It’s All About You
Citizen-centred welfare

Edited by Jim Bennett and Graeme Cooke
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Executive summary
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Introduction
The Prime Minister has said that it is time for change and nowhere is this truer than in welfare\textsuperscript{1} policy. High levels of employment and low levels of economic inactivity are the cornerstones of prosperity and social justice. The days of mass unemployment seem to be behind us and the Government aspires to an ambitious employment rate of 80 per cent, but there may be trouble ahead. Unemployment has started to rise and those who are out of work often face substantial barriers to work.

The current approach to welfare and employment support has reached the point of diminishing returns and it is time for bold reform. This collection of essays sets out what a new approach might look like and how it would operate. The essays make the case for a welfare system based on a fair contract between the state, citizens and civil society. A renewed contract would enable the welfare system to lead the way in the personalisation of public services, and as a result more people would be supported off benefits and into work.

A fair welfare contract
There should be two central objectives at the heart of any proposal for welfare reform:

- Ensuring a decent standard of living for all
- Enabling and expecting all citizens to participate in the collective work of building a strong and fair society.

There are many ways of conveying these objectives and translating them into practice, and the concept of rights and responsibilities is one. Importantly, the concept has popular appeal. It has been adopted by Labour and has framed the development of the New Deals, which made people an offer of back-to-work support in return for investing in themselves. It has also enabled the Government to widen and tighten the conditions placed on the receipt of out-of-work benefits so that more people now undertake work-related activity. The Government’s interpretation of rights and responsibilities has been effective up to a point, but it will require a radical reworking if it is to deliver more fully on the objectives we set out here.

Too often policy and practice have focused on the responsibilities of (disadvantaged) citizens to the detriment of thinking about the context in which such obligations are expected, and the reciprocal responsibilities of the state and civil society. The emphasis must now be placed on the collective duties of citizen, state and civil society to one another. So, for example, if the state can hold citizens to their responsibilities, through conditions on the receipt of out-of-work benefits, we need to give due emphasis to ensuring there are ways of giving citizens more power to hold the state (and other institutions) to account for theirs. This analysis implies that any proposals to reform welfare can be usefully measured against at least three criteria: fairness, simplicity and empowerment (see box, next page).

A single working-age benefit
This understanding of rights and responsibilities immediately highlights the inadequacy of the current welfare system in supporting people to move into work. Current reform plans will not radically alter this. For as long as the benefit system demonstrably hinders the Government’s welfare-to-work agenda, there is a compelling argument to change it.

\textsuperscript{1} ‘Welfare system’ and ‘welfare’ are used interchangeably here to mean the benefits and tax credits systems, along with employment services.
We propose moving towards a single income replacement benefit for people of working age. The benefit would be based on a single set of rules, paid at a standard basic rate and remain the same over time (so there would be no higher, long-term rates). It would replace Jobseeker’s Allowance (JSA), Incapacity Benefit (IB) and Income Support (IS) and could also incorporate Carer’s Allowance. There are a range of advantages to this proposal and they deal with some of the problems of the current benefits (and particularly the links between them), which look likely to continue even after the introduction of the Employment and Support Allowance (ESA) (set to replace IB in 2008).

The problems associated with moving between benefits would disappear. There would be no risk to a person’s benefit if they tried going to work because the benefit would be the same before and after a period in work. Importantly, there would be no financial gain to be made from claiming one benefit over another or from remaining in receipt of benefit for a long period.

Overall, a single working-age benefit would be easier to understand than the current array of working age benefits and it would be easier to administer. A system that is poorly understood does not give citizens the information or agency to take control of their lives. The current system is made up of 40 different benefits and tax credits and the 2007/8 Benefits Uprating Statement included 460 different rates for the different allowances, premiums, limits, deductions and disregards in the system which determine the level of benefit payable. A single working-age benefit would be one step in the direction towards greater clarity.

It could also be expected that the stigma and possibility of subsequent discrimination that have been associated with the notion of disability benefits would be reduced. For the purposes of claiming benefit, the reason a person has no paid employment becomes irrelevant. A claimant does not have to decide whether to claim as a disabled people, or a lone parent, or a carer. A major advantage of this would be that for people with a health or disabling condition who want to take steps towards work there would be no need to obtain a doctor’s certificate. People’s health or disabilities would of course be highly relevant in considering a route back to work, but claiming benefit, for most people, would effectively become ‘de-medicalised’.

Establishing a new single working-age benefit would provide an opportunity to create a more transparent and easily understood system of entitlement. Any system must be fair and seen to be fair and use resources in an efficient way. There is also a need to minimise administrative complexity and the time taken to get people onto the benefit in order to reduce the risk of poverty, limit costs, reduce fraud and

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**Necessary characteristics of welfare reforms**

**Fairness** – the welfare system should be fair, both in the way its processes treat people and the distributional outcomes it produces. The system should be seen to be fair to achieve and sustain broad public support. This should be based on fair reciprocity, which balances the rights and responsibilities of citizens, state and civil society.

