

# Social Policy Briefing

## Spring 2007

**Advice NI policy paper in relation to:**

**Welfare Reform: Challenges, Choices and International Insight**

**(A DWP conference to consider where the UK will be in 10 years' time)**

### **Background**

Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. Advice NI exists to provide its members with the capacity and tools to ensure effective advice services delivery. This includes: advice and information management systems, funding and planning, quality assurance support, NVQs in advice and guidance, social policy co-ordination and ICT development.

Membership of Advice NI is normally for organisations that provide significant advice and information services to the public. Advice NI has over 80 member organisations operating throughout Northern Ireland and providing information and advocacy services to over 150,000 people each year on over 237,000 enquiries including: social security, housing, debt, consumer and employment issues. For further information, please visit [www.adviceni.net](http://www.adviceni.net).

## **General**

Advice NI was invited to participate in a conference on Welfare Reform held at Central Hall, Westminster on Monday, 26th March 2007 and hosted by The Rt Hon John Hutton, MP Secretary of State and Jim Murphy, MP Minister of State, Department for Work and Pensions. The purpose of the event was to consider where the UK is expected to be in 10 years' time – feeding into the Prime Minister's 10 year review – Welfare Reform: 10 years on, 10 years ahead.

The conference included contributions from the following:

### **Welfare Reform in the UK**

#### **Rt Hon John Hutton MP**

Secretary of State for Work and Pensions

### **The Freud Review of Welfare**

#### **David Freud**

Author of *Reducing dependency, increasing opportunity: options for the future*

### **The German Experience**

#### **Professor Jutta Allmendinger**

Director of the Institute for Employment Research, Nuremberg

### **The US Experience**

#### **Ron Haskins**

Senior Fellow, Brookings Institute, Washington DC

In addition there were Breakout sessions which included the Australian Experience - Job Network and Welfare to Work; what now for Welfare Reform and Poverty: Recent US Developments; & Future Trends in European Social Policy.

In their introductions, both John Hutton and Jim Murphy talked about the impacts and challenges presented by:

- Demographics:
- Migration:
- Mobility &
- Global competition;

They went on to put forward the view that ‘everyone who can work, should work’. This ethos would underpin greater engagement with the private and voluntary sectors; a move towards outcome-based contractual arrangements and payment by results; more individualised, tailored support for those on benefits facing multiple disadvantage; greater progress towards benefit simplification; & greater conditionality in return for benefits particularly in respect of lone parents.

**Advice NI view:**

- There may be a conflict between a reform agenda which has the objective of moving people off benefits and into paid employment; and the qualifying conditions for these benefits. Government should adopt a cautious approach to revising qualifying conditions for benefits as this may ultimately be to the detriment of the very people who rely on (or will rely on) these benefits as a lifeline;
- Government should also consider the economic situation. The economy is currently strong and arguably supports active labour market policies; should an economic downturn occur Government will need to revisit any reforms implemented with a view to rebalancing the approach to conditionality;
- Conference did not debate the role of taxation in the context of welfare reform: analysis focused on the impacts and outflows of claimants moving from benefits to work. Taxation as it relates to sharing wealth, supporting essential services and supporting the most vulnerable in our society merits discussion within the welfare reform debate. In our view it is inaccurate and misleading to hermetically seal the discussion and focus it solely on benefits on-flows and off-flows;

- Advice NI believes that there must be a debate on benefit levels and year-on-year increases to benefits. The current levels and uprating structure is in our view contributing towards income inequality and directly contributing towards people on benefits being pushed further into poverty;
- Many people pay National Insurance contributions with the expectation that should they become unemployed or ill they will be supported by the benefits system. The reform agenda may lead many to question the use of National Insurance with potential benefit recipients seeing the qualifying criteria for contributory benefits tightening with a view to restricting expenditure; and the national insurance pool itself moving towards convergence with income tax, with a break in the direct link between contributions paid and accessibility to contributory benefits.
- There needs to be adequate accessible, independent advice provision to allow people on benefits to make informed decisions about moving from benefits to work;
- The voluntary sector, and in particular the advice sector, may need to approach the new 'contracting world' with caution. There may well be tensions between such fundamental principles as independence, impartiality, confidentiality, advocacy on behalf of clients; and contractual requirements which may incentivise providers to focus on targets to the detriment of the wellbeing of clients;
- Advice NI would advocate involvement of service users and potential service providers in the contract design and commissioning stages as well as delivery stage. This inclusive approach should enable a more robust and effective approach – utilizing the expertise, skills and experience of all stakeholders;
- On another level any private / voluntary sector involvement in service delivery must have clear accountability processes in place. Social security benefit claimants are used to dealing with, in the main, civil service staff. Any withdrawal from direct provision, replaced by private / voluntary sector involvement may serve to blur and confuse claimants; perhaps leaving them susceptible to unethical work practices as the provider is more concerned with achieving targets than providing a high quality service for the claimant. Claimants may feel unable to oppose or complain about such an approach by a service provider because they may feel that their benefit could be jeopardised;

