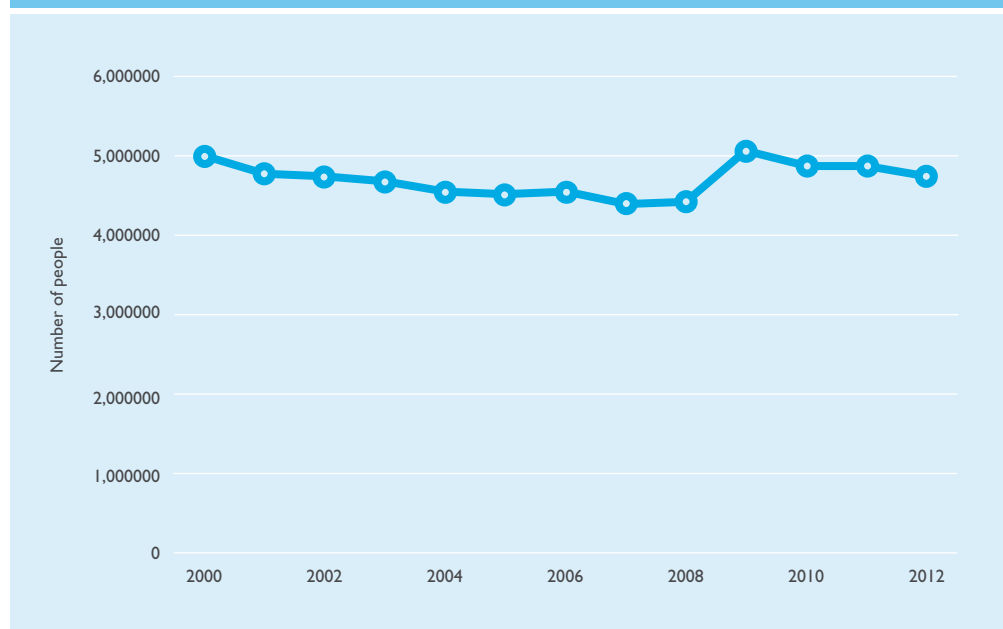
is expected of those claiming Incapacity Benefit (IB) and little support is offered. This is surprising when the National Employment Panel estimated that a million disabled people on IB wanted to work.²⁵

3. **There is little incentive to find work.** The benefits system in its current form disincentivises work through the swift withdrawal of benefits with high marginal tax rates. For example, for households with the lowest earnings, the very highest withdrawal rates mean that for every additional £1 of income earned, 90p or more is withdrawn.²⁶ This can offset any earnings from work and punishes the lowest earners who are trying to earn more. People can therefore be financially better off out of work compared to in work, especially when the additional costs of employment, including travel, are included.

1.7 Economic dependency and worklessness have become entrenched

Alongside the erosion of Beveridge's founding principles, economic dependency (both out-of-work and in-work) has risen significantly. This dependency was high even during times of economic prosperity when it ought to have declined substantially. During 63 quarters of consecutive growth under the previous government, the UK only saw a very small drop in economic dependency and worklessness. As Figure 2 shows, the number of people claiming an out-of-work benefit fell slightly, but remained above four million.²⁷

Figure 2: Number of working-age people claiming an out-of-work benefit, Great Britain



25 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, London: Centre for Social Justice, 2007

26 Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, London: Centre for Social Justice, 2009

27 Nomis [accessed via: www.nomisweb.co.uk (08.05.13)] (Great Britain, August data)

What is even more alarming is that 1.4 million of these people had been receiving benefits in the last decade for nine out of 10 years.²⁸ Even during the economic boom, almost one in every five households had no one working²⁹ and the number of households where no member had ever worked almost doubled.³⁰

These national statistics do not reveal what has been happening at a local level. There are certain parts of the country where, despite economic growth, welfare dependency has been at worryingly high levels. For instance, during the economic boom in 2003, 25.3 per cent of working-age people in Knowsley and 26.1 per cent of working-age people in Glasgow were claiming out-of-work benefits. This was more than twice the Great Britain average at the time of 12.4 per cent.³¹

In many places, economic dependency actually increased during the economic boom. For example, in Boston, Lincolnshire, working-age dependency on benefits went up from 12.9 per cent in 1999 to 14.1 per cent in 2006.³²

This is not a trend confined to Boston. In fact, 25 per cent of local authorities (equivalent to 96) saw working-age dependency on benefits rise during the economic boom. In almost 30 per cent of local authorities levels of dependency were the same or higher in 2006 compared with 1999.³³

Under the Coalition Government, economic dependency has fallen slightly (from 4,828,350 claiming an out-of-work benefit to 4,600,620) but remains high.³⁴ More than 20 million families are now dependent on some kind of benefit (64 per cent of all families), about 8.7 million of whom are pensioners. For 9.6 million families, benefits make up more than half of their entire income, equivalent to 30 per cent of all families.³⁵

At a local level, there are substantial variations in dependency between areas. In terms of unemployment benefit for example, some parliamentary constituencies have ten times more people claiming than others. As Figure 3 shows, in March 2013 more than 11 per cent of residents in Ladywood, Birmingham were claiming Jobseeker's Allowance compared with less than one per cent in West Aberdeenshire and Kincardine.³⁶

28 Department for Work and Pensions, *Universal Credit: welfare that works*, London: Department for Work and Pensions, 2010

29 Office for National Statistics, 'Working and Workless Households, 2012 – Statistical Bulletin', August 2012 [accessed via: http://www.ons.gov.uk/ons/dcp171778_277448.pdf (15.08.13)]

30 Ibid

31 Nomis (working-age population, August data)

32 Nomis (Boston local authority district/unitary, dependency on any benefit, August data)

33 Nomis (local authority district/unitary, proportion of working-age population dependent on any benefit, August data)

34 Nomis

35 The Guardian, 'Benefits in Britain: separating the facts from the fiction', 6 April 2013

36 Nomis

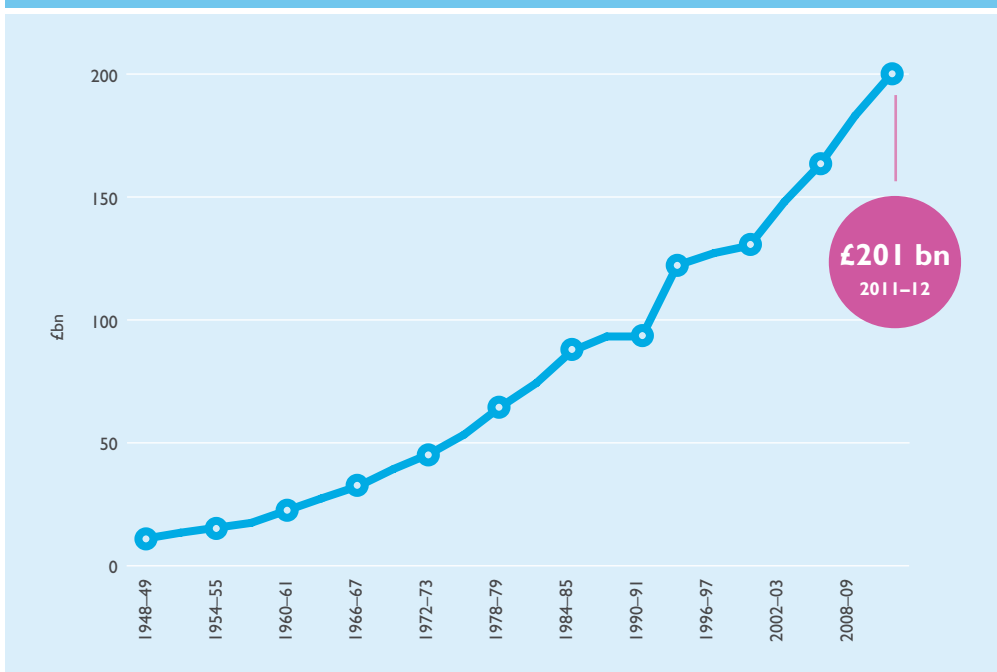
Figure 3: Percentage of people claiming unemployment benefits by Parliamentary Constituency, March 2013

| | Parliamentary Constituency | Region | Male | Male (%) | Women | Women (%) | Total | Total (%) |
|-----|-----------------------------------|------------------|-------|----------|-------|-----------|-------|-----------|
| 1 | Birmingham, Ladywood | West Midlands | 6,095 | 15.0 | 2,830 | 7.1 | 8,925 | 11.1 |
| 2 | Birmingham, Hodge Hill | West Midlands | 4,374 | 12.4 | 2,436 | 6.8 | 6,810 | 9.6 |
| 3 | Belfast West | Northern Ireland | 4,081 | 14.9 | 1,508 | 4.9 | 5,589 | 9.6 |
| ... | | | | | | | | |
| 660 | North East Hampshire | South East | 400 | 1.3 | 222 | 0.7 | 622 | 1.0 |
| 661 | Gordon | Scotland | 361 | 1.1 | 188 | 0.6 | 549 | 0.9 |
| 662 | West Aberdeenshire and Kincardine | Scotland | 307 | 1.0 | 162 | 0.6 | 469 | 0.8 |

1.8 Welfare spending has risen

The cost of the welfare state has risen significantly since its creation. As Figure 4 shows, it cost just £11 billion in real terms when it was established in 1948. Yet it has now passed the £200 billion mark in real terms.³⁷ This represents an 18-fold increase. Welfare spending as a proportion of GDP has more than tripled to over 13 per cent during the same period.³⁸

Figure 4: Welfare spending, £ billions



37 Institute for Fiscal Studies, 'A Survey of the UK Benefit System', November 2012 [accessed via: <http://www.ifs.org.uk/bns/bn13.pdf> (08.05.13)]

38 Ibid

Looking to the future, spending on welfare is forecast to increase even further. The Government estimates that spending will reach £218 billion by 2015–16 in cash terms.³⁹ This means that the Coalition Government will have spent over a trillion pounds on welfare over the course of this Parliament.⁴⁰

There are a number of factors which are driving up welfare spending. These include:

- The cost of housing;
- An ageing society;
- Low wages;
- Worklessness;
- Increased generosity and eligibility for benefits.

These spiralling levels of dependency and costs are not what Beveridge ever intended.

1.9 Reforming welfare is an urgent political priority

All governments have at times been guilty of adopting a 'short-termist' approach to reforming welfare. This is a problem, as successfully addressing the multiple barriers which a long-term unemployed person faces and getting them into sustainable employment is neither quick nor easy. Yet a longer-term approach has been inhibited by a lack of cross-party consensus and a tendency for 'quick fix' reforms within four and five year Parliamentary terms. This is in sharp distinction to major government infrastructure projects which can typically look more than twenty years ahead.

As a result, governments of all sides have fallen short of making the fundamental reforms necessary to reduce economic dependency and address the welfare state's drift from its founding principles of contribution, personal responsibility and an incentive to find work rather than claim benefits.

Reform is now essential and can wait no longer. Some cite the spiralling costs of the welfare budget as the key reason to act. These arguments are important, as the government now spends almost one in every three pounds on social security.⁴¹ Yet the most powerful arguments for reforming welfare are not financial, but social. By focussing on income transfers rather than employment, our welfare system has made people dependent on benefits, trapping them in poverty and preventing them from achieving economic independence.

39 HM Government, 'Welfare Benefits Up-rating Bill Impact Assessment', January 2013 [accessed via: <http://www.parliament.uk/documents/impact-assessments/IA13-001.pdf> (08.05.13)]

40 Department for Work and Pensions, 'Benefit expenditure tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (08.05.13)]

41 Institute for Fiscal Studies, *The Green Budget 2013: February 2013*, London: Institute for Fiscal Studies, 2013

1.10 The Coalition Government has made an ambitious start

Welfare reform has been a top priority for the Coalition Government. While many have sought to frame the reforms as a direct response to the UK's precarious economic situation, this is not the primary goal. These reforms are necessary and would have been undertaken regardless of the state of the economy.

As the Prime Minister said in a speech in 2011:

'Reform of welfare isn't some technocratic issue... it's about the kind of country we want to be – who we back, who we reward, what we expect of people, the kind of signals we send to the next generation.'⁴²

We have recently passed the halfway mark of the Parliamentary term and a raft of reforms have already been implemented. For example:

- Reforming back-to-work support through the Work Programme and Youth Contract;
- A cap on the total amount of benefit that working-age claimants can receive;
- Most working-age benefits to rise by one per cent until 2016;
- Disability Living Allowance replaced with Personal Independence Payment (PIP).

The most important reform – Universal Credit – is currently being piloted and will be rolled out across the country later this year. This represents the most fundamental change to the benefits system since Beveridge's report and was developed at the CSJ as part of our *Dynamic Benefits* report.⁴³ Universal Credit is intended to simplify the system and improve work incentives to ensure that work always pays. The Government estimates that the Universal Credit will lift around 900,000 people above the poverty line.⁴⁴

However, these reforms alone will not be enough to tackle Britain's crisis of worklessness and economic dependency. There is a need for far-reaching reform in many other areas in order to make it easier for people to find work and become economically independent.

1.11 Next steps for tackling economic dependency and worklessness

The CSJ has published extensively on the issue of economic dependency and worklessness already. Our three key reports in this area are *Breakthrough Britain: Economic Dependency*

⁴² Speech by the Prime Minister; David Cameron, Welfare, 25 June 2012

⁴³ Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, London: Centre for Social Justice, 2009

⁴⁴ Department for Work and Pensions, 'Housing Benefit Direct: Universal Credit Special Issue October 2012' [accessed via: <http://www.dwp.gov.uk/docs/universal-credit-special-issue-oct-2012.pdf> (08.05.13)]

and *Worklessness*; *Dynamic Benefits*; and *Creating Opportunity, Rewarding Ambition*. Short summaries of these are below. *Breakthrough Britain II* will build on this work by identifying and finding solutions to the barriers which prevent people from finding and staying in work. It is only by effectively addressing these barriers in conjunction with the reforms to the welfare system that economic dependency and worklessness can be significantly reduced in the UK.

Breakthrough Britain: Economic Dependency and Worklessness (2007)

The purpose of this report was to review the provision of welfare-to-work services and ensure that supportive strategies were developed to enable the most vulnerable people to find and sustain work. The report argued that Government policies had failed for three key reasons: poor target setting and weak and ineffective work expectations; ineffective and inefficient support for those moving from welfare to work; and an overly complex benefits system full of perverse incentives.

Underpinning any reforms should be a recognition that work is the best route out of poverty for virtually all working-age households, that family structure is vital for both adults and children, and that state assistance is fundamental for those who truly cannot work.

Dynamic Benefits: Towards welfare that works (2009)

This report argued that the UK's benefits system has three main failings. Firstly, it disincentivises work through the swift withdrawal of benefits. This offsets a large proportion of earnings from work and punishes the lowest earners who are trying to earn more, which makes leaving welfare a risky proposition. Secondly, it imposes penalties on desirable behaviour apart from work, such as marriage and cohabitation, saving, and home ownership. Thirdly, it is very complex, making it costly to administer and reinforcing dependency. The purpose of this report therefore was to re-design the benefits system to improve employment and earnings over the long-term.

The key measures proposed were to reduce the rates at which benefits are withdrawn to an across-the-board rate of 55 per cent of post-tax earnings; increase the 'earnings disregards' – allowing low earners to earn more before any benefits are withdrawn; simplify the benefits system by moving from the current 51 possible benefits to two streamlined payments called Universal Work Credit and Universal Life Credit; and reduce the penalties for couples, those with mortgages, and low-earning savers.

Creating Opportunity, Rewarding Ambition (2011)

This report argued that raising the skill level of the UK workforce must be a priority. The role of government should be to empower employers to create job opportunities by enabling the right conditions for growth, and to enable UK workers to take these jobs by developing policies in areas including education, welfare, transport and housing.

1.12 Structure of this report

- Chapter 2 describes how the political and economic context in relation to economic dependency and worklessness has changed and what this means for policy-making. We also look at the changing nature of work;
- Chapter 3 explores the scale and types of economic dependency, worklessness and welfare spending in the UK today;
- Chapter 4 investigates the barriers individuals face when looking for work;
- Chapter 5 outlines areas for research in the main report.

chapter two

A new context

The political and economic context within the UK and abroad has changed dramatically since the CSJ published *Breakthrough Britain* in 2007. The global financial crisis, austerity measures and the political complexities of coalition government all present particular challenges for politicians and policy-makers. This section outlines these changes and discusses their implications for economic dependency and worklessness. It also looks at how the nature of work in the UK is changing.

2.1 A new political context

The 2010 election ushered in the UK's first coalition government since the Second World War. This has resulted in a tense political 'tug-of-war' between the Coalition partners over the direction, speed and vigour of welfare reform. The Liberal Democrats have attempted to paint themselves as the party of 'sensible, centre-ground welfare reform' that has made essential changes whilst reigning in the 'extreme' tendencies of the Conservatives. They highlight the blocking of proposals such as limiting Child Benefit to two children per family and restricting Housing Benefit for under-25s as examples of their success.

'The Conservatives suggested we cut an extra £10 billion from welfare, take away Child Benefit from families with more than two children and take away Housing Benefit from everyone under the age of 25. But when our two parties sat down to agree a plan, instead the Coalition stuck to the centre ground.'

Nick Clegg, Deputy Prime Minister and Leader of the Liberal Democrats, 2012⁴⁵

45 Speech by the Deputy Prime Minister, Nick Clegg, 'Governing Britain from the centre ground: building a stronger economy in a fairer society', 17 December 2012

Meanwhile, the Conservative Party has sought a more fundamental rethink of the purpose and nature of the welfare state in light of the challenges the UK faces in the 21st century. They have argued for a deeper and more radical overhaul of welfare policy, framing their arguments not only in terms of the fiscal imperative which the UK now faces, but as about fairness and rewarding work. They contend, for example, that it is inherently unfair that a family on benefits can earn more than a family where both parents are in work.⁴⁶

'Today we launch our Welfare Reform Bill. It brings the most ambitious, fundamental and radical changes to the welfare system since it began... We're not just recasting the reach, scope and effectiveness of the old system – making it fairer and a genuine ladder of opportunity for everyone. We're also doing something no government has done before – and that is get to grips with the cost of welfare.'