**Simplicity** – the welfare system should be designed and delivered as simply as possible, promoting efficient administration and helping citizens to understand their entitlements. Complexity can only be justified where it respects the diversity of citizens, not where it simply reflects the interests of the system or historical anomaly.

**Empowerment** – the welfare system should be designed and delivered in ways that maximise the control and agency of citizens. Within a system of fair rules, this should be achieved through active, personalised and responsive services.
error, and expedite people’s access to employment support.

There are many systems of entitlement that might go some way to achieving these objectives. One option (among many) might comprise a time-limited universal entitlement to out-of-work support, followed by a means-tested period to better target resources. A universal entitlement to, say, 12 weeks’ support for those of working age who are not in work would minimise the administrative burden to both individuals and Jobcentre Plus. Evidence suggests most new Jobseeker’s Allowance claimants do find work within this time frame. Those who did not move off the benefit and into work within the universal period would be assessed against a means test in order that only those in significant financial need would be eligible for longer-term support.

Eligibility for many benefits is currently calculated on a household rather than an individual basis. However, there are some potential advantages to an individual entitlement:

- It would better reflect the diversity of financial arrangements within households and recognise the importance of women’s financial independence.
- It would reduce the need for people to register certain changes of circumstances and the incentive for couples to claim falsely that they are not living together and thereby reduce fraud.
- It would avoid the problem of household-level calculations generating significant disincentives for second earners to work longer hours. This happens because of the high rate of withdrawal of benefits and tax credits once a second earner is working more than part-time hours. Individual entitlements would not suffer this problem.

These potential benefits create a strong case for making a serious assessment of the costs and benefits of individualised entitlement.

The level at which the single benefit is set has to be based on a political judgment balancing this consideration against other demands on the public purse and overarching political objectives such as ending child poverty and increasing the employment rate. However, it should be possible to structure the overall package of working-age benefits so that a range of objectives can be reconciled. To achieve this, certain principles should guide the development of the overall package.

First, the benefit should be set at a level that does not significantly decrease work incentives for the majority of people who are out of work. Second, we are proposing a single income replacement benefit for people who are out of work, while retaining existing benefits designed to meet additional costs that are incurred, as a result of disability or caring responsibilities for example. Clearer separation between income replacement and extra costs benefits means that the level of the income replacement benefit does not need to take into account the need to meet additional costs. Existing premiums for additional costs should be transferred to tax credits and Disability Living Allowance. This would ensure that people who are unable to work as a result of a disability or caring responsibilities would not be worse off, even if the level of the benefit was set at a lower rate than current levels of certain benefits.

There are also advantages that could also be gained through a greater sense of fairness (or ‘procedural justice’) in the implementation of a single working-age benefit. Part of the claiming process for the single working-age benefit should be to ask new claimants two questions, which we might call ‘gateway questions’. These are:

1. Do you think you will be able to work at any time in the future?
2. Do you want to work in the future?
Evidence shows that the majority of people asked these questions, including many with long-term health and disabling conditions, would answer yes to both. When this happens two things should follow:

1. The single working-age benefit should be put into payment.
2. The claimant begins to work with a Personal Adviser to plan how the goal of paid employment can be achieved.

This will involve dialogue of the type already taking place in Jobcentre Plus: discussing work aspirations and goals; assessing skills, knowledge and experience; assessing barriers to work such as skills gaps, caring responsibilities, health and disabling conditions; putting an action plan in place with a mutually agreed timetable; and accessing appropriate help and support.

The Government is committed to implementing Employment and Support Allowance (ESA) to replace IB from 2008. However, rather than being the end of the reform process, the implementation of ESA could be the beginning. The name could remain the same but ESA could become the basis for the development of a single working-age benefit. This would mean modifying the way in which ESA is implemented and, over time, opening it up to new claimants who would have moved onto JSA or IS, as well as those who would have gone onto IB.

Personal Advisers would need to use the gateway questions above to frame the development of action plans and ensure understanding and commitment to a realistic set of actions. This would be supported by opening up all employment programmes to claimants rather than just a narrow range of programmes related to disability (see below). This would provide a much wider range of opportunities for claimants and enable a more tailored approach. Over time, the levels of the different benefits would be aligned and resources redistributed from earnings replacement benefits to extra costs benefits.

**A new New Deal**

A single working-age benefit would function to actively promote moves towards work. This is partly because access to employment support would, by definition, cease to be dependent on which benefit a person is receiving. The unified benefit breaks the connection between entitlement to benefits and entitlement to employment support. Instead, whatever package of measures is needed could be accessed (assuming capacity is in place). This is what we mean by citizen-centred welfare. In such a system, benefit structures and employment support are aligned to what the citizen needs, as opposed to benefit categories and the administrative requirements of the system.