- Tendering for any private / voluntary sector involvement must place heavy reliance on quality as opposed price – due to the vulnerable nature of the client group;
- There must be sufficient resources within contractual arrangements with the private / voluntary sector to ensure that work can be carried out not only to the required specification but also to the highest standard. Advice NI believes that the vulnerable clients concerned deserve no less;
- Moves towards private / voluntary sector involvement must ensure equality of access. Coverage is important because the particular client group may not have the means to travel and compensate for the providers lack of coverage across a particular geographical area;
- Moves towards benefit simplification are to be welcomed – however there would be concerns that any move towards such simplification will create ‘winners and losers’ and leave many benefit recipients worse off;
- There needs to be the infrastructure in place to support lone parents to move into employment – in particular accessible, affordable childcare; and appropriate employment opportunities;
- The National Minimum Wage should be reviewed with a view to making it a living wage; with attendant scope for reviewing the in-work tax credit support in order to really drive home the point that the Government is committed to ‘making work pay’. Consideration should also be given to disregarding tax credits as income within the calculation for Housing Benefit;

David Freud’s presentation continued along similar lines with the view put forward that ‘work is good for you, claiming benefits are bad for you’. The presentation focused on the need to concentrate resources on the ‘hardest to help’ with associated increased responsibility to be required from these ‘hardest to help’ benefit recipients. Freud spoke about the need to get benefit recipients ‘deeply placed into work’ (for three years or more) and highlighted the need to change the emphasis from job placement to job progression.

**Advice NI view:**

- The ‘hardest to help’ very often represent the most vulnerable within our society – in terms of ill health (physical and mental), educational status, housing status, employment readiness, language barriers, income and so on. These same people are the least able to take risks to work. As long as the reform agenda appears to be only interested in removing people as a benefit statistic – not meaningfully supporting people to make the transition into employment – the ‘hardest to help’ may remain reluctant recipients of welfare reform, rather than eager participants;
- Linking rules are very important for people who attempt employment but suffer a relapse. Linking rules should apply to all benefits which were in payment prior to taking up the employment opportunity, in particular Housing Benefit and Disability Living Allowance;
- There could be a system of much improved ‘run-on’ support (from benefits into work) to incentivise and reduce any perceived risk of moving into paid employment;
- In addition to benefit simplification, the issue of bureaucracy needs to be addressed to ensure that linking and run-on systems are streamlined, fast and effective;
- Government have much to do to reconcile the points of view that (1) supporting people with health problems into work is the answer to their health problems; and (2) these same people have been assessed as medically incapable of work by both their GP and a doctor of the Department;
- There remains doubt that adequate support is / will be in place, particularly for people to manage health related conditions. This point relates to the need for joined up services to be in place across the benefits, employment and health sectors – and ideally with independent advice and information also available to enable benefit recipients to make informed choices about moving from benefits to work;
- Increased responsibility and potentially benefit sanctions will effectively penalise those who are already accepted as being the most vulnerable in our society. Sanctions must be a tool of last resort. There must be adequate safeguards in place to protect and encourage rather than penalise;

Jutta Allmendinger, Director of The Institute for Employment Research – Nuremberg spoke about the German experience and highlighted that pre2005 the German benefit system focussed on preserving the status of people who moved from work to benefits (unemployment insurance assistance was funded through contributions, was earnings-related and duration of up to 32 months). Post 2005 the same benefit has a reduced duration of up to 12 months, and the general benefits system has greater ‘activation’ components including early obligation to register and tighter definitions of suitable work.

Ron Haskins, Senior Fellow, Brookings Institute, Washington DC, spoke about the US experience and in particular the five components of 1996 welfare reform in the US:

- 1. End Cash Entitlement**
- 2. Block Grant Funding**
- 3. Work Requirements**
- 4. Sanctions**
- 5. 5-Year Time Limit**

It was demonstrated that this has drastically reduced the welfare caseload and has left potential welfare recipients more open to the risks of a downturn in the economy. However this approach has also been associated with very significant increases in resources towards childcare and tax credit top-up payments. There is a view that the punitive measures embodied in the welfare reform law were not the primary cause of its success. Welfare reform was successful because the US economy was good and because in-work supports – child care and health insurance – helped make work pay. Problems with the US approach were highlighted as being the difficulty for welfare recipients to secure continuous employment (often a focus on ‘take the first job’ and not the ‘best job match’). There was also a very significant issue related to ‘floundering families’ – with a significant increase in single mother households without work and without access to welfare (number has almost doubled since 1990).

**Advice NI view:**

- People cannot be left to simply ‘fall through the cracks’ and allowed to ‘flounder’ as appears to be the case in the US;
- Given that we are talking about the most vulnerable people in society, acknowledged as being the ‘hardest to help’, Government should ensure that there are adequate safeguards in place to protect and support not further marginalise and demonise. It was highlighted that ‘work is the only route out of poverty’ but the benefits system must play its part in ensuring that people have sufficient income to put food on the table, keep a roof over their head and provide a basis to make informed decisions about moving from benefits to work;
- US speakers reiterated the point that “forced integration into the labour market will not work” without the associated significant increases in spending on areas such as childcare. Government should not shirk its responsibilities in this regard.

Advice NI would ask decision makers to consider using the tried and tested Advice NI eConsultation service as a means by which targeted organisations (and the individuals to whom they provide a service) are included in this process. Further information on the Advice NI eConsultation service can be found at <http://www.adviceni.net/econsultation/default.asp> .

Advice NI welcomes the opportunity to input into this debate and would be keen to be kept informed of developments.

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