David Cameron, Prime Minister and Leader of the Conservative Party, 2012⁴⁷

Despite these tensions, the Coalition Government has taken some important steps to reform the welfare system. This process was set in motion during the first week of the Coalition's term in office, when the Prime Minister and Deputy Prime Minister set out their programme of policies in their Coalition agreement document.

The Coalition: our programme for government⁴⁸

19. Jobs and Welfare

The Government believes that we need to encourage responsibility and fairness in the welfare system. That means providing help for those who cannot work, training and targeted support for those looking for work, but sanctions for those who turn down reasonable offers of work or training.

The most significant of these reforms is the Universal Credit. This landmark policy replaces six main working-age benefits (Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit) with a single, simpler monthly payment to be tapered away at a fair rate to ensure claimants are always better off in work. By committing to make work pay through reforms to benefit withdrawal rates and earnings disregards, the Universal Credit will begin to tackle the problem of economic dependency and worklessness that blights our most deprived communities.

46 Speech by the Prime Minister; David Cameron, Welfare, 25 June 2012

47 Speech by the Prime Minister; David Cameron, Welfare Reform Bill, 17 February 2011

48 HM Government, *The Coalition: our programme for government*, London: HM Government, 2010

However, making work pay is only one part of the reform package. The Coalition Government has also introduced its Work Programme, which is designed to offer personalised support for those furthest from the labour market, delivered by the private and voluntary sectors, and rewarded on the basis of results rather than delivery. This follows a recommendation made by the CSJ in *Breakthrough Britain* that people who have been detached from the workforce for a significant period of time need commensurate support to secure employment and develop the 'work habit'.⁴⁹ We therefore argued for greater use of conditionality, supported by the personalisation of welfare-to-work services and outcome-based commissioning of the private and voluntary sectors to maximise the impact of the best non-governmental organisations.

In addition to the Universal Credit and Work Programme, the Coalition has made a number of other changes to welfare policy. These are outlined in the box below.

Welfare reform under the Coalition Government

Universal Credit

- Universal Credit simplifies and streamlines the benefits system for claimants by bringing together a range of benefits and credits into a single system. Universal Credit will help ensure that claimants will be financially better off in work, which will help them and their families to become more independent.

Employment

- Universal Jobmatch is an online job posting and matching service available to all jobseekers, not just those claiming benefits;
- The Youth Contract is a £1 billion programme designed to get more young people into meaningful employment, training or work experience;
- The Work Programme is a payment-by-results initiative offering greater freedom to tailor support to the needs of individual claimants;
- Work Choice is a specialist disability employment programme which was launched in October 2010.

Pensions

- A 'triple lock' system to ensure the State Pension will rise by whichever of the following is highest: the rise in average UK earnings, the rise in inflation (as measured by the Consumer Price Index), or a standard rise of 2.5 per cent;
- Support for eligible rent will be delivered as an additional Pension Credit element known as Housing Credit;
- Starting with the largest employers, employers are now required by law to pay into a workplace pension for eligible workers.

Disability

- Personal Independence Payment (PIP) replaces Disability Living Allowance;
- Access to Work support is being made more widely available and funding is being increased to deliver enhanced outcomes for disabled people.

49 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, London: Centre for Social Justice, 2007

Housing

- Local Housing Allowance rates are to be up-rated annually from April 2013. In 2014–15 and 2015–16 increases will be limited to one per cent;
- All tenants renting from a local authority, housing association or other registered social landlords will receive housing support based on household size. Where a property is deemed 'under occupied' the eligible rent will be reduced by a national percentage, with the aim of reducing the number of under-occupied properties over time.

Council Tax

- Council Tax Benefit has been replaced with a less generous localised council tax support (10 per cent budget cut);
- An additional £100 million of transitional funding for councils has been announced to help support them.

Benefit cap

- A cap has been introduced on the total amount of benefit that working-age claimants can receive. The cap of £26,000 will apply to the combined income from out-of-work benefits and other benefits such as Housing Benefit, Child Tax Credit, Child Benefit and Carer's Allowance.

Social Fund

- Community Care Grants and Crisis Loans have been abolished. Instead, local authorities in England, and the Scottish and Welsh Governments will be free to deliver their own local arrangements for assistance for people facing a crisis or short-term unavoidable need.

Benefits up-rating

- Working-age benefits (Jobseeker's Allowance, Employment and Support Allowance, Income Support, Elements of Housing Benefit, Maternity Allowance, Sick Pay, Maternity Pay, Paternity Pay, Adoption Pay, Couple and lone parent elements of Working Tax Credits and the child element of the Child Tax Credit) will rise by one per cent until 2016.

These sweeping policy changes have taken place against the backdrop of the Government's deficit reduction programme, with cuts in welfare expenditure totalling £18 billion a year by 2014–15. In addition, the Chancellor has stated his intention to reduce welfare expenditure by a further £10 billion a year by 2016–17, partly through the introduction of the one per cent up-rating of most working-age benefits and Tax Credits.⁵⁰

2.2 A new economic context

2.2.1 The national picture

After 15 years of almost unbroken economic growth, in mid-2008 the global financial crisis plunged Britain's economy into the deepest and most protracted recession (in terms of lost economic output) since the Second World War:

⁵⁰ Institute for Fiscal Studies, 'The £10 billion question: where could the Chancellor find welfare cuts?', October 2012 [accessed via: <http://www.ifs.org.uk/publications/6362> (08.05.13)]

Despite the economy contracting by more than six per cent, at a national level the recession has not had the devastating impact on the employment rate that many predicted.⁵¹

As Figure 5 shows, the UK's employment rate fell slightly during the recession but remained relatively static at just above 70 per cent.⁵² The unemployment rate rose from 5.6 per cent in 2007 to 8.2 per cent in 2010.

Figure 5: Employment rate and Unemployment rate (age 16–64), January to March, seasonally adjusted

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------|------|------|------|------|------|------|------|
| Employment rate, % | 72.5 | 73.0 | 71.7 | 70.2 | 70.7 | 70.6 | 71.4 |
| Unemployment rate, % | 5.6 | 5.3 | 7.2 | 8.2 | 7.9 | 8.3 | 8.0 |

A number of possible explanations for this relatively small fall in the employment rate during a recession have been put forward. Gregg and Wadsworth argue that:

'Workers did the right thing in accepting lower nominal wage growth... firms did the right thing in, wherever possible, holding onto valuable labour in the face of pressure on profits.'⁵³

Other suggested reasons include:

- More people have accepted part-time jobs rather than becoming unemployed;
- More young people have gone into further or higher education;
- Government programmes have kept people in touch with the labour market;
- There is a more flexible labour market, based around the needs of a much larger services sector.⁵⁴

While the national employment picture has held up relatively well since the recession, this masks more significant impacts on particular regions, age groups and job vacancies.

2.2.2 Impact on regions

Between February–April 2008 and February–April 2010, Wales saw the largest percentage decrease in employment, with a fall of 4.7 per cent. The North East and London saw

51 Office for National Statistics, 'Gross Domestic Product Preliminary Estimate, Q4 2012', January 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_296664.pdf (08.05.13)]

52 Office for National Statistics, 'Labour Market Statistics, May 2013', May 2013 [accessed via: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/may-2013/index-of-data-tables.html#tab-Summary-tables> (18.05.13)]

53 Paul Gregg and Jonathan Wadsworth, *The Labour Market in Winter: the state of working Britain*, New York: Oxford University Press, 2012

54 Centre for Economic and Social Inclusion, *Long-term unemployment in 2012*, London: Centre for Economic and Social Inclusion, 2012

the smallest percentage decreases, with falls of 0.8 and 0.9 respectively.⁵⁵ In terms of the unemployment rate, the West Midlands and North West saw the largest rises (4.7 and 4 percentage point rises respectively) during the course of the recession. By contrast, the smallest increases were seen in the South East and East Midlands, with rises of just 2.1 percentage points.⁵⁶

2.2.3 Impact on young people

The impact of the recession on youth unemployment has been significant. The youth job market is typically much more sensitive to cyclical changes in the economy. This is because, amongst other reasons, firms tend to hold on to their more experienced staff and so the 'burden of adjustment' falls on low wage workers, in particular young people.⁵⁷ Youth unemployment rose by nearly twice as much as it did for older people during the recession (as a share of the population).⁵⁸

2.2.4 Impact on job vacancies

The recession has had a significant impact on the number of job vacancies available. Between the start of 2008 and the start of 2009, the number of vacancies fell by around a third.⁵⁹ Since this time, the number of vacancies has remained relatively static and not returned to pre-recession levels.⁶⁰

2.2.5 The same structural problems

Whilst the cyclical factors outlined above have had an impact on economic dependency and worklessness, these short-term trends only tell part of the story. By examining the long-term trends, we can see that worklessness is not simply a recession-driven problem. Rather, the UK also has a structural unemployment problem (for both young people and the adult population) which pre-dates the recession.

For instance, youth unemployment rose significantly during the recession but has been rising since 2004.⁶¹ Moreover, research by the National Institute of Economic and Social Research, which looked at the labour market trajectories young people experienced between the ages of 16 and 21 over the period 1991–2008, suggests that even when the labour market was buoyant, around 9 per cent of young people left school and struggled to engage with the labour market over the following five years.⁶²

55 Office for National Statistics, *Impact of the Recession, 2010/11* [accessed via: bit.ly/WVWPW0 (08.05.13)]

56 Ibid

57 Paul Gregg and Jonathan Wadsworth, *The Labour Market in Winter: the state of working Britain*, New York: Oxford University Press, 2012

58 Work and Pensions Committee, 'Youth Unemployment and the Youth Contract: Written evidence submitted by the Centre for Economic and Social Inclusion' [accessed via: <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/151/151we03.htm> (08.05.13)]

59 Office for National Statistics, 'Labour Market Statistics, April 2013', April 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_305051.pdf (08.05.13)]

60 Data from The Vacancy Survey – a regular survey of businesses. Before the Vacancy Survey was introduced, the only information available nationally about vacancies was from records of vacancies notified to Jobcentres by employers. This provided only a partial picture, possibly less than half of all vacancies, because employers are under no obligation to notify vacancies to Jobcentres. This business based survey has a more complete coverage.

61 Office for National Statistics, 'Labour Market Statistics, April 2013', April 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_305051.pdf (08.05.13)]

62 The ACEVO Commission on Youth Unemployment, *Youth unemployment: the crisis we cannot afford*, London: ACEVO, 2012

'Youth unemployment has been on the rise since the early 2000s. While the recession has probably made life tougher for young people, we believe that youth unemployment is mainly a structural issue, not just a cyclical issue.'

Rhian Johns, Policy & Communications Director, Private Equity Foundation⁶³

In addition, as we saw in Chapter one, there are many parts of the country where economic dependency stayed relatively static or even grew during the economic boom. The key implication of this is that whilst economic growth is essential, growth alone will not be sufficient to fix the UK's long-term worklessness problem. Thousands of individuals were economically dependent before the recession and many will not necessarily be helped simply through more jobs being created.

2.3 The changing nature of work

Globalisation, advances in technology and an increasingly educated global workforce have changed the nature of production and work in the UK. These changes were taking place before the recession and the recession has in many ways accelerated them.

2.3.1 Decline of manufacturing and rise of services

The importance of manufacturing as a share of the economy has declined. In particular, there has been a reduction in routine mass production. As more countries industrialise, the UK no longer has a comparative advantage in this type of manufacturing as it is unable to compete on global labour costs. Firms have instead moved the lower value parts of their supply chains to low-wage economies.⁶⁴ For instance, the number of people working as process, plant and machine operatives has fallen by more than 20 per cent since 2002.⁶⁵ While the UK does still maintain a manufacturing base, it tends to be in high value-added, specialised production.

At the same time there has been a structural shift in the importance of services as a share of the UK economy. The rise of 'knowledge-based services' has resulted in more high skill and wage professional occupations across a whole range of sectors. There has also been an increase in lower wage service occupations.⁶⁶ For instance, the number of people working in personal services has increased by 34 per cent since 2002.⁶⁷

⁶³ Evidence to CSJ Working Group, November 2012

⁶⁴ The Work Foundation, *More than making things: A new future for manufacturing in a service economy*, London: The Work Foundation, 2011

⁶⁵ Office for National Statistics, 'EMP08: All in Employment by Occupation' [accessed via: <http://www.ons.gov.uk/ons/rellms/labour-market-statistics/may-2013/table-emp08.xls> (08.05.13)]

⁶⁶ Resolution Foundation, *The Changing Shape of the UK Job Market and its Implications for the Bottom Half of Earners*, London: Resolution Foundation, 2012

⁶⁷ Office for National Statistics, 'EMP08: All in Employment by Occupation' [accessed via: <http://www.ons.gov.uk/ons/rellms/labour-market-statistics/may-2013/table-emp08.xls> (08.05.13)]

2.3.2 'Hollowing out' of the labour market

The forces of globalisation and technological changes have led to a reduction in middle wage occupations, which has resulted in a polarisation or 'hollowing out' of the labour market. These changes were happening pre-recession but the recession has accelerated the growth in professional jobs and a reduction in middle wage and manual occupations.⁶⁸

2.3.3 Falling demand for unskilled workers

There has been a long-term trend of decline in demand for low and unskilled workers since the 1970s. In recent years, one of the reasons for this has been the impact of the recession. During an economic downturn, low or unskilled workers can be displaced from their jobs by better qualified workers as employers seek to retain workers they have invested in. There is evidence of this taking place during the recent recession.⁶⁹

2.3.4 Rise of part-time work

There has been a substantial increase in the number of people working part-time, rising by more than 500,000 since 2008.⁷⁰ Gregg and Wadsworth note similar or even sharper rises in the share of part-time work during the last two recessions. Much of this is due to overtime being cut, workers being placed on short-time working and people moving into part-time work when they struggle to find full-time jobs.⁷¹

2.3.5 Rise of 'zero hours' contracts

There has also been an alarming rise in the number of people employed on 'zero hours' contracts. Such contracts only pay for the hours people actually work, which can be zero. Workers must be constantly on standby, preventing them from searching for alternative employment or re-skilling. A survey by the Industrial Relations Service suggests that 23 per cent of employers now include 'zero hours' contracts as one of their employment options.⁷² There has been a particularly sharp rise in the last year, with the number employed on such contracts rising to 200,000 by 2012.⁷³

2.3.6 Rise of self-employment

The latest figures show that the number of workers who were self-employed in their main job rose by 367,000 between 2008 and 2012.⁷⁴

68 The Work Foundation, *The Hourglass and the Escalator: Labour market change and mobility*, London: The Work Foundation, 2011

69 UKCES, *Low skills and social disadvantage in a changing economy*, London: UKCES, 2011

70 Office for National Statistics, 'Labour Market Statistics, April 2013', April 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_305051.pdf (08.05.13)]

71 Paul Gregg and Jonathan Wadsworth, *The Labour Market in Winter: the state of working Britain*, New York: Oxford University Press, 2012, p13

72 UNISON, 'Zero Hours Contracts' [accessed via: <http://www.unison.org.uk/file/Zero%20Hours%20Factsheet.pdf> (08.05.13)]

73 Ibid

74 Office for National Statistics, 'Self-employed up 367,000 in four years, mostly since 2011', February 2013 [accessed via: <http://www.ons.gov.uk/ons/rel/lmac/self-employed-workers-in-the-uk/february-2013/sty-self-employed-workers.html> (08.05.13)]

chapter three

Economic dependency and worklessness in the UK today

This chapter explores the extent of economic dependency and worklessness in the UK today. It deals with two main groups: those who are out of work and dependent on the state to meet their basic needs and those who are in work and dependent on the state for support. We also explore the increase in welfare spending.

3.1 Out-of-work dependency

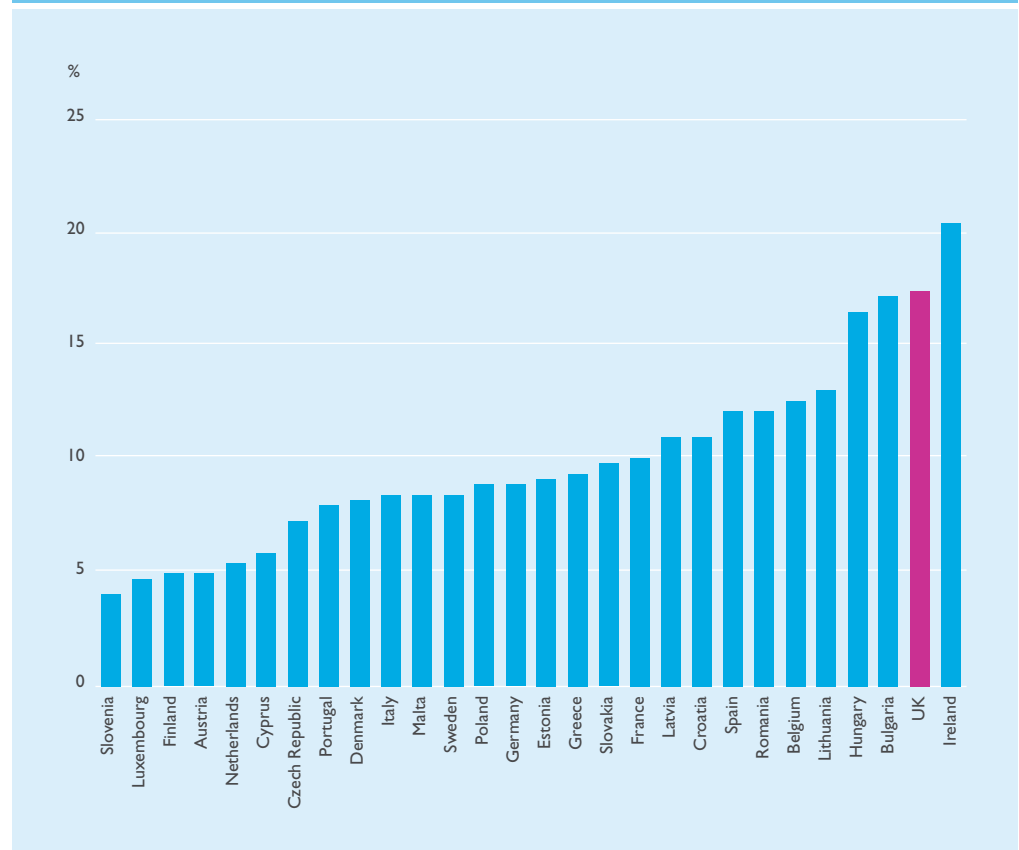
Out-of-work dependency is an on-going and entrenched problem. As we noted in Chapter one, someone who is workless is much more likely to be in financial poverty compared with someone in work. Persistently workless households are also associated with low qualifications, single parenthood, a poor grasp of English, poor mental and physical health, teenage pregnancy and social housing.