A citizen-centred system would therefore also require changes to employment support so that it was much more flexible and personalised. The boundaries between different programmes would be removed and the provision of support would be determined by demand rather than rigid eligibility criteria. Specialist support would still be available, but only in response to an individual’s need as opposed to their benefit label. The provision of employment support would be less centrally prescribed, with frontline advisers given greater discretion to tailor support services to the needs of their clients and encouraged to innovate. The system would identify individuals who needed to be fast-tracked onto personalised support rather than have a period of independent job search. For example, repeat claimants and those with no skills would be strong candidates for much faster access to personalised support.

The conditions with which individuals would be expected to comply in order to receive the benefit would also need to be personalised to their circumstances and needs. Driven by benefit categories, the current system makes arbitrary distinctions about people’s responsibilities, ignoring important differences between the capabilities and constraints of individuals within these categories. Also, by focusing on which
groups of people conditionality falls, more significant issues are obfuscated. For example, the Government is proposing that, in future, lone parents of children aged over seven should be required to actively seek work, implying that the age of the child is the most important factor determining a person’s ability to seek work. If they have a health condition, or their child does, this may be far more significant a consideration than their child’s age. A far more person-specific approach to citizens’ responsibilities would provide the basis for genuinely fairer, more productive and more reciprocal relationships across the welfare system.

A more personalised model of conditionality would also bring the responsibilities of the state and civil society into sharper focus. Reasonable expectations on citizens to take steps towards work should be performed hand in hand with reasonable obligations to ensure adequate childcare provision, skills development opportunities, health support, measures to help people to cope with financial insecurity and so on. Such a model would move us far closer to a welfare contract genuinely animated by a progressive notion of fair reciprocity.

The way people are treated can be just as important to them as the outcome of a given process. A citizen-centred welfare system would ensure people have a say in the kind of support they receive. If users of the welfare system are to be genuinely empowered, the trade-off between simplicity and personalisation must be carefully navigated. A framework of rules that treat everyone fairly but not the same is needed. Indispensable here are the principles of procedural justice: consistency, transparency, accuracy, redress, representation, bias and ethics.

In order to respond to the diversity of people’s needs, the range of support would need to increase, building stronger links with other services especially in relation to skills. Employment support would need to be integrated with skills training and Jobcentre Plus would need to deliver much greater access to skills for employment and careers advice than it currently does. Support would continue once a person entered work to ensure that employment is sustained and, where appropriate, people have the opportunity to progress. Skills and career advice could also be made available to low-paid workers in receipt of working tax credit.

Similarly, as eligibility constraints and barriers between programmes were removed and provision became more demand-led, current levels of capacity in the employment support system would no doubt be exceeded. Participation rates are currently woefully low. For example, less than seven per cent of the total lone parent caseload was participating in the New Deal for Lone Parents in 2006. So we might expect rising demand, meaning that in the short to medium term more resources would be required. However, current expenditure on these programmes remains low by international standards. In the long run higher employment support costs could be offset against higher levels of labour market participation. To some extent, costs would also be limited by the fact that, as now, the most appropriate approach for some clients would be (low cost) independent job search.

Jobcentre Plus should compete on an equal basis alongside the private and voluntary sectors to provide this model of citizen-centred employment support, while retaining responsibility for benefit delivery and acting as the gateway to services. This will require substantial improvements in tendering processes and effective processes to ensure engagement is maintained as clients move between Jobcentre Plus and other employment support providers. Competition among different providers is important not necessarily because it improves performance across the board (although it may), but because it provides an alternative in the event of providers’ failure to deliver.
Conclusions
Despite rising employment, more than 3.5 million people are not in work and are claiming benefits, which is about the same as in 1997 when the Labour government came to power. At the same time, levels of benefits have not kept pace with rises in earnings and there is a strong correlation between a child living in a workless household and a child living in poverty. The Government will meet neither its employment aspiration nor its target to end child poverty by 2020 if it continues on current form.

Now is the perfect moment for a new approach to welfare. Sixty-five years after the publication of the Beveridge report it is time to retire old solutions (with enormous thanks and respect) and to tackle afresh the types of questions Beveridge was addressing: what do we want from the welfare system as a whole and how can we construct a system that is feasible, workable and affordable?

We propose that we need a welfare system that is based on the needs and circumstances of the citizen. The Government’s Green Paper In work, better off: Next steps to full employment, published in July 2007, very tentatively edges towards some of the ideas and policies we have described. However, these tentative steps fail to live up to the rhetoric of its ambitions. There is an opportunity to plot a course for the next ten years to deliver a welfare contract that is more fair, simple and empowering. Such a system would be capable of placing the citizen at the centre and in doing so will move further down the road to full employment and social justice.
1. The welfare we want and the welfare we have

Jim Bennett and Graeme Cooke

Introduction

Following a decade of reform of the welfare system there is a need to take stock and consider what a progressive welfare state should look like ten years on from 2007. The Government’s ambitious social policy commitments will not be fulfilled without a radical and comprehensive policy agenda, which needs to be delivered in new and sophisticated ways. Commitments such as abolishing child poverty by 2020, achieving a 70 per cent employment rate among lone parents by 2010, and ending pensioner poverty demand bold action. The Government has also stated an aspiration to achieve an 80 per cent employment rate. These commitments must be fulfilled within the context of significant changes in British society, which begs new questions of the welfare state.

The combination of these factors means that the long-term objectives of welfare policy cannot be met by simply doing more of the same. This book seeks to look beyond day-to-day policy options and delivery pressures to ask what a truly progressive welfare state should look like, and how this might be constructed, given where we are today.

In this introductory chapter we describe the objectives and characteristics of the welfare system desired by progressives. We compare this vision with the welfare system we have, identifying the need for substantial further reform. The following chapters then explore what form this reform should take. In Chapter 2, Graeme Cooke and Stuart White explore the idea of ‘fair reciprocity’, considering the current and optimal distribution of rights and responsibilities in a progressive welfare system. Roy Sainsbury and Kate Stanley then investigate in Chapter 3 how restructuring the system of out-of-work benefits could better advance our twin objectives of increasing employment and reducing poverty. Finally, Lisa Harker and Carey Oppenheim consider in Chapter 4 how employment support and welfare-to-work could be reshaped to become citizen-centred.

The central message that emerges from all these chapters is that welfare must be re-orientated so that it is based on the needs of the individual claimant. Changes to both the structure and process of delivery of welfare services are necessary and welfare must be at the forefront of the personalisation of public services.

The welfare system we want: objectives and characteristics

Promoting employment, ‘making work pay’, and reducing child and pensioner poverty have been consistent themes in welfare reform over the last decade. However, these themes do not add up to provide a convincing story about the purpose of the welfare system. Recently, additional impetus for establishing a clear and positive sense of the purpose of welfare has been provided by powerful descriptions of welfare as a cause of society’s problems rather than part of their solutions (Bartholomew 2004, Boys Smith 2006, Murray 2006).

1. The terms ‘welfare system’, ‘welfare state’ and ‘welfare’ are used interchangeably here to mean the benefits and tax credits systems, along with employment services.

2. ippr takes ‘progressive’ to mean having a commitment to social justice at its heart (Pearce and Paxton 2005). ‘A socially just society is one where each has opportunity to fulfil his or her potential, in which the distribution of social and economic goods is fair and in which a fair distribution is understood to require high, though not complete equality. Contemporary progressives see a flexible open market economy supported by strong public services as the best means to achieving social justice.’ (Margo 2007: 6)
In 1942 Sir William Beveridge inspired the creation of the post-war welfare state with a national plan for the abolition of want through a system of social insurance. The traditional values that have underpinned the welfare state – opportunity for all, responsibility from all, and support for those in need – are still relevant. This is a positive vision of a society in which everyone has a fair chance and each of us takes responsibility for oneself and for each other.

It is striking how many of the toughest welfare policy challenges of the 1940s remain central some six decades later: tackling poverty; maintaining public support; creating incentives to work and save; reducing complexity of the welfare system; supporting housing costs; and deciding on reasonable conditions for the receipt of benefit (Beveridge 1942, Pearce 2005). However, major changes to the economic and social structure of society have also altered the context in which the welfare system must operate. Policymaking and service delivery must reflect these changes as well as continuing to respond to traditional concerns.

At root, the welfare system should help build a fairer and more equal society by serving two central objectives:

- **Ensuring a decent standard of living for all.** This includes those in paid employment, those temporarily out of the labour market, and those permanently without access to an earned income. Progress towards the abolition of child poverty and ensuring security and dignity for people in retirement are central aims of a progressive welfare system.

- **Enabling all citizens to participate in the collective work of building a strong and fair society.** In particular, the welfare state should enable people to succeed in the labour market.

These objectives are distinct from the Government’s often heard objective of ‘work for those who can; security for those who cannot’. First, work does not necessarily secure a decent standard of living. Second, our understanding of participation should not be limited to work but reflect other contributions to a strong and fair society (although the focus of this book is on participation in paid employment). Shaping a welfare system that delivers on these central objectives requires a policy agenda characterised by fairness, simplicity and empowerment, as described in Box 1.1.

In the following sections we explore these objectives in greater detail. We also consider how the current

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**Box 1.1: Key desired characteristics of a welfare system**

**Fairness** – the welfare system should be fair, both in the way its processes treat people and the distributional outcomes it produces. The system should also be seen to be fair, to ensure it sustains broad public support. This should be based on a ‘fair reciprocity’ that balances the rights, responsibilities and respect of citizens, state and civil society.

**Simplicity** – the welfare system should be designed and delivered as simply as possible, promoting efficient administration and helping citizens to understand their entitlements. Complexity can only be justified if it respects the diversity of citizens, not if it reflects the interests of the system or an historical anomaly.

**Empowerment** – the welfare system should be designed and delivered in ways that maximise the control and agency of citizens. Within a system of fair rules, this should be achieved through active, personalised and responsive services.
system performs against them and the characteristics of a fair system. We propose that the failure to achieve these objectives is, at least in part, a consequence of a failure of the welfare system to embody the characteristics of fairness, simplicity and empowerment.