3.1.1 The global picture

The UK has the highest proportion of children living in workless households in the whole of the EU except for Ireland. As Figure 6 shows, this is almost twice that of France and Germany.⁷⁵

⁷⁵ Eurostat, 'Jobless households – children' [accessed via: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tps00181_08.05.13] (Includes Croatia which is set to become an EU member later this year.)

Figure 6: Children living in workless households in European Union, 2011



3.1.2 The regional picture

There are big variations in the levels of worklessness across the UK. As Figure 7 shows, Blaenau Gwent has the highest percentage of workless households. Overall 31.8 per cent of households there are workless.⁷⁶ This is in contrast to Oxfordshire in Figure 8 which has the lowest number at eight per cent.⁷⁷

⁷⁶ Office for National Statistics, 'Workless Households for Regions Across the UK, 2011', September 2012 [accessed via: http://www.ons.gov.uk/ons/dcp171776_278300.pdf (08.05.13)]

⁷⁷ Ibid

Figure 7: Highest concentrations of worklessness

| | Area | Workless households (%) |
|----|---|-------------------------|
| 1 | Blaenau Gwent | 31.8 |
| 2 | Liverpool | 31.6 |
| 3 | Clackmannanshire | 31.1 |
| 4 | Middlesbrough | 30.5 |
| 5 | Manchester | 30.1 |
| 6 | Merthyr Tydfil | 30.1 |
| 7 | Malvern Hills | 30.0 |
| 8 | North Ayrshire | 29.9 |
| 9 | Hartlepool | 29.8 |
| 10 | South Teesside | 29.1 |
| 11 | Central Valleys | 28.7 |
| 12 | Glasgow City | 28.7 |
| 13 | Boston | 28.7 |
| 14 | Neath Port Talbot | 28.5 |
| 15 | Hastings | 28.4 |
| 16 | Rhondda, Cynon, Taff | 28.4 |
| 17 | Sunderland | 28.2 |
| 18 | East Ayrshire and North Ayrshire mainland | 28.2 |
| 19 | Redcar and Cleveland | 27.7 |
| 20 | Wolverhampton | 27.5 |

Figure 8: Lowest concentrations of worklessness

| | Area | Workless households (%) |
|----|------------------------|-------------------------|
| 1 | Oxfordshire | 8.0 |
| 2 | Buckinghamshire CC | 9.8 |
| 3 | Aberdeenshire | 10.2 |
| 4 | West Berkshire | 10.3 |
| 5 | Wokingham | 10.6 |
| 6 | Harrow | 10.5 |
| 7 | East Cumbria | 10.9 |
| 8 | Merton | 11.0 |
| 9 | Windsor and Maidenhead | 11.1 |
| 10 | Wycombe | 11.2 |
| 11 | Bracknell Forest | 11.3 |
| 12 | Wandsworth | 11.5 |
| 13 | Hounslow | 11.6 |
| 14 | Surrey | 11.6 |
| 15 | Aylesbury Vale | 12.1 |
| 16 | Berkshire | 12.1 |
| 17 | South Gloucestershire | 12.2 |
| 18 | Cheshire East | 12.4 |
| 19 | Richmond upon Thames | 12.4 |
| 20 | North Hertfordshire | 12.7 |

3.1.3 The local picture

The results in Figures 7 and 8 show average levels of worklessness across areas. However this does not draw attention to neighbourhoods where economic dependency and worklessness is even more entrenched. The data in Figure 9 is derived from Lower Layer Super Output Area (LSOA) boundaries. There are 34,753 of these in England and Wales, with an average of 1,614 people living in each. Using this neighbourhood-level data, Figure 9 shows that there are places in England and Wales where more than half of the working-age population are claiming out-of-work benefits.⁷⁸ For example, in one neighbourhood in Rhyl West, it is close to 70 per cent.

Figure 9: Percentage of working-age population claiming out-of-work benefits at LSOA level

| | LSOA | Ward | % |
|----|------------------------------|----------------------------|----|
| 1 | Denbighshire 004E | Rhyl West | 67 |
| 2 | Birmingham 121B | Brandwood | 60 |
| 3 | Blackburn with Darwen 006E | Wensley Fold, Blackburn | 59 |
| 4 | Wirral 016E | Birkenhead | 55 |
| 5 | Tendring 016B | Pier Ward, Clacton-on-Sea | 54 |
| 6 | North East Lincolnshire 002B | East Marsh, Grimsby | 51 |
| 7 | Middlesbrough 003F | Gresham | 49 |
| 8 | Sefton 037B | Linacre | 49 |
| 9 | Wirral 011C | Bidston, Birkenhead | 49 |
| 10 | Blackpool 006A | Claremont | 48 |
| 11 | Thanet 001A | Cliftonville West, Margate | 48 |
| 12 | Tendring 018A | Golf Green, Clacton-on-Sea | 48 |
| 13 | North East Lincolnshire 002A | East Marsh, Grimsby | 48 |
| 14 | Salford 024D | Pendleton | 48 |
| 15 | Stockton-on-Tees 014E | Portrack and Tilery | 48 |
| 16 | Blackpool 006B | Claremont | 48 |
| 17 | Stockport 014D | South Reddish | 48 |
| 18 | Stockport 004D | Brinnington | 47 |
| 19 | Rochdale 010C | Central and Falinge | 47 |
| 20 | Waveney 007A | Harbour, Lowestoft | 46 |

78 Nomis (England and Wales), estimates using Census 2011 data and August 2012 DWP benefit data

Case study: Rochdale⁷⁹

Rochdale is a local authority in Greater Manchester with a population of 212,000. It ranks 23rd out of 326 local authorities for overall deprivation (with one being the most deprived).⁸⁰ Economic dependency and worklessness are particular problems in Rochdale, with close to one in five working-age people claiming out-of-work benefits.⁸¹ In 15 neighbourhoods, 30 per cent or more people of working-age are claiming out-of-work benefits and in one neighbourhood in the Central and Falinge ward it is almost 50 per cent.⁸²

Worklessness has not always been a major problem in Rochdale. Historically it has been a thriving industrial town and centre for textile manufacturing. Rochdale built its employment base and developed the skills of its residents around these industries. However during the 20th century Rochdale's industry declined in importance and this has had a devastating impact on employment.

Rochdale Boroughwide Housing told us that the situation is “dire... people in their thirties are now willing to do these kinds of jobs”, referring to unskilled positions previously occupied by young people.

The impact of the recession on Rochdale's town centre is clearly visible. A decline in the retail sector and significant cuts to public sector activity have left behind empty office blocks and retail outlets. Many of these have now been replaced with pay-day lenders, betting shops and 'cash for gold' outlets.

Yet there are new jobs being created in Rochdale. One example is the Kingsway Business Park. However, Rochdale Boroughwide Housing told us that “although it is being built very close, we are not expecting it to have a major impact on employment, because so many of our residents lack the right skill sets and employment history”. In fact, across Rochdale 15 per cent of working-age people have no qualifications and in some neighbourhoods it is more than 40 per cent.⁸³

Alongside the decline in manufacturing has been a rise in professional jobs in Central Manchester and Salford.⁸⁴ Yet the extent to which residents of Rochdale will be able to take advantage of these jobs is unclear.

This is partly due to issues with transport. Rochdale Boroughwide Housing commented that “there are jobs in Manchester but people don't have the money to travel. This is especially the case for shift work which starts early in the morning when the transport isn't running”.

But there was also a sense that many did not think it was reasonable to look beyond their immediate area for work. Rochdale Connections Trust told us that “many young people have never left their immediate geographical area, partly because their parents haven't either, so looking for work outside of Rochdale is not a realistic prospect”.

In September 2012 a Trussell Trust Foodbank opened its doors to the public. To date it has distributed 1,200 food parcels and 16 tonnes of food to an average of 60 people a week. Iain Wight, who volunteers at the Foodbank, said that issues with benefits, such as sanctions, late benefits and ESA appeals, are the main reasons people come. The typical user is an unemployed man in his twenties. A significant proportion only uses one voucher. Iain was broadly supportive of the government's welfare reforms, saying that they will “cause problems at first but thinking long-term they are the right thing to do”.

79 The CSJ visited Rochdale in April 2013 and all quotes are from this visit

80 Gov.UK, 'English indices of deprivation 2010' [accessed via: <https://www.gov.uk/government/publications/english-indices-of-deprivation-2010> (08.05.13)] (rank of average scores)

81 Nomis (local authority)

82 Nomis (neighbourhood defined as an LSOA)

83 Ibid

84 Nomis

3.1.4 Long-term worklessness

Long-term worklessness was a serious problem under the previous government. For example, by 2010:

- 2.6 million people had spent at least half of the last ten years on some form of out-of-work benefit⁸⁵
- 1.4 million had been on an out-of-work benefit for nine or more of the last 10 years⁸⁶
- Around 30 per cent of people who had lived in workless households in the past 10 years had been doing so for at least half of that period.⁸⁷

Long-term dependency continues to be a problem today. The table below ranks the number of people claiming JSA for 10 years or more in Local Authorities across England, Scotland and Wales. It also includes the number of Incapacity Benefit claims lasting 10 years or more. Birmingham has 60 people who have been claiming JSA and 17,290 claiming Incapacity Benefits for this period.⁸⁸

Figure 10: Number of people claiming benefits for ten years or more

| | Local authority | Number of JSA claims lasting 10 years or longer | Number of Incapacity Benefit claims lasting 10 years or longer |
|---|-----------------|---|--|
| 1 | Birmingham | 60 | 17,290 |
| 2 | Liverpool | 50 | 13,800 |
| 3 | Tower Hamlets | 40 | 3,710 |
| 4 | Glasgow | 40 | 19,500 |
| 5 | Brent | 20 | 3,710 |

3.1.5 Worklessness can be intergenerational

Intergenerational worklessness means that one person from two or more generations of the same family are not in work. Some have argued that such families are rare or simply do not exist. One way of justifying this is to highlight that the Government has no relevant data on intergenerational worklessness. This is correct, but it is a questionable leap in logic to assume that this necessarily means it does not exist. A government not collecting statistics on a problem is not the same thing as the problem itself not existing. What is more, cohort and panel studies will struggle to estimate the size of the problem when, by its very nature, such worklessness is often concentrated in relatively small pockets of acute deprivation.

85 HM Government, *State of the nation report: poverty, worklessness and welfare dependency in the UK*, London, HM Government, 2010

86 Ibid

87 Ibid

88 Deposited Paper DEP2012-1649 [accessed via: http://data.parliament.uk/DepositedPapers/Files/DEP2012-1649/17226_PQ128048_outofworkbens_la_final.xls (08.05.13)]

In the absence of government statistics, one way of determining the extent of the problem is to make use of alternative research studies:

- Researchers at the Department for Education found teenagers from workless households were at increased risk of being NEET (Not in Employment, Education or Training) between the ages of 15 to 18;⁸⁹
- Research from the Prince's Trust revealed that young people from workless households are more likely to struggle to find a job themselves. 70 per cent of young people from workless households have struggled to find work, which was six percentage points higher than respondents not from workless households. Nearly one in five (18 per cent) young people from workless homes say they expect to end up on benefits because other people around them have – more than double the number of other respondents.⁹⁰

Another way of gaining an accurate understanding of the problem is to ask the experts and practitioners who work with vulnerable families on a daily basis. We polled and spoke to 48 leading voluntary sector organisations from our Alliance who work across the country with such families. 96 per cent of them told us that they come across intergenerational worklessness.

These figures are supplemented by the comments below which demonstrate that intergenerational worklessness not only exists, but that it is common in some parts of the country and can involve two, three or even four generations of the same family.

‘Chance UK works with primary school children, many of whom come from backgrounds of intergenerational worklessness and you can see the impact this has on children very early on. Most of us can remember the answer we gave to the constantly asked question of what we wanted to be when we grew up. Whether we achieved those things or not is not relevant – we had ideas about our future, we had aspirations. Most of us knew people who worked and could make decisions on what we wanted to be based on some knowledge. For many of our kids they have no answer to this question, they simply don’t understand the question or they have a non-specific ambition ‘I want to be famous’ or more troubling “I want to be the boss of a gang” as one of our children told us.’

Gracia McGrath, Chance UK

89 Department for Education, *Intergenerational transmission of worklessness: Evidence from the Millennium Cohort and the Longitudinal Study of Young People In England*, London: Department for Education, 2012

90 The Prince's Trust, *Destined for the dole? Breaking the cycle of worklessness in the UK*, London: The Prince's Trust, 2010

'At the charity we have, for 11 years now, worked with second and third generation unemployed... I can assure you that we do have/had clients whose grandparents became unemployed in the early 70s... and haven't worked since. Indeed their children and grandchildren have suffered the same inactivity.'

Peter West-Hitchins, Recycling Unlimited

'We have noted that some single mother-headed households often lack the example of a working mother themselves. This situation carries large risks in perpetuating intergenerational worklessness and a model of family life that is dependent on government support.'

Simon Fulford, Khulisa

'Many we work with are third generational worklessness. Therefore school achievement and aspirations are low making it harder for them to find employment.'

Richard Frankland, Prospex

'I often work with families where there are three to four generations of unemployment and the benefits culture is seen as being normal... Most parents who represent the three or four Generations of unemployment and whose sons or daughters we help often say "I never thought anyone in my family would ever work again. Thank you OWN IT"'

Richard Davies MBE OWN IT Ltd

'There is no question that it doesn't exist... in Portsmouth there are many families where there is unemployment through several generations. It's easy to see how it happens with failing schools and low educational attainment. We need to be much more proactive about intervening early.'

Carole Damper, The Roberts Centre

'We deliver financial education to many families for whom unemployment is a generational issue, and multiple generations of the same family are not in work.'

Tracey Bleakley, pfeg

A number of other organisations provided comments but preferred to remain anonymous.

'In the area I work in there are families where three generations are not in work and have been out of work or never in work for a good number of years.'

'There are many families where we live that have never known work.'

'This is a common feature amongst the population in the city of Hull. Sometimes as many as three generations in one family where benefits payments are seen as "getting paid".'

'Frequently! I know of jobseekers who have never had anyone in their family work and have had no role model in that respect.'

'This is a very normal scenario in the communities in which we work.'

'The majority of the families we work with have intergenerational worklessness.'

'Most of our client group come to the charity unemployed with most family members in the same situation.'

'Some wear intergenerational worklessness as a badge of pride but dig deeper and you usually find people are bored with doing nothing and would look at employment or deployment of some sort.'

'We are based in one of the most deprived areas in the country – most of our clients and their adult children and often grandparents are not in work and many have spent most of their adult life on benefits.'

'The perception develops that benefits are a valid alternative to doing any work, in fact very often the idea of work simply does not enter into the equation because there has been no experience of it at all.'

Of course, intergenerational worklessness is less common in certain areas, and it is a minority of those who receive welfare, but we should not pretend that it does not exist. It is real and it is damaging.

3.1.6 Youth unemployment

As noted in Chapter two, youth unemployment has soared in recent years. This has prompted many to speak of a 'lost generation' who are permanently 'detached' from the labour market.⁹¹ At present nearly a million (958,000) young people aged 16–24 are unemployed. It is important to note that a sizeable proportion of these young people are in education. Excluding those in full-time education, there are 668,000 unemployed 16–24 year olds.⁹²

Youth unemployment is not evenly spread across the country. Instead, there are a number of 'hot spots', such as in Grimsby, Doncaster and Warrington, where the number of NEETs (young people not in education, employment or training) is close to one in four.⁹³

The ACEVO Commission on Youth Unemployment highlighted a number of 'scarring effects' of unemployment on young people. For instance:

- They are more likely to be unemployed and welfare-dependent later in life; with the average young unemployed person spending an extra two months per year out of work by their late twenties;⁹⁴

91 Trade Union Congress, *Generation lost: Youth unemployment and the youth labour market*, London: Trade Union Congress, 2012

92 Office for National Statistics, 'Labour Market Statistics, May 2013', May 2013 [accessed via: http://www.ons.gov.uk/ons/dcp171778_307508.pdf (08.05.13)]

93 The Work Foundation and Private Equity Foundation, *Off the map? The geography of NEETS*, London: The Work Foundation, 2011

94 The ACEVO Commission on Youth Unemployment, *Youth unemployment: the crisis we cannot afford*, London: ACEVO, 2012

- They are likely to be paid less in later life; with the average young unemployed person earning £1,800–£3,300 less per year by their early thirties;⁹⁵
- Their mental and physical health will be negatively affected, both now and in the future. A range of academic studies have found that unemployment increases susceptibility to illness, mental stress, helplessness, and loss of self-esteem leading to depression.⁹⁶

3.2 In-work dependency

One assumption which is sometimes made about those who are economically dependent is that they are unemployed. Yet this is not always the case. In 2012, 4.3 million working families were receiving benefits.⁹⁷

A large number (but not all) of these families are also in what has become known as ‘in-work poverty’, which has risen over time. One way of measuring the extent of in-work poverty is the proportion of children living in working households which still fall below the poverty line. On this measure, 30 per cent of children lived in working households in the mid-1980s. By the 1990s it was around 40 per cent. Today, 60 per cent of all child poverty (based on the before housing costs income measure) is among working families.⁹⁸

There are a number of factors which are driving this rise in in-work poverty. For instance:

3.2.1 Low pay

At present, almost one in five workers are paid less than the Living Wage, which is set at £8.30 an hour in London and £7.20 in the rest of the country.⁹⁹ For instance, Figure 11 shows that wages have been stagnating for men since the early 2000s, despite strong economic growth for much of this period.¹⁰⁰

There is significant variation in the prevalence of low pay across the regions. Northern Ireland has the highest proportion of people earning below the Living Wage (24 per cent), followed by Wales at 23 per cent. The lowest proportion of people earning below the Living Wage are in London and the South East, both at 16 per cent.¹⁰¹

95 Ibid

96 Ibid

97 New Policy Institute, *Working Families Receiving Benefits*, New Policy Institute, 2013 (Housing Benefit, Council Tax Benefit, Working Tax Credits and Child Tax Credits)

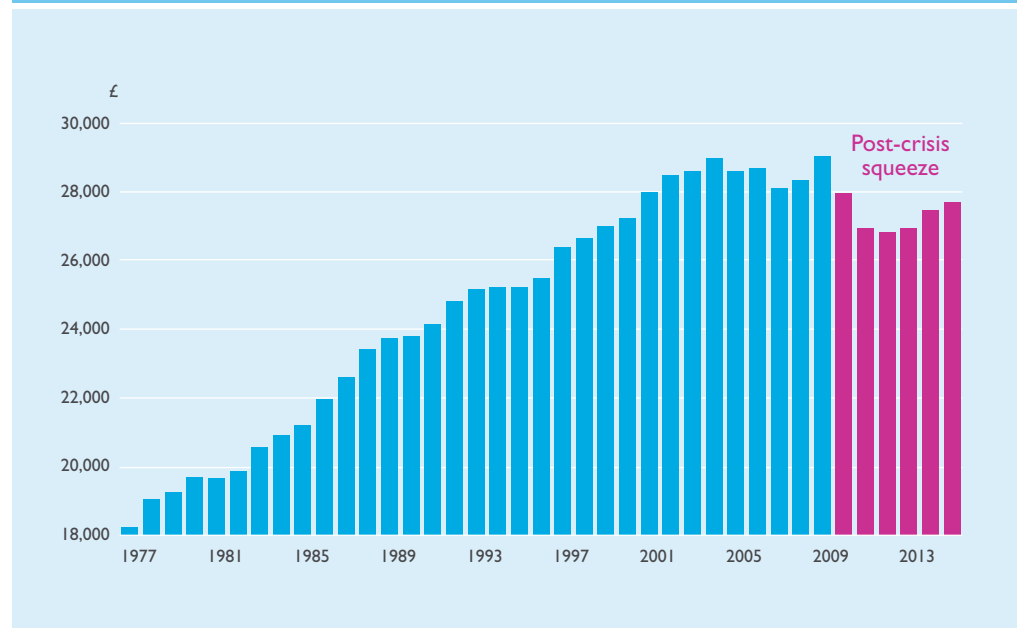
98 Joseph Rowntree Foundation, *Monitoring Poverty and Social Exclusion 2012*, York: Joseph Rowntree Foundation, 2012

99 KPMG, ‘One in five UK workers paid less than the Living Wage’ [accessed via: <http://www.kpmg.com/uk/en/issuesandinsights/articlespublications/newsreleases/pages/one-in-five-uk-workers-paid-less-than-the-living-wage.aspx> (08.05.13)]

100 The Resolution Foundation Commission on Living Standards, *Gaining from growth: The final report of the Commission on Living Standards*, London: Resolution Foundation, 2012

101 Markit Group Limited, *Living Wage Research for KPMG: Current Trends in Household Finances and Structural Analysis of Hourly Wages*, Oxon: Markit Group Limited, 2012

Figure 11: Gross median weekly earnings, male employees, constant 2010 prices



There is also variation across different sectors. As a proportion of all workers, the highest prevalence of people earning less than the Living Wage is among bar staff (an estimated 90 per cent of workers) and waiters and waitresses (85 per cent).¹⁰²

Low-paid work is better than no work at all. A first job which is poorly paid can often be a key 'stepping stone' on the career ladder to better paid employment, and the risks associated with low-paid work are lower than the risks associated with long-term worklessness. What is more problematic however is if an individual remains poorly paid for an extended period of time and does not progress in the labour market.

The prevalence of low-paid work has led some to criticise large companies who turn over millions or even billions in profits each year, whilst continuing to pay their staff very low wages. Some companies are paying their staff 'poverty wages' in the knowledge that these will be 'topped up' by the state, principally through Tax Credits. This is another form of damaging state dependency, with companies effectively dependent on the state to make profits.

3.2.2 Underemployment

People who are in employment but want to work more hours are said to be underemployed. From 2000 to just before the recession, the number of people underemployed remained relatively steady. However, this number has risen by one million since the start of the economic downturn in 2008 to more than three million.¹⁰³ Underemployment is highest for the lowest paid and the youngest workers.

¹⁰² Ibid

¹⁰³ Office for National Statistics, 'People in Work Wanting More Hours Increases by 1 million Since 2008', November 2012 [accessed via: http://www.ons.gov.uk/ons/dcp171776_289024.pdf (08.05.13)]

The ONS found that in 2012:

- One in every 10 workers wants to work more hours;
- Around one in four part-time workers wants to work more hours;
- School midday/crossing assistants and bar staff are jobs with high underemployment rates;
- The top three areas for underemployment are the East Midlands, Yorkshire and The Humber and the North East.¹⁰⁴

However, it is less clear how many of those who say they want to work more hours are actively looking for a job with more hours. One study found that only around 30 per cent of part-time employees who say they are looking for a job with more hours are actually taking steps to find one.¹⁰⁵

3.2.3 Cost of living

The problems of low wages and underemployment are compounded by the UK's rising cost of living that has taken place over the last 20 years. For example, data from uSwitch shows gas and electricity bills have increased by 52 per cent and 32 per cent respectively since 2008. Food bills have climbed 17 per cent since 2008 with the average monthly shopping bill rising from £220 to £256.¹⁰⁶

What is more, there is a 'poverty premium' in the UK which means that the poorest families are paying higher prices compared with better-off families for the same basic goods and services. For instance, evidence shows that low-income consumers tend to pay more for their energy because they are more likely to live in an energy inefficient home which is more expensive to heat.¹⁰⁷ Family Action has estimated in Figure 12 that this 'poverty premium' typically costs a family £1,000 more a year.¹⁰⁸ This is a substantial sum for any family but is particularly significant for those on low incomes.

Figure 12: Breakdown of typical costs and the average 'poverty premium' paid by poorer families

| | Typical costs | Cost to low-income family |
|-----------------------------|---------------|---------------------------|
| One expensive consumer good | £159.99 | £405 |
| One £500 loan | £539 | £825 |
| Three cashed £200 cheques | £0 | £49.50 |
| Annual gas bill | £609.70 | £673.70 |
| Annual electricity bill | £339.30 | £368.20 |
| One mobile phone | £315.96 | £395.44 |
| Home contents insurance | £465.85 | £618.80 |
| Car insurance | £475.48 | £571.55 |
| Total | £2,905.28 | £3,907.19 |
| 'Poverty premium' | | £1,001.91 |

104 Ibid

105 Policy Exchange, *Welfare Reform 2.0 Long-term solutions, not short-term savings*, London: Policy Exchange, 2012

106 uSwitch, 'Household bills up 25% in five years' [accessed via: <http://www.uswitch.com/blog/2013/03/13/household-bills-rise-25-in-five-years> (15.05.13)]

107 Save the Children, *The Poverty Premium*, London: Save the Children UK, 2007

108 Family Action, 'The Poverty Premium' [accessed via: <http://www.family-action.org.uk/uploads/documents/Poverty%20Premium%234%23.pdf> (08.05.13)]

3.2.4 Widened eligibility for benefits

Not all of those in work who receive benefits are in in-work poverty. In other words, many working families receive benefits but are not dependent on them. One of the reasons for this is the growing reach of the welfare state. This will be explored in Section 3.3.3.2.

3.2.5 Poverty of family life

The issue of in-work poverty is a critical one but the current debate tends to be focussed almost exclusively around a lack of income and the impact this has on family life. Whilst important, poverty is not just about income. There are a number of other dimensions to poverty such as family breakdown, economic dependency and worklessness, educational failure, addiction to drugs and alcohol and unmanageable personal debt which can seriously blight the life chances of children. As such, another feature of in-work poverty can be a poverty of family life.

For example, a family with two parents who work very long hours, often through shift work or atypical hours in order to make ends meet is often unable to spend as much quality time with their children as they would like to. This is a feature of family life across the income scale but is especially damaging in the most deprived communities. The absence of quality family life can have a negative impact on the relationship between a couple and on the development of the child. One study found that 41 per cent of couples who both frequently work atypical hours were dissatisfied with the amount of time they spend with their children compared with 18 per cent of couples who work occasional or no atypical hours.¹⁰⁹

3.3 Welfare spending

3.3.1 National picture

As noted in Chapter one, when the modern welfare state was established in the late 1940s, the UK government spent just £11 billion pounds on welfare in real terms. Since then, spending has risen almost continuously to more than £200 billion in real terms.¹¹⁰ During the significant period of economic growth under the previous Government, welfare spending on people of working-age rose by around 40 per cent in real terms.¹¹¹ Welfare now accounts for almost one in every three pounds spent by government¹¹² and is estimated to rise even further under the Coalition Government to £218 billion a year by 2015–16 in cash terms.¹¹³ The Coalition is on course to spend more than a trillion pounds on welfare during this Parliament alone.¹¹⁴

109 Joseph Rowntree Foundation, *Happy families? Atypical work and its influence on family life*, Bristol: The Policy Press, 2002

110 Department for Work and Pensions, 'Benefit expenditure tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (08.05.13)]

111 CSJ own calculations (DWP/HMRC Social Security Expenditure)

112 Institute for Fiscal Studies, *The Green Budget 2013: February 2013*, London: Institute for Fiscal Studies, 2013

113 HM Government, 'Welfare Benefits Up-rating Bill Impact Assessment', January 2013 [accessed via: <http://www.parliament.uk/documents/impact-assessments/IA13-001.pdf> (08.05.13)]

114 Department for Work and Pensions, 'Benefit expenditure tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (08.05.13)]

3.3.2 Local picture

Welfare spending at a local level is a cause for concern. As Figure 13 shows, Birmingham tops the local authority rankings for the highest amount spent on working-age welfare overall (including in-work and out-of-work support) in 2011–12, at nearly £5.5 billion.¹¹⁵ It is important to note here that Birmingham has the largest population size in this table and this partly explains why it is so high. Figure 14 shows that Sefton had the highest per capita spend out of all local authorities at £6,278 per person per year.¹¹⁶

Figure 13: Highest overall welfare spend in local authorities, 2011–12

| | Local authority | Overall welfare spend |
|----|--------------------|-----------------------|
| 1 | Birmingham | £5,496,509 |
| 2 | Leeds | £3,139,000 |
| 3 | Bradford | £2,747,789 |
| 4 | Glasgow, City of | £2,249,149 |
| 5 | Manchester | £2,214,464 |
| 6 | Sheffield | £2,202,118 |
| 7 | Cornwall UA | £2,101,240 |
| 8 | County Durham UA | £2,079,576 |
| 9 | Wiltshire UA | £1,947,064 |
| 10 | Kirklees | £1,934,113 |
| 11 | Liverpool | £1,890,267 |
| 12 | Bristol UA | £1,741,335 |
| 13 | LB Croydon | £1,731,748 |
| 14 | LB Newham | £1,634,889 |
| 15 | LB Enfield | £1,620,785 |
| 16 | Leicester UA | £1,614,102 |
| 17 | LB Barnet | £1,586,896 |
| 18 | LB Ealing | £1,565,157 |
| 19 | Sandwell | £1,564,012 |
| 20 | Edinburgh, City of | £1,538,435 |

115 CSJ own calculations (DWP benefit expenditure tables, HMRC Tax Credit and Child Benefit data, ONS local authority population data)

116 Ibid

Figure 14: Welfare spend per capita in local authorities, 2011–12

| | Local authority | Per capita welfare spend |
|----|-------------------------|--------------------------|
| 1 | Sefton | £6,278 |
| 2 | LB Barking and Dagenham | £5,916 |
| 3 | Blackburn and Darwen UA | £5,400 |
| 4 | Luton UA | £5,292 |
| 5 | LB Newham | £5,256 |
| 6 | Bradford | £5,252 |
| 7 | Peterborough UA | £5,246 |
| 8 | Slough UA | £5,231 |
| 9 | LB Enfield | £5,161 |
| 10 | Birmingham | £5,116 |
| 11 | Oldham | £5,113 |
| 12 | Sandwell | £5,061 |
| 13 | Corby | £4,993 |
| 14 | LB Waltham Forest | £4,987 |
| 15 | Hyndburn | £4,977 |
| 16 | Knowsley | £4,923 |
| 17 | Rochdale | £4,920 |
| 18 | Harlow | £4,909 |
| 19 | Leicester UA | £4,897 |
| 20 | Milton Keynes UA | £4,887 |

3.3.3 What is driving higher welfare spending?

There are a number of factors driving the increase in welfare spending. Four key ones are:

1. Spending on pensioners
2. Spending on Tax Credits
3. Spending on unemployment
4. Spending on Housing Benefit

3.3.3.1 Spending on pensioners

As the focus of this report is on reducing economic dependency for those of working-age who are capable of some work, spending on pensioners will not be explored in detail. However, given that slightly more than half of the total welfare bill is spent on pensioners (who comprise around 20 per cent of the population), it cannot be ignored.¹¹⁷

¹¹⁷ Institute for Fiscal Studies, *The Green Budget 2013: February 2013*, London: Institute for Fiscal Studies, 2013

Spending on pensioners is forecast to increase even further in the coming years. This is partly because the UK has an ageing population. Since 1981, life expectancy (at age 65) has increased by an additional 7.4 years for a man and 6.1 years for a woman.¹¹⁸

Another reason is the 'triple lock' system which ensures that pensions rise by whichever of the following is highest: the rise in average UK earnings, the rise in inflation or 2.5 per cent. This is unsustainable.

A third reason is the provision of universal benefits for pensioners. Such benefits are not targeted at all and are therefore expensive. For example, in 2012:

- Winter Fuel Payments cost £2.1 billion;¹¹⁹
- TV licences for over 75s cost £591 million;¹²⁰
- Concessionary bus travel cost £1.1 billion.¹²¹

3.3.3.2 Spending on Tax Credits

Tax Credits were initially designed with the twin purpose of making work pay and lifting the poorest out of income poverty. However, over time they have drifted significantly from this objective to become a complex, expensive and near-universal system of in-work and out-of-work support. Nearly two-thirds of the real terms cash increase in working-age welfare spending between 1997–98 and 2010–11 has been driven by higher spending on Tax Credits, which are substantially more generous than the benefits they replaced.¹²²

3.3.3.2.1 Increase in expense

For those in paid work, spending on Tax Credits increased from under £3.3 billion in 1997–98 to more than £20 billion by 2010–11.¹²³ Expenditure on the Child and Working Tax Credits was £22 billion and £6.9 billion respectively in 2011–12.¹²⁴

The value of Tax Credits themselves has also risen. As Figures 15, 16 and 17 show, the basic element of Working Tax Credits and the child element of Child Tax Credits have both been up-rated by more than inflation since 2003–04. In 2004–05 for instance, the child element of Child Tax Credit was up-rated by 12.5 per cent despite inflation only increasing by 2.8 per cent. Again, in 2008–09, it was up-rated by 13 per cent despite inflation rising by just 3.9 per cent.¹²⁵

118 Office for National Statistics, 'Cohort Expectations of Life 1981–2010' [accessed via: <http://www.ons.gov.uk/ons/rel/lifetables/period-and-cohort-life-expectancy-tables/2010-based/rft-d1-ukcohort10.xls> (08.05.13)]

119 Department for Work and Pensions, 'Budget 2012 Summary Table' [accessed via: http://research.dwp.gov.uk/asd/asd4/budget_2012_summ.xls (08.05.13)]

120 Ibid

121 Parliamentary Answer from Norman Baker MP, 11 October 2010 [accessed via: <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101011/text/101011w0002.htm> (08.05.13)]

122 Institute for Fiscal Studies, *The Green Budget 2013: February 2013*, London: Institute for Fiscal Studies, 2013

123 Ibid

124 Institute for Fiscal Studies, *A Survey of the UK Benefit System*, November 2012 [accessed via: <http://www.ifs.org.uk/bns/bn13.pdf> (08.05.13)]

125 House of Commons Library, 'Welfare Benefits Up-rating Bill, Bill No 116 of Session 2012–13, RESEARCH PAPER 13/01' January 2013 [accessed via: <http://www.parliament.uk/briefing-papers/RP13-1> (08.05.13)]

Figure 15: Value and percentage increase in basic element of Working Tax Credit since 2003–04

| Year | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 | 2009–10 |
|------------|---------|---------|---------|---------|---------|---------|---------|
| £ per year | 1525 | 1570 | 1620 | 1665 | 1730 | 1800 | 1890 |
| % increase | – | 3.0% | 3.2% | 2.8% | 3.9% | 4.0% | 5.0% |

Figure 16: Value and percentage increase in child element of Child Tax Credit since 2003–04

| Year | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 | 2009–10 |
|------------|---------|---------|---------|---------|---------|---------|---------|
| £ per year | 1445 | 1625 | 1690 | 1765 | 1845 | 2085 | 2235 |
| % increase | – | 12.5% | 4.0% | 4.4% | 4.5% | 13.0% | 7.2% |

Figure 17: Retail Price Index/Consumer Price Index (Inflation measures)

| Year | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 | 2009–10 |
|------|---------|---------|---------|---------|---------|---------|---------|
| CPI | – | 1.4% | 1.1% | 2.5% | 2.4% | 1.8% | 5.2% |
| RPI | – | 2.8% | 3.1% | 2.7% | 3.6% | 3.9% | 5.0% |

More broadly, Tax Credits have been used as means of reducing child poverty. The main way this is currently measured is a household with an income of less than 60 per cent of the median. Between 2004 and 2010, £150 billion was spent on Tax Credits to reduce child poverty, even though progress had completely stalled by 2009.¹²⁶ This misguided approach, which saw the most effective way of tackling child poverty to be through increasing welfare payments, was at the expense of tackling the root causes of poverty and helping people move off welfare and into sustainable employment.