**Ensuring a decent standard of living for all**

As set out above, a key objective of the welfare system must be to ensure a decent standard of living for all. Primarily, this is reflected in the welfare system’s role in supporting the incomes of households so that they avoid poverty, either through replacements for earned income or supporting access to the labour market.

The current Labour Government’s targets to end pensioner and child poverty represent some of the most ambitious policy goals of our time. Progress on pensioner poverty has been substantial, with 500,000 fewer pensioners in poverty compared to 1998. And 600,000 fewer children are now living in poverty than were before the child poverty pledge was made in 1999, which represents significant progress towards the target of ending child poverty by 2020. However, this is a slower rate of reduction than anticipated.

Poverty reduction must remain a priority for the welfare system, not least because of the very considerable ground that still needs to be made towards meeting these targets, but also because attainment of a ‘social minimum’ is the primary building block of social justice (Miller 2005). How high this minimum should be set is a question that remains to be answered. In the post-war period, ‘poverty’ has tended to usurp ‘subsistence’ as the key conceptual barometer. However, the current welfare system does not provide systematic protection against poverty (Lister 2006); nor are benefit levels set with reference to any contemporary measure of basic material subsistence.

With the welfare system rooted in an approach to setting benefit levels that has failed to keep pace with wider living standards, the adoption of a relative definition of poverty has required more generous in-work support for people on low incomes in the form of tax credits. Also, some parts of the system have to be uprated more quickly than others to stop pensioners and low-income families with children from further falling behind median incomes. Those parts of the system that are closely targeted on the priority groups – children and pensioners – have seen significant increases, whereas other benefits have continued to rise only with prices.

This approach, driven by the imperative of meeting the poverty reduction targets using limited resources, has two implications. First, while few would argue with giving priority to pensioners and children, over the long run it has implications for the distributional fairness, overall balance and coherence of the benefits system (Lister 2006). Second, the parts of the system that are most closely targeted on people living in poverty are means tested, which creates disincentives to go into work, by increasing the range of income affected by high marginal tax rates.

Providing incentives to work matters because it would neither be feasible nor desirable to try to reduce poverty through tax and benefits measures alone. As well as poverty reduction, a key objective of the Government’s active welfare reforms has been to reduce worklessness3. Reforms have been shaped around making work pay and the argument that working is the best route out of poverty. The reliance of poverty reduction measures on means-testing, and the implications that means-testing can have for work incentives, creates a key tension for policymakers between the objectives of reducing poverty and

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3. Worklessness is a term that defines those who are involuntarily without a job and are of working age. It includes both the officially unemployed (according to International Labour Organization definitions) and those not in work who do not meet official criteria to be classified as unemployed.
reducing worklessness.

A further dilemma lies in how to balance resources devoted to different levers to increase incomes. While there have been reductions in the child and pensioner poverty rates, the poverty rate for working-age adults has remained at around 19 per cent over the past decade, with half of these being adults in work. The fact that the proportion of working-age adults in poverty has not fallen, even though the level of worklessness has, is a cause for concern. The promotion of work as the best route out of poverty is not delivering results at the moment.

There are two options for addressing these issues. The first is to make further reforms to the system that extend the welfare-to-work approach yet further. The reviews commissioned by the Department for Work and Pensions (DWP) from Lisa Harker (2006) and David Freud (2007) both highlighted the case for increasing capacity and restructuring employment support. These themes are discussed in greater detail in the following chapters.

The second option is to look more broadly at the uprating of benefits in line with a relative poverty measure. This would entail directing more resources to those working-age adults who are not currently a priority, as well as groups that are a priority. While active labour market policy will have a leading role in reducing poverty, consideration must also be given to the poverty of people temporarily outside the labour market and those who would be unable to work on a more long-term or permanent basis.

For those that society considers able to work, working-age benefits have been held constant with prices. Part of the rationale for this has been to avoid any dulling of the incentive to work. However, if it is an objective of policy to reduce poverty, in the long term it will not be tenable to only increase child-focused in-work tax credit and benefit provisions above prices. While any increase in benefit to reduce poverty needs to be weighed against impacts on work incentives, allowing the incomes of out-of-work adults to fall further and further behind relative poverty thresholds will ultimately impact on the capacity of those people to return to the labour market. Equally, for those who are not expected to work, for care-providing or health reasons, a commitment to reducing relative poverty will require that the system provides a replacement for earnings that at least keeps pace with earnings at the lower end of the wage distribution. This would also ensure that the system delivered greater distributional fairness.

While this has implications for both public spending and the way in which politicians choose to frame discussions about the welfare system, the need to make further progress in reducing poverty will have to remain a core objective for reforms.

**Enabling participation**

The second key objective of the welfare system is to enable all citizens to participate in the collective work of building a strong and fair society. The particular focus for policymakers has been on participation in the labour market, although the welfare system does also support those with caring responsibilities. Here, though, we focus on the current system’s effectiveness in supporting employment (while acknowledging that the welfare system is not the only factor that impacts on participation in the labour market).