3.3.3.2.2 Increase in eligibility

The number of people entitled to Tax Credits has increased since their introduction. By 2009 nine out of ten families with children qualified for Tax Credits.¹²⁷ This is particularly significant given that many of the families eligible were on relatively high incomes.

Figure 18 shows that the largest proportion of Tax Credit spending is directed to those on low and middle incomes, but a sizeable proportion of those on higher incomes are also in receipt of Tax Credits (where one is the lowest income decile and 10 is the highest income decile). In fact almost a quarter (24 per cent) of Tax Credit awards were made to families in the top half of the income distribution.¹²⁸

¹²⁶ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2011

¹²⁷ DirectGov, 'Benefits and help for parents going back to work' [accessed via: http://webarchive.nationalarchives.gov.uk/20090215180949/direct.gov.uk/en/parents/childcare/dg_4016029 (08.05.13)]

¹²⁸ Resolution Foundation, *Creditworthy*, London: Resolution Foundation, 2012

This is part of a wider pattern of those on higher incomes receiving welfare payments. Households in the top five income deciles receive an average of £2,885 each year in cash benefits. Even those in the top income quintile of households receive two per cent of their gross income from the state.¹²⁹ This represents a departure from the original intention of Tax Credits which was to lift those on low incomes out of financial poverty.

Figure 18: Distribution of Tax Credit recipients and payments across working-age family income deciles, 2009–10



3.3.3.3 Spending on Housing Benefit

The growth in welfare spending has also been driven by an increase in Housing Benefit payments. As Figure 19 shows, Housing Benefit now accounts for £24 billion of the overall welfare budget and more than five million people receive it.¹³⁰

The main drivers of this increase are a lack of affordable housing and high private rents. The number of housing starts peaked at 183,000 in the year ending March 2006, but fell sharply in the downturn to a low of 75,000 in the year ending June 2009. Since then starts have begun to recover to about 110,000 per year but have not yet reached pre-recession levels.¹³¹ A lack of affordable housing means house prices are higher and less people are able to buy their own home.

- The cost of privately renting a home has risen by 37 per cent in the past five years and is set to increase by a further 35 per cent over the next six years,¹³²

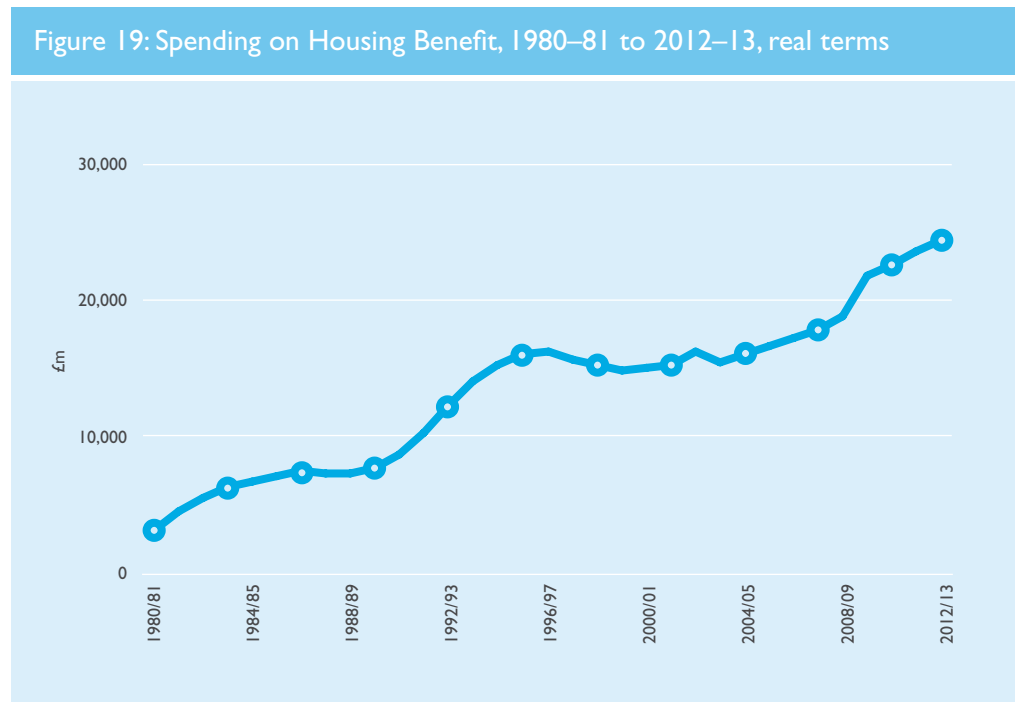
¹²⁹ HM Government, *State of the nation report: poverty, worklessness and welfare dependency in the UK*, London, HM Government, 2010

¹³⁰ Department for Work and Pensions, 'Benefit expenditure tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (08.05.13)]

¹³¹ Department for Communities and Local Government, *House Building: December Quarter 2012, England*, London: Department for Communities and Local Government, 2013

¹³² National Housing Federation, *Home Truths 2012: the Housing Market in England*, London: National Housing Federation, 2012

- The weakness of the economy will see modest falls in house prices into 2013, but demand conditions will support renewed house price growth of 5–6 per cent a year across England from 2015 to 2017;¹³³
- In 2011, 390,000 new families were formed, but only 111,250 new homes were built.¹³⁴



3.3.3.4 Spending on unemployment

A common misconception is that the majority of the UK's welfare spending goes on unemployment benefit. This is not the case. About 3 per cent of total benefit expenditure goes on unemployment benefit (JSA).¹³⁵ However, an unemployed person often receives more than just JSA. For instance, many receive Housing Benefit and/or disability benefits. This means that spending on the unemployed is much higher than three per cent and remains a sizeable proportion of overall welfare spending.

¹³³ Ibid

¹³⁴ Ibid

¹³⁵ Department for Work and Pensions, 'Benefit expenditure tables' [accessed via: <http://statistics.dwp.gov.uk/asd/asd4/index.php?page=expenditure> (08.05.13)]

chapter four

Barriers to work

The recession has increased economic dependency and worklessness. As such it is vital that the Government pursues a credible economic strategy which creates the conditions for growth. But we have also seen in the previous chapters how these problems pre-date the recession and may not necessarily be resolved through a return to economic growth. There is much more that can be done, even in the absence of growth, to break down the barriers which prevent thousands from finding, taking and staying in work.

This chapter explores the following:

1. **Preparing young people for work:** are young people getting the right skills and careers advice to secure a job?
2. **Back-to-work support:** if someone does lose their job, what provision is currently available to help them re-engage with the labour market?
3. **Housing:** does social housing help or hinder people when looking for work?
4. **Other barriers:** do childcare and transport costs act as barriers to employment?

4.1 Preparing young people for work

4.1.1 Skills

4.1.1.1 What are 'skills'?

When the Coalition Government formed it made a clear commitment to the improvement of skills. It stated in its 2011 Skills Strategy Document that:

'Skills are vital to our future and improving skills is essential to building sustainable growth and stronger communities. A skilled workforce is necessary to stimulate the private-sector growth that will bring new jobs and new prosperity for people all over this country.'¹³⁵

¹³⁶ Department for Business Innovation and Skills, *Skills for Sustainable Growth*, London: Department for Business Innovation and Skills, 2010

This strategy has four main strands:

- Increasing the investment in and quality of Apprenticeships;
- Creating a wider and more flexible system of vocational qualifications;
- A new Growth and Innovation Fund to help employers raise skill levels;
- The reform of adult and community learning.

In a developed economy like the UK's, the range of skills needed to succeed in the labour market is large. As such, caution should be taken to avoid defining 'skills' too narrowly. However, employers and their representative bodies increasingly make use of two broad categories:

'Hard' skills are those which are broadly technical, and tend to be more easily identified, taught and measured, such as numeracy and literacy.

'Soft' skills or 'employability' skills are more interpersonal and intuitive, and though identifiable, are arguably not as easily taught or measured. Examples include motivation, communication, problem-solving and self-management.

In terms of the relative importance of 'hard' and 'soft' skills, there is growing agreement from employers over the primacy of 'soft' skills. This is supported by a CSJ employer survey which found that 82 per cent of entry level employers rated attitude and work ethic as important to progression versus 38 per cent for literacy and numeracy.¹³⁷ Similarly, The Confederation of British Industry (CBI) has suggested that many British employers view recruitment with an 80/20 rule, whereby 20 per cent of the weighting is concerned with 'hard' skills and 80 per cent to non-certified generic and 'soft' skills.¹³⁸

There are various lists of 'key' employability skills, normally a mix of core hard and soft skills. For example, the CBI emphasises seven sets of attributes listed below.¹³⁹

CBI definition of employability skills

- **Self-management** – readiness to accept responsibility, flexibility, time management, readiness to improve own performance
- **Team working** – respecting others, co-operating, negotiating/persuading, contributing to discussions
- **Business and customer awareness** – basic understanding of the key drivers for business success and the need to provide customer satisfaction
- **Problem-solving** – analysing facts and circumstances and applying creative thinking to develop appropriate solutions
- **Communication and literacy** – application of literacy, ability to produce clear, structured and written work and oral literacy, including listening and questioning
- **Application of numeracy** – manipulation of numbers, general mathematical awareness and its application in practical contexts
- **Application of information technology** – basic IT skills, including familiarity with word processing, spreadsheets, file management and use of internet search engines

¹³⁷ Centre for Social Justice, *Creating Opportunity, Rewarding Ambition*, London: Centre for Social Justice, 2011

¹³⁸ CBI, *Shaping Up for the Future: The Business Vision for Education and Skills*, London: CBI, 2007

¹³⁹ CBI, *Building for growth, business priorities for education and skills*, London: CBI, 2011

4.1.1.2 Why are skills ever more important?

There are a number of reasons why skills are of critical importance to individuals and the UK economy in relation to reducing worklessness.

4.1.1.2.1 Higher skills improve the chances of being employed

Qualifications are a good (but not perfect) proxy for 'hard' skills. One study found that the employment rate of working-age people in the UK with no qualifications is less than half (39.8 per cent) of that of working-age people qualified to NQF Level 4 or above.¹⁴⁰

4.1.1.2.2 The number of low skilled jobs in the UK is shrinking

One of the key reasons for the shrinking number of low and unskilled jobs (as outlined in Chapter two) is the long-term reduction in their economic value. This has been driven in part by globalisation and technological advances which have eclipsed some historical low skilled roles and permitted others to be conducted in lower wage environments abroad. For instance, manufacturing as a proportion of total employment has decreased from 19.4 per cent in 1987 to 9.2 per cent in 2012, and is projected to decrease to 8.3 per cent by 2017.¹⁴¹

4.1.1.2.3 Those with higher skills get paid more and progress

Unsurprisingly those with higher skills tend to get paid more. Yet improving skills also allows workers to progress up the career ladder, taking promotions when they become available in order to earn more over time. Higher levels of education have been shown to have a positive impact on career progression and those with higher skills tend to progress faster.¹⁴²

On the issue of qualifications, it is worth noting here that whilst encouraging people to study and gain qualifications should broadly be encouraged, it is important to ensure that any qualifications undertaken are of actual relevance to employers. There is evidence of zero or even negative returns to low level vocational qualifications in some sectors of the economy.¹⁴³ The CBI said in 2012 that the leading issue employers would like to see progress on is the business relevance of vocational qualifications.¹⁴⁴

4.1.1.3 'Hard' skills: basic numeracy and literacy is poor

Despite improvements, gaps in the UK's skills base remain. For instance:

- Almost four million working-age people in the UK have no qualifications;¹⁴⁵
- Only 59 per cent of GCSE entrants got an A*–C grade in Maths and 65 per cent in English. This means 300,000 did not achieve the benchmark of a C in Maths and 200,000 in English;¹⁴⁶

¹⁴⁰ UKCES, *Low skills and social disadvantage in a changing economy*, London: UKCES, 2011

¹⁴¹ UKCES, *Working Futures 2007–2017 Evidence Report 2*, Coventry: Institute for Employment Research, 2008

¹⁴² Dolton P, Makepeace G, Marcenaro-Gutierrez O D, 'Career progression: Getting on, getting by and going nowhere', *Education Economics*, 13, 2005, pp237–55

¹⁴³ Ibid

¹⁴⁴ CBI, *Learning to grow: what employers need from education and skills*, London: CBI, 2012

¹⁴⁵ Nomis

¹⁴⁶ CBI, *Learning to grow: what employers need from education and skills*, London: CBI, 2012

- England, Wales and Northern Ireland are the only advanced economies where fewer than one fifth of post-16 students study Maths;¹⁴⁷
- 100,000 16 year-olds received a grade F or below in GCSE maths while 40,000 did so in English.¹⁴⁸

Given the poor quality of a high number of young people's qualifications it is no surprise that many businesses have raised concerns over the skills of new recruits. The CBI found that 35 per cent of businesses are dissatisfied with the basic literacy of school and college leavers and 30 per cent are dissatisfied with their basic numeracy.¹⁴⁹ These figures remain largely unchanged from 2003 when 34 per cent were dissatisfied with the basic skills of school and college leavers.¹⁵⁰

This has significant global consequences for the UK. We have slipped considerably down the world league tables. The OECD rankings show that between 2000 and 2009 (latest available figures), the UK has fallen from 4th to 16th in science, 7th to 25th in reading and 8th to 28th in maths.¹⁵¹

4.1.1.4 'Soft' skills: employability is the main issue

In March 2009, Sir Mike Rake, chairman of the UK Commission for Employment and Skills stated that:

'Employability skills are a major issue for business and the UK economy.'¹⁵¹

The CSJ agrees. We found poor employability skills to be the main reason why employers turn entry level applicants away at interview. The main reasons were poor work attitude/ethic (62 per cent) followed by poor presentation (57 per cent).¹⁵³

Similarly a recent Department for Work and Pensions study found that one in five employers has had difficulties with recruiting young people. The main problem was perceived to be the attitude and motivation of young people.¹⁵⁴

Poor attitudes towards work by young people have also been highlighted as an issue by many of our Alliance of poverty-fighting charities. We surveyed 48 organisations across the

¹⁴⁷ Ibid

¹⁴⁸ CBI, *Action for jobs: How to get the UK working*, London: CBI, 2011

¹⁴⁹ CBI, *Learning to grow: what employers need from education and skills*, London: CBI, 2012

¹⁵⁰ Ibid

¹⁵¹ Max Planck Institute for Human Development, *PISA 2000: Overview of the Study*, Berlin: Max Planck Institute for Human Development, 2002; OECD, 'Comparing Countries' and Countries' Performance' [accessed via: <http://www.oecd.org/pisa/46643496.pdf> (08.05.13)]

¹⁵² Leader Magazine, 'Hard vs soft skills', Issue 46, February 2010 [accessed via: <http://archive.leadermagazine.co.uk/article.php?id=1620> (09/05/2013)]

¹⁵³ Centre for Social Justice, *Creating Opportunity: Rewarding Ambition*, London: Centre for Social Justice, 2011

¹⁵⁴ Department for Work and Pensions, *Early evaluation of the Youth Contract wage incentive scheme*, London: Department for Work and Pensions, 2013

country and the majority (68 per cent) said they had come across young people growing up in workless households who thought that some jobs were 'beneath' them.

A selection of anonymous written comments by the organisations who took part is included below. We asked the question 'have you come across young people growing up in workless households who think that some jobs are "beneath" them?'

'Yes, some believe that the jobs available to them are not worth coming out of the house.'

'Yes – and they speak of benefits as their "earnings"!'

'This is a common attitude we see and it concerns work in general.'

'Yes – there is an issue with appropriate and realistic role models (in terms of short and longer term aspirations).'

'Yes, there is sometimes a reluctance to do menial work as we have done such a good job of raising aspirations nationally, the problem is we do not do enough to help young people then realise those aspirations so they spend their lives out of work and dissatisfied.'

'Many consider it is not worth their while and too low hourly rate and no better off than being on benefits.'

'Not willing to start early, the hours do not suit their lifestyle.'

'Some have told us they don't want to work in places like McDonalds/Burger King – even though we know that some university students do.'

4.1.1.5 What is the consequence of the UK's skills shortage?

Despite the recent recession and resultant rise in global unemployment, employers from around the world are still unable to fill job vacancies. One worldwide survey found that more than one in three employers (34 per cent) experiences difficulties filling vacancies due to 'lack of available talent'. This is up four percentage points from 2009. Vacancies for skilled trades workers top the list of the most difficult positions to fill.¹⁵⁵

The survey concluded that:

¹⁵⁵ Manpower Group, *Talent shortage survey: Research results*, Uxbridge: Manpower Group, 2012.

'Overwhelmingly, a lack of available candidates with the right technical expertise and employability skills continues to vex employers.'

The UK is by no means immune from this skills shortage. One study estimates that last year more than one in 10 UK employers (11 per cent) had difficulty filling jobs. The most common job employers had problems filling is engineers, followed by chefs/cooks and sales representatives.¹⁵⁶ Another study gave the UK economy a score of five for talent mismatch (the degree to which it is harder to fill vacancies despite the pool of unemployed people, with zero being the least hard and 10 being highest).¹⁵⁷

The absurdity of worklessness being so high in the UK whilst so many employers are unable to fill their vacancies is summarised by Nigel Heap, Managing Director, Hays UK and Ireland:

'What we currently see is a paradox. Millions of adults in this country are unemployed, yet employers are still struggling to find people with the right skills, experience and aptitude.'¹⁵⁷

The problem of economic dependency is not therefore simply due to a lack of jobs. The private sector is creating new jobs. David Frost, Director General of the British Chambers of Commerce, said:

'Employers expect young people to come forward to them who are able to read, to write, to be able to communicate and have a strong work ethic... too often that is not the case and there is a stream of highly able Eastern European migrants who are able to fill those jobs. They are skilled, they speak good English and, more importantly, they want to work.'¹⁵⁸

Immigrant labour is an important and productive addition to the UK labour market. But we must raise the skill levels of UK nationals, both in terms of hard and soft skills, so that everyone is able to compete with those from abroad.

¹⁵⁶ Ibid

¹⁵⁷ Hays, *The Hays Global Skills Index*, London: Hays, 2012

¹⁵⁸ Ibid

¹⁵⁹ The Telegraph, *Immigration row: Do the British jobless lack the right skills for jobs?*, 1 July 2011

4.1.2 Careers guidance

The Education Act 2011 introduced a statutory duty on schools in England to 'secure access to independent, impartial careers guidance for their pupils in years nine to 11'.¹⁶⁰ Previously the responsibility for careers guidance rested with local authorities and was usually delivered through the Connexions service. No money is specifically ring-fenced in the Department for Education budget for careers advice and schools are expected to finance this provision from their existing budget.¹⁶¹

These changes have taken place concurrently with the introduction of the National Careers Service (NCS). The NCS operates through its website, via a telephone line and using face-to-face advisers. Adults are entitled to one face-to-face session each year and any 18–25 year old NEET is entitled to three each year.¹⁶² 16–18 year olds have no entitlement to face-to-face sessions.

A number of concerns have been raised in response to these changes. A recent survey by Careers England found that 83.5 per cent of schools had reduced provision in England in the past year.¹⁶³

The Work and Pensions Select Committee noted that:

'We did not get a clear sense from Ministers of how the Government expects schools to provide good quality "independent and impartial" careers information, advice and guidance to students without additional funding to enable them to deliver this. We do not consider the National Careers Service's offer of online and telephone advice to younger students to be an adequate alternative to face-to-face careers guidance.'¹⁶³

Businesses are also unconvinced that careers advice is of an adequate standard. In a recent CBI survey, 72 per cent of employers polled said careers advice for young people is not good enough.¹⁶⁵

Evidence to the CSJ Working Group outlined in the box overleaf has brought to light issues which need to be considered by schools in order for them to provide high quality careers advice. It was made clear that for careers advice to be relevant and effective it should reflect opportunities that are available in local labour markets. There was a concern that transferring the statutory duty to provide advice to schools is resulting in a poorer service. Particularly given current funding constraints, some schools are only providing the bare minimum. This is especially problematic for pupils who are not receiving supplementary advice from their family.

¹⁶⁰ Education Act 2011

¹⁶¹ House of Commons Library, 'Standard note on careers services' [accessed via: <http://www.parliament.uk/briefing-papers/SN06446> (09.05.2013)]

¹⁶² Ibid

¹⁶³ BBC, 'Most schools "have reduced careers advice"', 23 November 2012

¹⁶⁴ Work and Pensions Committee, *Youth Unemployment and the Youth Contract: Second Report of Session 2012–2013*, London: House of Commons, 2012

¹⁶⁵ CBI, *Learning to grow: what employers need from education and skills*, London: CBI, 2012

'Young people need careers advice on the jobs that are actually available in their local area... there are, for example, still far too many hairdressers being trained in FE for the actual number of hairdressing places available. But if FE schools and colleges were working with local businesses to work out what kinds of opportunities are available in their area, and then training them for these types of jobs, then young people have much more of a chance of finding work in their local labour market.'

'When we have spoken to young people, when they have careers advice (or if they have it), one of the things they get asked is 'what do you want to do when you leave school?' What they are not getting is the local labour market specific information. This might be because teachers don't have this information to hand, or they've not been trained that this is what they need to do or because businesses aren't engaging with schools properly. I think it is probably a combination of all these things.'

'When the changes to the careers service came in, we had an amazing opportunity as a country to do something different and think about what we need to provide our young people with in order to make a good careers choice. What a great shame we haven't.'

'Schools can in effect do nothing apart from National Careers Service, and they would be fulfilling their legal duty, but the kids wouldn't be getting the face-to-face support they need.'

'For those furthest away and not on an academic pathway with parents without any experience to impart. Those are ones that suffer and they make up the majority of the NEET population today.'

Rhian Johns, Policy and Communications Director, Private Equity Foundation¹⁶⁵

4.2 Back-to-work support

Back-to-work support can be vital for those who find themselves unemployed. The 'journey' back into employment usually begins at Jobcentre Plus (JCP).

4.2.1 Jobcentre Plus

With unemployment currently at 2.52 million, the role of JCP is more important than ever. In its current form, JCP was created in 2004 by merging two agencies: the Employment Service, which operated Jobcentres, and the Benefits Agency, which ran social security offices.

4.2.1.1 Does JCP get enough people off benefits and into sustainable employment?

The central way in which JCP measures its performance is in terms of off-flows. In other words, the number of claimants it moves off benefits. JCP has targets for the proportion of claimants flowing off JSA by 13 weeks, 26 weeks, 39 weeks and 52 weeks. It is generally successful in meeting these targets and, even during the recession, around 75 per cent of claimants were moving off JSA by six months of a claim and 90 per cent by 12 months of a claim.¹⁶⁷

¹⁶⁶ Evidence to CSJ Working Group, November 2012

¹⁶⁷ National Audit Office, *Responding to change in jobcentres*, London: National Audit Office, 2013

It is correct for JCP to focus on getting people off benefits and into work. Individuals do not have a right to claim benefits indefinitely if offers of employment arise. However, measuring off-flows does not capture whether people are finding and staying in work, which is crucial for economic independence. Rather than finding a sustainable job, off-flows can simply mean an individual has ended their claim in order to start a new claim for a different benefit, has found short-term employment but become unemployed soon after, or has decided to discontinue claiming altogether.

It is difficult to track what claimants do after they end a claim and the Government does not collect comprehensive data on this. However, there is evidence of significant 'churn' in the system. The National Audit Office found that of the 2.4 million new JSA claims made each year, around two-thirds are repeat claims and around two-fifths of JSA claimants who move into work will make another claim for JSA within six months.¹⁶⁸

A recent Department for Work and Pensions study of a cohort of JSA claimants ending their claim found that:

- **68 per cent** of those leaving JSA entered paid work. (Of these, 41 per cent entered full-time paid work, 18 per cent entered part-time paid work and nine per cent were self-employed);
- **14 per cent** set up a new claim for an out-of-work benefit;
- **18 per cent** were neither working nor claiming;
- Of those who entered paid work, only 75 per cent were still in paid work between seven to eight months later.¹⁶⁸

This 'churn' is bad for the individual as it prevents them from getting a secure 'footing' in the job market. It also represents poor value for the taxpayer. The National Audit Office estimates that if it were possible to improve job sustainability and reduce the time that repeat claimants spend on benefits by 50 per cent it would save the Government £520 million a year.¹⁷⁰

Thus while it is right for JCP to maintain a focus on getting people off benefits and into work, one of the best ways for JCP to ensure people stay off benefits is to get them into sustainable work. By measuring its performance on the basis of off-flows, this means that JCP places less focus on sustainable employment outcomes, which are crucial for economic independence.

4.2.1.2 Does JCP offer the right level of support for different groups?

Not all claimants need the same level or type of support. About a third of JSA claims only last up to three months.¹⁷¹ It is neither appropriate nor does it make financial sense to provide intensive support to all claimants at the start of their claim. There is a deadweight cost in doing this as many will find a job themselves quickly and without help.

¹⁶⁸ National Audit Office, *Sustainable employment: supporting people to stay in work and advance*, London: National Audit Office, 2007

¹⁶⁹ Department for Work and Pensions, *Destinations of JSA, Destinations of Jobseeker's Allowance, Income Support and Employment and Support Allowance Leavers 2011*, London: Department for Work and Pensions, 2011

¹⁷⁰ National Audit Office, *Sustainable employment: supporting people to stay in work and advance*, London: National Audit Office, 2007

¹⁷¹ Office for National Statistics, 'Labour Market Statistics, May 2013', May 2013 [<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcM%3A77-263579> (21.05.13)]

Some groups do need more intensive help however; and there are examples of individual JCPs working effectively to support different groups of claimants and reduce worklessness.

Case Study: Work-focussed services in children's centres pilot

The aim of the pilot was to test whether children's centres could offer an effective means of engaging parents in labour market activity, moving them closer to work and ultimately into employment. This pilot offered a dedicated JCP Personal Adviser in each of three children's centres in ten local authority areas. The long-term vision was for the JCP Personal Adviser to be seen as part of the children's centre staff. Core services included: outreach to those not using the centre and to those using the centre but not using JCP services; providing lone parent adviser services; and offering services to those outside the traditional JCP contact group, such as potential second earners.

A Department for Work and Pensions evaluation found that 74 per cent preferred to access JCP services at the children's centre. Only 6 per cent preferred to access services at the JCP office. The main reasons given were that advisers were more accessible as parents already made regular use of the children's centre, it was more child-friendly, and was a more flexible service which allowed parents to see advisers outside of formal appointments.¹⁷¹

One JCP staff member commented:

'Just being accessible and people not having to book an appointment has made it easier for people to come and see us, rather than having to go somewhere formal and book an appointment.'

Another said:

'I think because they see us as not having a Jobcentre agenda, they see us concerned with them as people and not just as a number. I think that's one of the major strengths of this pilot.'

CSJ Alliance member Carole Damper, Chief Executive, The EC Roberts Centre said:

'Providing the employment service in a family-friendly environment means that parents were more focussed on engaging rather than just wishing to get out as soon as possible. Families are also able to receive other parenting support services and find out about childcare providers. There is something about the normalisation element of having employment advice in a centre about parenting and family life which is also important especially in areas where there is intergenerational unemployment and low educational attainment. It is a bit akin to having smoking cessation or family planning clinics at the local GP. We need to learn from the supermarkets and put the items we want to sell in the places people will linger.'

The outcomes for parents, in terms of moving them closer to work are evident in that:

- Advisers commented that the attitudes of claimants to JCP and work had changed. For example, a survey of the number of parents who reported that they had never used JCP and had no intention of doing so dropped from 41 to 34 per cent.
- While employment was a longer-term goal, 40 per cent of those recorded have secured a work-related outcome, indicating some progress towards work.

172 Department for Work and Pensions, *Work-Focused Services in Children's Centres Pilot: Final Report*, London: Department for Work and Pensions, 2011

Case Study: Ebbw Vale Job Centre Plus (JCP)

Ebbw Vale is a town in Blaenau Gwent in South Wales. JCP staff told us that worklessness was now often third generation. They also highlighted that many of their claimants have very low levels of relevant training and education. Despite this the local JCP has found a number of innovative ways of helping people back into work.

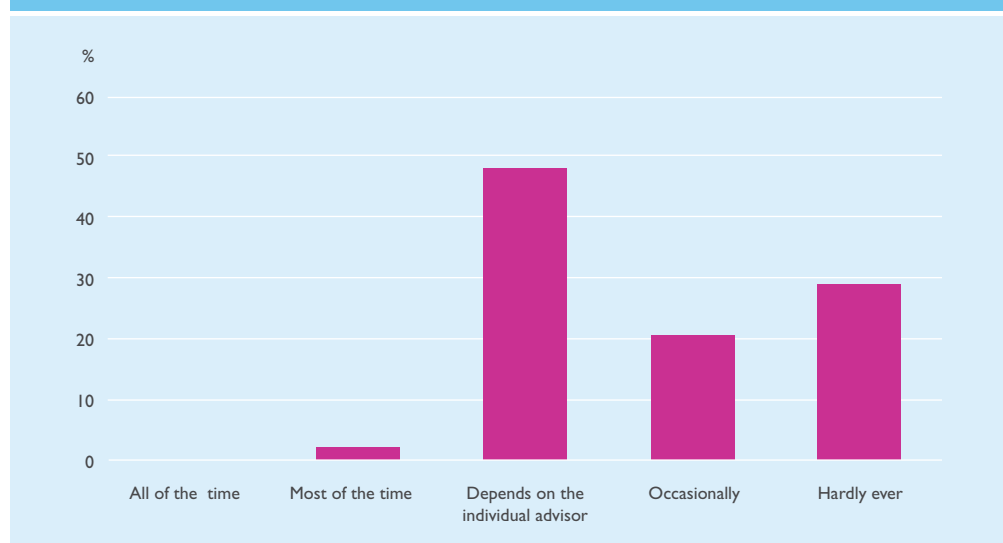
One example of its innovation is that it arranges for claimants to use the nearby Working Links computer suite for training during lunch times. This is aimed at improving the IT literacy of claimants and their ability to navigate the new Universal Jobmatch online system.

Other initiatives include:

- Arranging travel opportunities to job fairs where claimants are given employment-related presentations along with the chance to meet with potential employers;
- The deployment of a Cardiff-based staff member. Cardiff is the closest and largest economic centre to Ebbw Vale. The staff member is tasked with encouraging connectivity between industry and JCP claimants;
- Offering temporarily dormant office desks to local employers who can meet with JCP claimants face-to-face to discuss employment opportunities;
- An eight-week work experience programme with JCP in which younger claimants (18–25) help elderly people access the Universal Jobmatch system and gain skills to enter employment.

However, there is a concern that this kind of innovation and support is not as widespread as it could be. A recent survey found that only 29 per cent of claimants expressed satisfaction with the outcome of their JCP experience.¹⁷³ We surveyed 48 of our Alliance members and, as Figure 20 shows, found the majority felt that JCP advisers either do not spend enough time working with claimants to fully understand their needs and assist them or that it depends on the individual adviser:

Figure 20: Do you believe JCP advisers spend enough time working with claimants to fully understand their needs and assist them?



¹⁷³ Policy Exchange, *Rethinking employment support and Jobcentres*, London: Policy Exchange, 2011

One of the basic problems flagged to us is that claimants are not getting enough help with their CV. In evidence to the CSJ Working Group, Kirsty McHugh, Chief Executive, Employment Related Services Association told us on behalf of their members that:

'Work Programme providers are collating some compelling and useful evidence on the nature of the barriers long term unemployed jobseekers face to gaining and sustaining employment. Providers indicate that around 40 per cent are presenting with basic literacy and numeracy skills gaps and a significant percentage with a self-reported health related condition. A high proportion, perhaps as high as 1 in 4, present with no up to date CV, even though by definition almost all will have spent at least a year with Jobcentre Plus'.¹⁷³

This is a deeply troubling finding. The fact that perhaps a quarter of claimants who present for the Work Programme after 12 months at JCP do not have a proper CV shows that in many cases JCP is not providing even the most basic help that claimants need to get back into work.

There is also a sense that JCP is not helping people properly with their job search. At a CSJ focus group with a group of young people who had recently accessed JCP, we were told:

'When it comes to your fortnightly or weekly visits, all it is is literally tick-boxing... "have you searched for your jobs?", here's a piece of paper, they don't look it over, they don't take any notes, they say "yep, 1 2 3 4 5 6 that's good, sign you off and come back in two weeks". There's no assistance from them whatsoever.'

'They don't actually help you do the job searches they expect you to do everything, like most people in the outside world that have never signed on, like they have the impression that the job centre is some magical place, where they call up their people and they get you these interviews and everyone leaves happy, it's not that at all.'

'Because they don't help and they don't check anything, you're more likely to just sit on benefits. It's like they're subconsciously encouraging us to stay on benefits.'

Daniel, age 22, unemployed¹⁷⁴

¹⁷⁴ Evidence to CSJ Working Group, November 2012

¹⁷⁵ Evidence to CSJ focus group, February 2013 (names changed)

'There's not actually any help, or support... It's not even more time; it's just using the time that they've got with you, productively, instead of just telling you, right, you need to do this, you need to do this, you need to do this, actually like when you first go in, have a conversation with you about what your trying to get in, and then actually advise, they're called advisers, I'm assuming that's for a reason.'

'I got no help with my CV. You give them a copy and then they just keep it on their record. But you don't get taught the skills of how to make one. I could probably give them a piece of paper with a load of gibberish. As long as they've got a record of your CV, they don't care. I had loads of problems with it but they don't say nothing. The whole time I was at Job Centre, no one mentioned to me what a cover letter was'.

Emma, age 21, unemployed¹⁷⁵

'I've been with JCP for nearly 2 years now and every job I've ever got has been through family. They've never helped me with anything.'