Despite record levels of employment, the proportion of the working-age population that is unemployed or economically inactive has remained at more than 20 per cent since early 19924 (ONS 2007). This group

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4. Although it is important to note that this groups includes students, carers and people unable to work due to disability or long-term illness.
features a high concentration of lone parents, disabled people, people from ethnic minorities, people over 50 years old and those with the no or low-level qualifications. As Figure 1 demonstrates, the employment rates of all these groups – apart from the lowest-qualified – have risen since 1997, in many cases at a faster rate than overall employment growth. However, with the exception of the over-50s, all of these groups still lag well behind the overall employment rate (DWP 2006a).

Other indicators signal the limitations of the welfare system’s effectiveness in enabling participation. There are a significant number of people at the margins of the labour market who regularly ‘cycle’ between benefits and low-paid work. Around two-thirds of Job Seeker’s Allowance (JSA) claims each year are repeat claims and 40 per cent of JSA claimants entering work return to claiming benefit within six months. The target 70 per cent lone-parent employment rate could be achieved by equalising the job exit rate of this group with the overall rate (Carpenter 2006, Harker 2006). There is also a relatively small core of long-term unemployed people. One third of JSA claimants have spent more time claiming benefits than they have in work and around 100,000 have spent six of the last seven years claiming benefit (Freud 2007).

There is strong evidence for the effectiveness of active labour market programmes such as the various New Deals in promoting employment (OECD 2006b). However, participation rates in the programmes are low. Fewer than seven per cent of the total lone-parent caseload was participating in 20065. Just 5.7 per cent of those claiming Incapacity Benefit are currently taking part in the New Deal for Disabled People, while just 21 per cent of JSA claimants are partaking in a New Deal programme6.

5. Authors’ calculations using the DWP Tabulation tool at www.dwp.gov.uk
6. Authors’ calculations using the DWP Tabulation tool at www.dwp.gov.uk
The level of expenditure on these programmes remains low by international standards. The UK currently spends just 0.52 per cent of GDP on active labour market programmes, compared to 1.07 per cent in France, 1.62 per cent in Denmark and 1.84 per cent in the Netherlands (OECD 2006b). Expenditure for disabled people is especially low, and has remained almost static for the last 20 years, accounting for just 3.9 per cent of Britain’s total programme budget, compared to 13 per cent in Germany and 28 per cent in Denmark (OECD 2006b).

Furthermore, other countries in the OECD (Organisation for Economic Co-operation and Development) tend to direct more resources on training, wage subsidies and direct job creation, whereas the UK has focused more on early job entry and the monitoring of job-seeking activities. There is growing concern that the evidence to support a ‘work first’ approach has been distorted to justify an ‘any work first’ strategy, resulting in high levels of ‘cycling’ between benefits and work and high levels of in-work poverty (Harker 2006).

In spite of policies having been focused on ‘making work pay’, concerns persist about becoming worse off as a result of entering the labour market. One recent study found that nearly half (48 per cent) of ‘ready for work’ benefit recipients were deterred from seeking employment by transitional income risks, such as up-front job costs, the time delay between benefits ceasing and receiving wages, and fears about eligibility for benefits if they have to reclaim if a job did not work out (Woodland et al 2003). The relative stability afforded by claiming benefit (albeit in small amounts) can be more attractive than the perceived risk of taking work and uncertainty over the availability of in-work benefits. It is also argued that out of work benefits are set at such a low level that they can sap people’s morale and reduce their capacity and motivation to find work (Lister 2006).

It is clear that the current welfare system does not fully meet the objectives of securing people a decent standard of living or enabling participation in the labour market. Below we set out the extent to which this is due to the system not being one of fairness, simplicity or empowerment.

**Fairness**

Fairness is a subjective concept. It is an idea that nearly everyone claims to support, which potentially undercuts its potency and meaning. For example, the notion of fairness is invoked by supporters of social insurance – ‘you get back out in return for putting in’; universal welfare – ‘you all get it’; means-testing – ‘you only get what you need’; and conditionality – ‘you get this in return for doing that’. Differing conceptions of the meaning of citizenship, the purpose of welfare and the general justice of society all underpin these contrasting interpretations of what is fair. ippr’s conception of fairness, as put forward here, is founded on the importance of both procedural and distributional fairness and on the notion of fair reciprocity.

Fairness should be understood in both distributional and procedural terms. Fair outcomes are clearly of central importance but the way people are treated can be just as important to them as the outcome of a given process (Pearce 2007, Sennett 2004). This means the system must be seen to be fair, among users and across the population as a whole. This is important for maintaining support for a system, its legitimacy and its effectiveness. Visible fairness of process and outcome is valuable to all citizens. The citizen-taxpayer, the citizen-jobseeker, the citizen-pensioner, the citizen-welfare official will all prize fairness in welfare. Any vision for welfare should place a high premium on arrangements that actively demonstrate their fairness.