James, age 19, unemployed¹⁷⁶

For the long-term unemployed or those with multiple barriers to employment, more intensive and personalised support is normally required. This improves the frequency and quality of job search activity and jobseekers' confidence and motivation. It has also encouraged jobseekers to overcome barriers such as problems with alcohol, drugs, basic skills, mental or physical health issues that they face.¹⁷⁸

Support which is not tailored to the needs of individuals is particularly problematic when an individual has specific behavioural or communication difficulties which need to be addressed. In evidence to the CSJ Working Group, Enterprise Plc, an organisation that works with young people with communication and learning difficulties, told us:

¹⁷⁶ Ibid

¹⁷⁷ Ibid

¹⁷⁸ Paul Gregg, *Realising Potential: A Vision for Personalised Conditionality and Support*, London: Department for Work and Pensions, 2008

'The Jobcentre system offers no protection for the vulnerable as it assumes someone will feed and house them. They are more likely to maintain employment if there is a support mechanism in place.'¹⁷⁸

4.2.1.3 Are resources being utilised effectively?

There are 38,316 people delivering face-to-face services at JCP, equivalent to just 48 per cent of the total number of JCP staff. This group also includes people in direct managerial and support roles of those people delivering services.¹⁸⁰

4.2.1.4 Do businesses use JCP?

Among small businesses, which make up 84 per cent of employers in the UK, less than 20 per cent use JCP to recruit.¹⁸¹ The majority of small businesses recruit informally, relying on staff recommendations or local contacts to find new employees. Many Federation of Small Businesses (FSB) members find this an easier method of finding a reliable member of staff.¹⁸² Of those who do use JCP, satisfaction with JCP is not particularly high. Only 17 per cent of small businesses surveyed rate JCP as effective or very effective.¹⁸³

4.2.1.5 What are the consequences of the above?

As a result of the above, other organisations have started to offer alternative services for the unemployed. Recycling Lives, a Lancashire-based charity offering accommodation, education, training and work experience to homeless and long-term unemployed individuals is one example. Another is The London Cleaning Academy, which trains the long-term unemployed in basic cleaning skills.

Case study: Recycling Lives

Recycling Lives believes that JCP off-flow targets are not conducive to individuals finding sustainable employment. In the past, many of their service users have been forced to take short-term, temporary employment or risk having their benefits sanctioned. As a result, the residents have been forced to leave the charity, as their residency is partly funded by their Housing Benefit.

Recycling Lives ideally prefers six months or longer to have a real impact on the lives of vulnerable people looking for life-changing direction. They say:

'We could move a homeless young man into Recycling Lives and within a few weeks he would have to leave and take employment and find his own accommodation. Because he is unlikely to have developed the life skills needed to sustain independent living and employment, employment could be short lived and place the young man in a worse predicament than when he first arrived at Recycling Lives.'

¹⁷⁹ Evidence to CSJ Working Group, February 2013

¹⁸⁰ Parliamentary Question 128010, Andrew Griffiths MP, 8 January 2013 [accessed via: [\(http://www.theyworkforyou.com/wrans/?id=2013-01-08a.135453.h&s=griffiths+section%3Awrans#g135453.q0\)](http://www.theyworkforyou.com/wrans/?id=2013-01-08a.135453.h&s=griffiths+section%3Awrans#g135453.q0) (09.05.13)]

¹⁸¹ Federation of Small Businesses, *The job centre is not working: Reform Jobcentre Plus and Reconnect Job Seekers with Job Creators*, London: Federation of Small Businesses, 2009

¹⁸² Ibid

¹⁸³ Ibid

As a result, Recycling Lives has recently transformed its business model in order to allow its residents to bypass any engagement with JCP. Instead, Recycling Lives offers residents a six month period to reside at the charity whilst receiving personal support to improve their work-readiness and eventually find sustainable employment.

They take a person-centred approach, service users are treated like adults, and everyone is assessed and treated according to their specific needs. Residents come off JSA altogether and are given a living allowance of £40 a week (funded by Recycling Lives).

Case study: The London Cleaning Academy

The London Cleaning Academy trains the long-term unemployed in basic cleaning skills. Some have been unemployed for more than six years. The Academy motivates individuals and looks at job outcomes that would be suitable for them. They take people on from JCP and employability charities.

Anne Bradley, Director, said:

'If you put 20 of our people in one room you can instantly tell which are from JCP and which have come from the employability charity we partner with. The latter are more confident and motivated and they seem to have a much better relationship with their tutors. The candidates from JCP seem to be just a number and it feels like they are only attending to gain their benefits.'

Example of success

The Academy has placed 52 long-term unemployed people at Deutsche Bank over four years.

Pauline

When Pauline visited The Academy she had been unemployed for three years. She was single, living with family and had been to a couple of interviews but with no success. We trained her, motivated her and placed her in Deutsche Bank as a cleaner. She worked hard and restored her confidence. Four years later she is now married, has a baby and is working as a team leader in Deutsche Bank. It really changed her life.

Darren

When I met Darren he had lots of piercings, a big chain round his neck and had little chance of getting a job anywhere. We trained him, placed him at Deutsche Bank and he started by cleaning the reception area and it changed his life. Three years later he is still working there.

4.2.2 Work Programme

The Coalition Government introduced its Work Programme in June 2011, which was designed to offer personalised support for those furthest from the labour market, funded by the private sector, and rewarded on the basis of results rather than process. The Work Programme is being delivered by a range of private, public and voluntary sector organisations. These providers are paid for successfully moving people into employment and not on the specific route or methods they choose to get there. The Work Programme is more cost-effective than previous welfare-to-work schemes, with an average 'cost per job' of £2,097, compared to more than £7,000 per job under the Flexible New Deal.¹⁸⁴

¹⁸⁴ Employment Related Services Association, 'ERSA Job Start data' [accessed via: <http://ersa.org.uk/documents/ersa-job-start-data> (08.05.13)]

Key facts¹⁸⁴

- 18 prime contractors – 15 private, one public and two third sector;
- 40 contracts;
- Programme's contract value over 5 years is £3–5 billion.

The CSJ strongly supports the principles which underpin the Work Programme. Given that the Work Programme is a two-year scheme, more time is needed before a comprehensive assessment of the programme's success can be made. However a number of early issues have arisen. Some are related to performance and others are related to design.

4.2.2.1 Performance of Work Programme

The most recent data available is from the Employment Related Services Association (ERSA) and shows that:

- A total of 207,883 jobseekers have found employment through the Work Programme since its launch in June 2011 through to the end of September 2012;
- 29 of every 100 people who started the Work Programme in June 2011 have been supported into a job within 16 months;
- Later cohorts are performing better than earlier cohorts.¹⁸⁵

Feedback from some providers indicates that performance could be improved. It is important to point out however that the Work Programme was set up specifically to deal with those hardest-to-reach, long-term unemployed individuals, many of whom have spent countless years out of work with little or no help. As such, the barriers which prevent Work Programme participants from finding sustainable employment are normally very significant.

For example, in evidence to the CSJ Working Group, Kirsty McHugh, Chief Executive, ERSA told us that:

'Work Programme providers are collating some compelling and useful evidence on the nature of the barriers long-term unemployed jobseekers face to gaining and sustaining employment. Providers indicate that around 40 per cent are presenting with basic literacy and numeracy skills gaps and a significant percentage with a self reported health related condition.'¹⁸⁶

¹⁸⁵ National Audit Office, *The introduction of the Work Programme*, National Audit Office, 2012

¹⁸⁶ Employment Related Services Association, 'ERSA Job Start data', November 2012 [accessed via: <http://ersa.org.uk/documents/ersa-job-start-data> (08.05.13)]

¹⁸⁷ Evidence to CSJ Working Group, November 2012

Also, the economic environment that the Work Programme operates under is different from when it was designed. This has had a variety of different impacts on Work Programme providers. In evidence to the CSJ Working Group, Kirsty McHugh, Chief Executive, ERSA told us the recession has meant that:

'Providers are almost uniformly reporting that it is taking longer to help customers into work than with previous programmes. Providers are having to support customers to move between a number of short jobs to build up to the job outcome. Each of these short jobs tends to take the same amount of brokerage activity, thereby increasing costs for providers.'¹⁸⁷

4.2.2.2 Design of the Work Programme

There is a concern from some charities that they are not receiving enough referrals. Polling of charities involved in the Work Programme by the National Council for Voluntary Organisations (NCVO) indicates that over one-third of charities polled said they had not received any referrals at all, while a further 15 per cent said they had only received between one and 10. Just fewer than 40 per cent said they have received 50 referrals or more.¹⁸⁹

A second concern is that the differential payment structure is not yet able to properly take account of the complex needs that some clients have. The payment model is structured to ensure that higher payments are paid to providers who work with the hardest-to-reach clients. However this is done principally on the basis of benefit type. It does not account for other barriers to work such as mental health problems or an addiction.

Some prime providers have noted that:

'Many long-term customers on JSA were in fact much harder to help than customers on ESA because they had a very different approach to work.'¹⁸⁹

¹⁸⁸ Ibid

¹⁸⁹ NCVO, *The Work Programme: Perceptions and Experiences of the Voluntary Sector*, London: NCVO, 2012

¹⁹⁰ Third Sector Research Centre, *Does sector matter? Understanding experiences of providers in the Work Programme*, Birmingham: Third Sector Research Centre, 2013

4.2.3 The Youth Contract

The Youth Contract is the Government's centre-piece policy to tackle youth unemployment. Launched in April 2012, it is designed to provide nearly half a million new opportunities for 18–24 year olds, including Apprenticeships and voluntary work experience placements. Taking on a young person can be a risk. The broad objective of the Youth Contract is to make the prospect of employing a young person more appealing to employers looking to recruit.

The Youth Contract¹⁹⁰

- 160,000 **wage incentive** payments to employers, worth up to £2,275 each, for those who recruit an unemployed 18–24 year-old from the Government's Work Programme;
- An extra 250,000 **work experience or Sector-based Work Academy** places, taking the total to at least 100,000 a year;
- Funding for at least 20,000 extra **Apprenticeship Grants** to Employers. These are incentive payments worth £1,500 each for small and medium sized employers to take on their first apprentice aged 16–24, taking the total to 40,000;
- More **flexible adviser support** delivered through Jobcentre Plus for all 18–24 year-olds including the offer of a National Careers Service guidance session within the first three months of any 18–24 year-old registering for JSA;
- **Extra support** is offered for 16–17 year olds through the 16–17 year old component of the Youth Contract.

Employers have largely praised the initiative. The CBI said:

'The Youth Contract is good news for young people up and down the country. It will encourage firms to give a young inexperienced person a chance so that the scourge of youth unemployment can be tackled. We sincerely hope that employers of all sizes looking to hire staff will see the Youth Contract as a real incentive to invest in our young people.'¹⁹¹

4.2.3.1 Wage incentives

In terms of job creation through wage incentives, a Department for Work and Pensions survey of employers found that:

¹⁹¹ Work and Pensions Committee, *Youth Unemployment and the Youth Contract: Second Report of Session 2012–2013*, London: House of Commons, 2012

¹⁹² Department for Work and Pensions, 'Business backs new Youth Contract' [accessed via: <http://www.dwp.gov.uk/youth-contract/business> (09.05.2013)]

- Nine per cent created an extra vacancy because of wage incentives;
- Seven per cent would not have recruited a young, unemployed person without wage incentives;
- 28 per cent of employers said wage incentives had made them more likely to keep the employee on for at least six months.¹⁹³

In evidence to the CSJ Working Group, Kirsty McHugh, Chief Executive, ERSA, told us:

'Early evidence from the Youth Contract is that it is not leading to job creation, but is prompting some employers to bring forward recruitment decisions. However, the level of awareness among employers is low and needs addressing. In addition, it is probable that the wage subsidy is too low in some parts of the UK – regional variations in the subsidy available is therefore probably necessary'.¹⁹³

This corresponds with the findings of a Department for Work and Pensions study which notes that only 56 per cent of employers had heard about wage incentives before recruiting a young person.¹⁹⁵

4.2.3.2 Work Experience and Sector-based Work Academies

Work experience is a vital way for young people to learn the skills needed in the workplace. Data is patchy. In May 2012 there were 9,870 work experience and 2,550 sector-based work academy starts.¹⁹⁶

4.2.4 Apprenticeships

The Coalition Government has committed itself to expanding Apprenticeships. Former Skills Minister John Hayes MP said in 2010 that:

'We must create a radically new model for workplace training with Apprenticeships at its heart and with partnership between Government, employers and individuals as its motive force'.¹⁹⁶

¹⁹³ Department for Work and Pensions, *Early evaluation of the Youth Contract wage incentive scheme*, London: Department for Work and Pensions, 2013

¹⁹⁴ Evidence to CSJ Working Group, November 2012

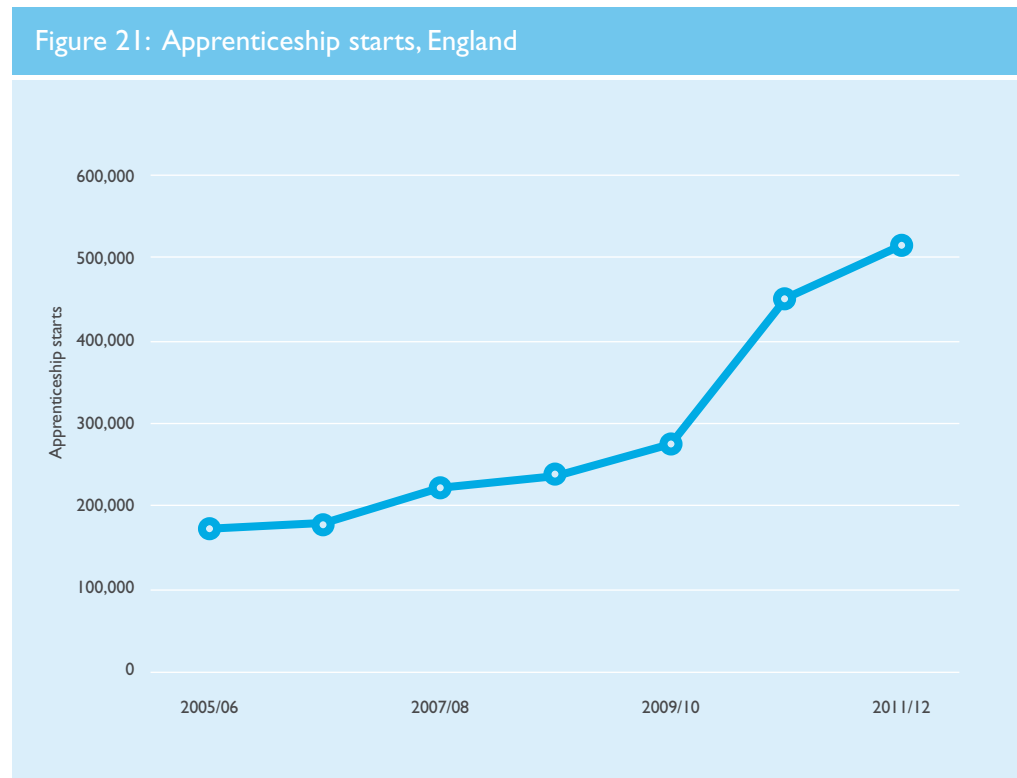
¹⁹⁵ Department for Work and Pensions, *Early evaluation of the Youth Contract wage incentive scheme*, London: Department for Work and Pensions, 2013

¹⁹⁶ Hansard, 'Written Answers, 29 November 2012' [accessed via: <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm121126/text/121126w0006.htm#12112790000450> (09.05.2013)]

¹⁹⁷ Speech by Former Minister of State for Further Education, Skills and Lifelong Learning John Hayes MP, Key role for apprenticeships, 29 September 2010

More recently the Prime Minister has pledged to make Apprenticeships the 'new norm' for school leavers who decide against going to university.¹⁹⁸

There has been a significant increase in the number of Apprenticeship starts, to more than 500,000 as Figure 21 shows.¹⁹⁹



In terms of the number of apprentices that have managed to find employment following their Apprenticeship, the success rate is positive. A government survey of 5,000 apprentices undertaken in late 2011 found that the majority of those who had completed the programme (89 per cent) were either employed or self-employed. Only a small minority (eight per cent) were unemployed.²⁰⁰

Overall satisfaction with Apprenticeships is also high. Almost nine in ten apprentices (89 per cent) were satisfied and 71 per cent very satisfied.²⁰¹

Despite this, concerns have been raised over the nature and quality of some Apprenticeships. The Richard Review noted in 2013 that:

198 BBC, 'Apprenticeships to be 'the new norm'', says David Cameron', 11 March 2013

199 Department for Business Innovation and Skills, 'Quarterly Statistical First Release,' January 2013 [accessed via: http://www.thedataservice.org.uk/NR/rdonlyres/6DC3ED54-696B-4082-B059-9509815F9008/0/SFR_commentary_January_2013.pdf (08.05.13)]

200 IFF Research, *Evaluation of apprenticeships survey 2012: learners*, London: IFF Research, 2012

201 Department for Business Innovation and Skills, *Evaluation of Apprenticeships: Learners*, London: Department for Business Innovation and Skills, 2012

- Apprentices are increasingly older. Those aged 25 and over now account for nearly a quarter of new starts;
- 70 per cent of apprentices worked for their employer prior to starting their Apprenticeship;
- Apprenticeships appear to be shorter duration on average with learners in 2011 reporting that almost half of Apprenticeships last a year or less. Fewer apprentices receive training now, with one in five apprentices saying that they did neither on-the-job nor off-the-job training.²⁰²

4.3 Housing

Both the social and private rented housing sectors present challenges for those in poverty. Those in the private rented sector typically suffer from insecure tenancies and high rents, and between 2011–12 and 2014–15, £35 billion of Housing Benefit will go to private landlords.²⁰³

This section will focus on social housing due to the high concentrations of worklessness which exist. While social housing has an important role to play in providing affordable accommodation to people on low incomes, one of the problems is that it can trap individuals and families in areas where few jobs exist. This means there is less opportunity for them to become economically independent.

As the former Minister for Housing Grant Shapps MP commented during the 2010 election campaign:

'If you're in social housing the system expects you to stay put, more or less forever. Your aspirations are squeezed, your expectations lowered, and your horizons limited. Automatically – if not intentionally – you are being treated like a second class citizen.'²⁰³

One way of illustrating this problem is by examining the trend in employment rates in the social housing sector over time. In 1981 the proportion of social tenants in full-time employment was 43 per cent. It is now just 23 per cent.²⁰⁵

This does not compare favourably with the private rented sector: 59 per cent of private renters are in full-time employment and 56 per cent of owner occupiers are in full-time employment (and a further 32 per cent of owner occupiers are retired).²⁰⁶

202 School for Startups, *The Richard Review of Apprenticeships*, London: School for Startups, 2012

203 The Guardian, 'Extra 10,000 working people a month reliant on housing benefit, says report', 22 October 2012

204 Conservative Home, Grant Shapps MP, 'How the innovative Conservative house-swap scheme would give social tenants nationwide mobility', 13 November 2009

205 Department for Communities and Local Government, *English Housing Survey Headline Report 2011–12*, London: Department for Communities and Local Government, 2013; Centre for Analysis of Social Exclusion, *Ends and means: The future roles of social housing in England*, London: Centre for Analysis of Social Exclusion, 2007

206 Ibid

There are four key reasons for such concentrations of worklessness in social housing:

- Its geographical location;
- Its changing role;
- 'Neighbourhood effects';
- The immobility of tenants.

4.3.1 Geographical location

Many social housing developments were originally built close to factories so that tenants could live close to their jobs. However, as outlined in Chapter two, the UK has witnessed a significant decline in the number of employment opportunities in large-scale manufacturing since the 1970s, matched by a structural shift towards services. As a result, far fewer traditional 'blue collar' jobs now exist close to social housing. Instead, new service jobs have been created in different places. This has made it difficult for those living in social housing to access these opportunities. Dominic Williams has argued that:

'The new jobs were in the city centre and in the business parks on the southwest side of the city – often near the airport, which was a major employment generator in its own right in Manchester and London. The new jobs were readily accessible to the occupiers of semi-detached suburbia – in London, John Betjeman's Metroland – but not so accessible to the council house dwellers that lived where the factories used to be.'²⁰⁶

Even for those traditional industries which have survived, the focus of their operations has shifted:

'Most of these activities are too low in value to house in the middle of cities so they have moved further out and, in many cases, left big cities completely. So, inner city areas are now overweight in low-skilled people for the jobs available.'²⁰⁷

4.3.2 Changing role

The role of social housing has changed dramatically. It used to be the tenure of choice for working-class families who were unable to afford home ownership. In 1979, over 20 per cent

207 Williams D, 'Spatial Dimensions of Social Mobility', *Local Economy*, 24, 2009, pp669–80
208 Ibid

of the richest decile of households and 33 per cent of the second richest decile lived in social housing.²⁰⁹

However, there has been a reduction in the available housing stock, partly as many properties were bought under the 'Right to Buy' scheme and not replaced and because there have been major reductions in new building. New allocation rules now mean that social housing is increasingly allocated according to 'need'. This often means an inability to work, and has therefore concentrated increasingly larger numbers of poor, often vulnerable and unemployed people together on social housing estates.²¹⁰

4.3.3 'Neighbourhood effects'

The third reason for concentrations of worklessness is that there are 'neighbourhood effects' associated with living in social housing which mean tenants are less likely to work than those in the private rented sector. This is true even when many of the common factors which place individuals at a disadvantage in the labour market are taken into account.²¹¹

'There are social norms and routines that result in a lifestyle or peer influences antithetical or resistant to formal paid work. This includes family and social routines and responsibilities as well as more damaging criminal and drug-using networks.'

Department for Work and Pensions study²¹¹

'There may be 'neighbourhood effects' on people's employment chances, given the concentration of social housing in disadvantaged areas and on particular estates... These could operate through poor transport links to available work, through exclusion from the informal networks through which people often hear of available work as a result of high levels of local worklessness, or possibly through the peer group effect of there being fewer models of regular work participation than in other areas.'

Professor John Hills²¹²

209 Centre for Social Justice, *Housing Poverty*, London: Centre for Social Justice, 2008

210 Centre for Analysis of Social Exclusion, *Ends and means: The future roles of social housing in England*, London: Centre for Analysis of Social Exclusion, 2007

211 Department for Work and Pensions, *Social housing and worklessness: Key policy messages*, London: Department for Work and Pensions, 2008

212 Ibid

213 Centre for Analysis of Social Exclusion, *Ends and means: The future roles of social housing in England*, London: Centre for Analysis of Social Exclusion, 2007

'A lot of people are not on benefits but they're not paying tax. They just do a couple of days labouring a week. There's also a whole economy around drugs. So a lot of the kids see drugs as a way of making money – it's quite a convenient business to be in.'

Community worker living in private rented accommodation in Croydon, CSJ focus group²¹³

4.3.4 Immobility of social housing tenants

The social housing population is disproportionately immobile. In an economic climate where employment opportunities are less readily available, the ability to move to places where more jobs exist should be an important part of a dynamic economy.

In the absence of work, people often take a logical decision to move elsewhere to find it. However evidence shows that tenants in social housing are less likely to move. 44 per cent of social renters have been in their home for at least ten years, in contrast to just nine per cent of private renters. 380,000 social renters have been in the same home for more than 30 years.²¹⁵ Across the country, one in eight moves is linked with work. However, only a few thousand social tenants each year move home for job-related reasons while remaining as social tenants (even within the same area), out of a total of nearly four million.²¹⁶

Although few actually move, there is a significant level of demand for mobility in the social housing sector. A study by Affinity Sutton found that:

'There is a level of demand for mobility that is currently not being met. 37 per cent of residents in our sample of 1,280 said they wanted to move, and of these 17 per cent said they wanted to move a lot. While the majority of these residents said that they wanted to remain within the same region (81 per cent), there was demand among some residents to move outside of their existing regions.'²¹⁶

214 Centre for Social Justice, *Housing Poverty*, London: Centre for Social Justice, 2008

215 Department for Communities and Local Government, *English Housing Survey Headline Report 2011–12*, London: Department for Communities and Local Government, 2013

216 Centre for Analysis of Social Exclusion, *Ends and means: The future roles of social housing in England*, London: Centre for Analysis of Social Exclusion, 2007

217 Affinity Sutton, *Mobility matters: Exploring mobility aspirations and options for social housing residents*, London: Homes and Community Agency, 2009

However, a desire to move is not usually motivated by work reasons. Department for Work and Pensions evidence also points to:

'Narrow spatial horizons of local residents – or 'estate as universe' attitude – which serve to restrict travel to work and job search areas.'²¹⁷

One resident in social housing commented:

'You don't just up and leave all your family and everything else just to get a job. That's a bit stupid isn't it? Because, I've got a family here. She [my girlfriend] has got family you know.'²¹⁸

David Williams, Executive Director of Strategy and New Business at Circle Anglia, has said:

'Poor mobility within the sector is currently preventing hundreds of thousands of people from moving home to take up employment, care for sick and elderly relatives and relieve overcrowding.'²¹⁹

Professor John Hills noted:

'There may be factors connected with the way that we run social housing that have adverse effects of employment changes. The difficulties in moving within the sector may be one of these [...] The rationing system within social housing makes it very hard to move home, but particularly between regions [...] and job-seeking or getting a job is rarely given high priority in local authority criteria for social housing allocations.'²²⁰

218 Department for Work and Pensions, *Social housing and worklessness: Key policy messages*, London: Department for Work and Pensions, 2008

219 Ibid

220 BBC, 'Social tenants in England to get wider home swap choice', 04 August 2010

221 Centre for Analysis of Social Exclusion, *Ends and means: The future roles of social housing in England*, London: Centre for Analysis of Social Exclusion, 2007

In response, the Government has introduced mobility schemes in order to tackle the disproportionately high levels of worklessness in social housing. However, some of the schemes suffer from a lack of awareness amongst residents. One study found that 85 per cent of residents did not know there was a Choice Based Lettings scheme in their area.²²²

4.4 Other barriers to work

4.4.1 Childcare

Childcare is expensive, both for the Government and for parents. This is a problem because it can act as a major barrier to work and is perceived to be undermining the Government's efforts to make work pay for those on low incomes.

4.4.1.1 Cost to parents

The average cost of a nursery place for a child under two is £4.26 per hour across Britain. A parent buying 50 hours of childcare per week for a child under two would face an average annual bill of around £11,000 per year.²²³

4.4.1.2 Cost to government

In 2013 the Government will spend £2.3 billion on subsidising childcare. This is the second highest level of state support in the OECD.²²⁴

This combination of high costs suggests that the UK offers poor value for money to both parents and taxpayers. In response, the CSJ recently set out a number of recommendations in its *Transforming Childcare, Changing Lives* report.²²⁵ The key recommendations were:

- The affordable childcare commission should aim to lower childcare costs to below the break-even cost of childcare in order to ensure that work always pays for parents that have to combine work with formal childcare;
- The Government should ask childcare providers for core and consistent information on all forms of provision, including costs, pricing and occupancy in order to better understand demand and gaps in provision in local areas;
- The Government should consider a modest relaxation of childcare ratios during peak hours. This would increase the flexibility of provision for parents and increase incomes for providers without putting children at significantly greater risk;
- Schools should be encouraged and incentivised to offer regular childcare and after-school activities on the basis that extended schools offer low-cost options for childcare while also improving educational outcomes for the children who attend;

222 Affinity Sutton, *Mobility matters: Exploring mobility aspirations and options for social housing residents*, London: Homes and Community Agency, 2009

223 Daycare Trust and Family and Parenting Institute, *Childcare Costs Survey 2013*, London: Daycare Trust, 2013

224 Centre for Social Justice, *Transforming Childcare, Changing Lives: Making sure that work pays*, London: Centre for Social Justice, 2012

225 Ibid

- Schools should be encouraged and incentivised to provide extended service by communicating the benefits of improved outcomes for the children who attend; and allowing extended schools access to childcare subsidy where their provision supports parents into employment;
- National and local governments must shorten the process of becoming a childminder to encourage parents to do so;
- The Government should encourage childminding circles in order to raise demand and lower costs for out-of-hours care (before 8am, after 6pm) organised in conjunction with the breakfast or afterschool club, or with Jobcentre Plus;
- Jobcentre Plus should discuss the option of becoming a childminder with parents on income support as they approach the point at which their youngest child reaches five years old.

The Government has recently announced proposed changes to ratios and the way childminders are organised through measures included in the Children and Families Bill currently making its passage through Parliament.²²⁶

However, without minimising the challenges faced by many parents, it is also important to acknowledge the diversity of parents' preferences when it comes to managing work and family responsibilities. The last Government acknowledged that they had overemphasised the importance of both parents working and had devalued the role of at-home parents.

Preferences can also depend markedly on the age of children concerned. Polling conducted for the CSJ's *The Next Generation* report found that 88 per cent of parents and 82 per cent of adults thought more should be done to help parents who wish to stay at home and bring up their children in the early years, and this was consistent across all socio-economic groups. 97 per cent agreed that the Government should do more in this area.²²⁷

The needs of school-age children present different challenges for parents. Although many are keen to secure affordable after-school club places, others require greater flexibility in their working hours because they want to be at home after school – not least to ensure homework responsibilities are fulfilled. Similarly many choose 'informal' care, such as that provided by grandparents, over formal daycare, whatever the age of their children. Given that many grandparents are also in paid employment, they may also require flexibility from their employer for this to work well.

It is essential that children receive high quality care, whatever the employment status of their parents. However, trying to meet this need with formal childcare outside of the home oversimplifies the challenges faced by parents and risks placing an unsustainable burden on the public purse.

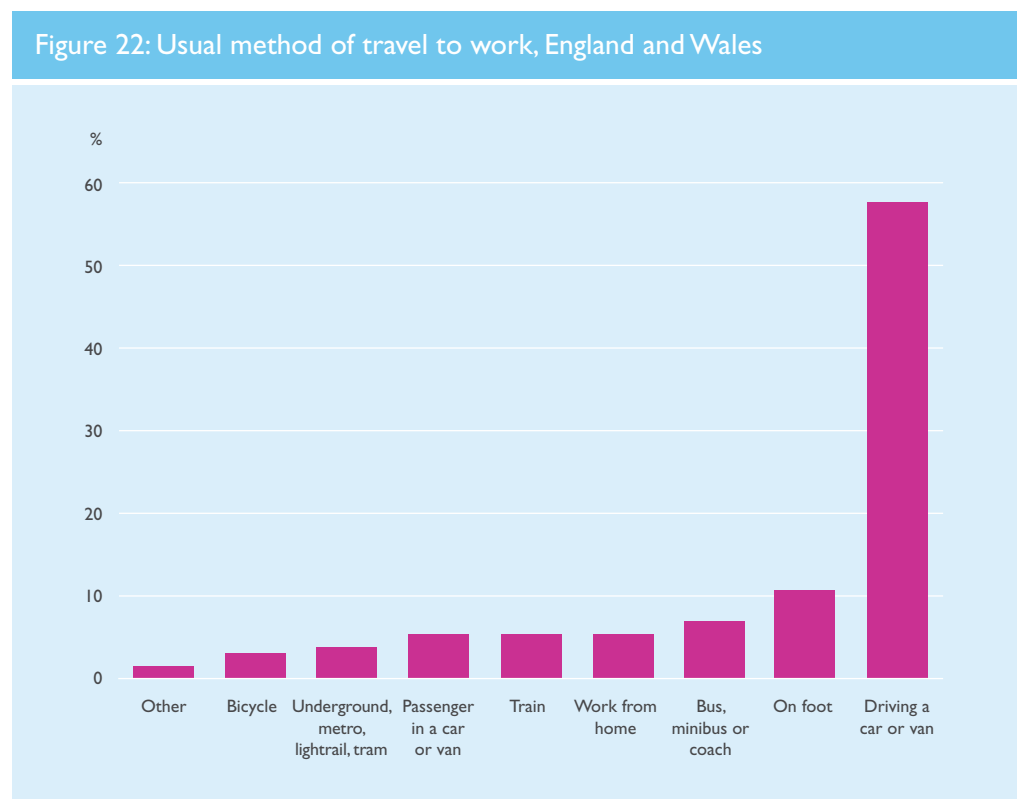
226 Parliament UK, 'Children and Families Bill 2012–13 to 2013–14' [accessed via: <http://services.parliament.uk/bills/2012-13/childrenandfamilies.html>] (08.05.13)

227 Centre for Social Justice, *The Next Generation: policy report from the Early Years Commission*, London: Centre for Social Justice, 2008

4.4.2 Transport

Transport can act as a barrier to employment, both in terms of its cost and availability. Not only can expensive or inaccessible transport prevent an unemployed person from getting to work, it can prevent them from searching for a job in the first place as they cannot get to an interview.

Figure 22 shows that the majority of the population (58 per cent) drive a car or van to work.²²⁸ This method of transport has become more expensive over time as the price of petrol and diesel has increased. This is a particular problem for those on low incomes as it accounts for a greater proportion of their income. It can also act as a disincentive to taking work in the first place.



228 Office for National Statistics, '2011 Census: Quick Statistics for England and Wales', March 2011 [accessed via: http://www.ons.gov.uk/ons/dcp171778_297002.pdf (08.05.13)]

chapter five

Conclusion

The recession has undoubtedly had a detrimental impact on the state of economic dependency and worklessness in the UK today. This is particularly the case in certain parts of the country such as the West Midlands and the North West. Young people have fared particularly badly, with youth unemployment rising by nearly twice as much as it did for adults as a share of the population.

Yet the recession is not the primary cause of the UK's high economic dependency and worklessness. Despite GDP falling by more than six per cent, the employment rate has remained relatively static and never fell below 70 per cent.

As this report has shown, economic dependency and worklessness was a major issue before the recession. The number of people dependent on out-of-work benefits has hovered between four and five million for more than 15 years.

There are neighbourhoods where dependency actually rose during the economic boom. Many have been left to rot. In some neighbourhoods, the number of working-age people claiming out-of-work benefits is more than five times the national average. In one neighbourhood in Denbighshire it is close to 70 per cent.

In some communities, intergenerational worklessness is not uncommon. 96 per cent of our Alliance members surveyed say it exists and many of them see second, third or even fourth generation worklessness regularly.

Attributing all of the above simply to a lack of economic growth and austerity is misguided and too simplistic. While a return to economic growth is much needed, there are a number of other barriers which are preventing people from finding and staying in work.

It is clear that there are structural problems in the way in which our welfare system works. Some of the reforms initiated by the Coalition Government – notably Universal Credit – will begin the process of helping more people into work. However, there is a great deal more to do.

As this report has shown, there is an urgent need to ensure that more people have the appropriate 'hard' and 'soft' skills for the workplace, that back-to-work support is better at helping people prepare for and find work, and that other barriers – such as inflexible arrangements regarding social housing – are removed.

This 'State of the Nation' review has outlined the scale of economic dependency and worklessness in the UK today and offered insight into some of the factors that are driving this. The second phase of this review will be to form a number of innovative and radical policy recommendations for government to tackle economic dependency and worklessness. We will do this by taking evidence from a wide range of organisations and individuals as well as travelling the country to learn from those already working effectively to reverse social breakdown.

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