Fairness requires an appropriate balance of rights and responsibilities between citizens, state and civil
society based on a notion of ‘fair reciprocity’. Stuart White and Grame Cooke outline the terms of a progressive rights and responsibilities framework in Chapter 2, but there are some broad principles we can state here.

Progressives aspire to a society animated by a culture of mutual obligations, which apply fairly to all and bind citizens, civil society and the state in a shared endeavour. This means being concerned with the structure of rewards, the allocation of opportunities, the diversity of contributions, and the universality of expectations (White 2005a, 2005b). While issues relating to distributional and procedural fairness are key, and we return to them below, the need for the system to be seen to be fair goes beyond this. Welfare systems succeed or fail depending on their ability to command popular support for the collective approach on which they rely. There is strong evidence that public support for redistributive policies depends on the public’s perception of the fairness of that redistribution (Sefton 2005).

There is strong support for a collective approach to providing assistance for people in times of need (Hedges 2005), although not necessarily for providing it unconditionally. However, there is a very poor understanding among the public of how National Insurance works (Reed and Dixon 2005). There is a case to be made that the reciprocity reflected in the contributory principle could be achieved through ways other than a strict social insurance model. A welfare system that included expectations that claimants will actively pursue paid work or other responsibilities valued by society (Taylor-Gooby 2005) would appeal to those who value reciprocity and desert and would potentially increase public support for it.

Analysis of public attitudes to welfare by Sefton (2005) breaks down the population into three main groups: the ‘Robinson Crusoes’ (self interested), the ‘Club Members’ (conditional cooperators), and ‘Samaritans’ (altruists). Sefton suggests that the majority of the population falls into the Club Members group. While economic theory assumes self interest and that we are all ‘Robinson Crusoes’, there is an alternative model from evolutionary theory which could explain the prevalence of ‘Club Members’. The strong reciprocity model, whereby mutual adherence to a norm, even where adherence can result in lower payoffs for some members, reinforced through strong punishment of free-riders, demonstrates how high levels of cooperation could be sustained in populations (Bowles and Gintis 2004). As well as being supported by the results of public attitudes analysis, the ‘Club Member’ norm is supported by game theory experiments where subjects show high levels of cooperation when they perceive that another person’s intentions are fair (Fong et al 2004).

This evidence demonstrates why in many states far higher levels of redistribution are supported than traditional economic theory would predict. However, a key condition for engendering that support is that the system governing those transactions is fair, and that it includes penalties to ensure that participants adhere to the system’s requirements.

Recent evidence for support for redistribution being in decline (Sefton 2005) and for a significant proportion of the population believing that the welfare system is unfair (MORI 2004), suggests that there is a serious threat to support for the welfare system and therefore its long-term sustainability. The need to have a sense of fairness built into the welfare system, and for the system to be seen to be fair, will be essential if it is to have a future.

**Simplicity**

Greater simplicity and more efficient administration have been features of radical welfare reform proposals from across the ideological spectrum (Pateman 2005, Murray 2006, Wadsworth 2006). However, simplification is neither unambiguous nor straightforward.
Creating a fair system that reflects people’s diversity and operates on a large scale necessarily entails some complexity and bureaucracy. Therefore the guiding principle must be to retain complexity where it is necessary in order to respect the diversity of people, and remove it where it reflects the interests of the system or some historical anomaly. Where complexity is introduced in the interest of protecting public expenditure, the value of the resultant savings must significantly outweigh the overall cost and knock-on impacts of that complexity.

Reform of the welfare system must also place a high premium on clarity and efficient delivery, especially where to do otherwise would hinder rather than help the realisation of our wider objectives. A system that is poorly understood is not one in which citizens have the information or agency to take control of their lives. If users of the welfare system are to be genuinely empowered, then a potentially complicated trade-off between simplicity and personalisation must be carefully addressed.

The current welfare system is made up of 40 different benefits and tax credits (Philips and Sibieta 2006). Some of these individual benefits are highly complex. Many benefits have complex rules for eligibility, requiring applicants to provide, and agencies to administer, large amounts of information. They may also include complex rules governing the level of benefit that people receive. The 2007/8 Department for Work and Pensions Benefits Uprising Statement included 460 different rates for the different allowances, premiums, limits, deductions and disregards in the system which determine the level of benefit payable (DWP 2006b).

The way in which the different benefits overlap and interact with each other is also complex. Some benefits act as a gateway to entitlement to others, or affect the rate at which other benefits are paid. The income from some benefits has to be taken into account in the level of entitlement of other benefits. Also, there are varying ways in which different benefits treat the circumstances of claimants in assessing eligibility and level of entitlement.

There are a number of reasons for the level of complexity in the welfare system. First, the system has a number of different objectives that necessitate that different parts of it, with their different purposes or target groups, have different features. Second, some of the complexity within the system is intentional, primarily to ensure that it is well targeted (through means-testing), provides incentives for certain behaviours (such as working), and to control expenditure. Third, over time, government has reform the system to respond to new challenges, reflect new priorities or address unintended consequences of previous reforms. New regulations have been introduced to effect reforms in such a way that the overall amount of regulations and rules increases. Fourth, the system is administered by a number of different government departments, executive agencies and local authorities. This means that some claimants have to deal with a number of different bodies simultaneously to secure all their entitlements. It also means that those different organisations have to be properly coordinated and communicate with each other effectively. The level of integration in information systems between different delivery bodies is limited, albeit improving (NAO 2005).

The complexity of the benefits system has significant consequences for how effective the system is at meeting its objectives and for the overall costs of the system to the state. The sheer scale of the regulations and guidance governing the administration of the system produces high costs in terms of staff time for processing claims, re-determinations and appeals, staff training and information systems.

The complexity of the system also contributes to the extent of fraud and error therein. Currently known fraud and error account for around 2 per cent of the overall welfare system budget (not including tax
credits), or £2.6bn (DWP 2007). Rates are higher in the tax credit system: estimated to be between 7.3 and 9.1 per cent of the total of tax credit entitlements – £1bn to £1.3bn – in 2004–05 (HMRC 2007).

Complexity is one of the reasons that some benefits have lower levels of take-up than others, although other factors such as lack of awareness and associated stigma are also contributory. Across the five income-related benefits of Income Support, Pension Credit, Housing Benefit, Council Tax Benefit and Jobseeker’s Allowance (Income-Based), between £4,770m and £8,040m was left unclaimed in 2004/2005. For some of the more complicated benefits, such as Housing Benefit, the long-run trend in the amount of unclaimed benefit is increasing (DWP 2006c).

Transparency is a key factor in whether the public will perceive the allocation of public resources to be fair (Pearce 2007). In choice-based reforms to social housing allocations, greater transparency made to the process, which in the majority of cases included radical simplification of housing-need assessments, led to greater confidence in the fairness of housing allocations (ODPM 2004). The perception of fairness is central to the welfare system sustaining public support. The complexity of the system undermines its transparency, making it difficult for users to understand, and reducing the level of public confidence in its fairness as a whole.

While the cost of administration, error, fraud and take-up concerns would in itself make a strong case for greater simplification, the extent to which complexity undermines incentives for the very behaviours that the system seeks to support makes the strongest case. For example, previous experiences of problems with the administration of complex benefits such as Housing Benefit can impact on people’s decisions about whether or not to take up low-paid employment (Katungi et al 2006). Similarly, the complexity of the pensions system, including the existence of means-tested pension credit, means that it is very difficult for people on low incomes to assess whether they will be better or worse off if they save for their retirement. In Box 1.2 below we set out how the current pensions reforms could be extended in line with our welfare objectives so that they achieve greater simplicity and are more likely to ensure a decent standard of living for all pensioners.

Box 1.2: Applying progressive objectives to pensions

Pension provision presents a significant challenge for 21st century welfare systems. Current reforms do not address some of the more fundamental challenges facing the UK pensions system: an ageing population and a worsening dependency ratio; changing patterns of work and care; systemic under saving; and persistent pensioner poverty (Brooks et al 2002, Pensions Commission 2005, DWP 2006a). Government proposals, due to become law in 2007 (DWP 2006a), would: establish a National Pensions Saving Scheme; re-link rises in the Basic State Pension (BSP) to earnings; reform the contributory principle to widen entitlement to BSP; and gradually increase the state pension age to 67 by 2044.

There is much for progressives to welcome in this package. Reforming the contributory system so that it recognises care work and paid work equally will produce fairer outcomes, promote participation in work and care, and help to achieve a fair distribution of rights and responsibilities. Increasing the state pension age and promoting a savings culture are necessary, though difficult, steps in adapting the pensions system to the modern world. However, it is not clear if these reforms will deliver on all of our objectives.
First, they will not ensure that all older people enjoy a decent standard of living. Re-establishing the earnings link will halt, but do nothing to reverse, the gap that has opened up over the last quarter century between the BSP rate and the poverty line. Second, the Government’s reform package will not fully address the complexity of the system; it will leave in place two quite separate state pension schemes: the BSP and State Second Pension (S2P), each with different entitlement rules.

Further reductions in poverty and greater simplicity could be achieved in the following ways:

Raising the rate of the Basic State Pension to the Guarantee Level of the Pension Credit (currently £114 a week) and re-establishing the earnings link. This would ensure all pensioners with a full contribution record would enjoy a decent standard of living – above the poverty line and rising in line with average earnings – free from means-testing. Of the UK’s 10.7 million pensioners, 1.8 million live on incomes below the poverty line, after housing costs are considered (Brewer et al 2007). Between 1.14 and 1.63 million pensioners do not take up their entitlement to Pensions Credit (DWP 2006c).

One option to both simplify the system and free up resources for a higher BSP would be to close the S2P and thereby abolish all related National Insurance rebates for contracting out, phase out the Pension Credit, and reduce the costs of some of the tax incentives for pensions and savings. Combined with the new National Pensions Savings Scheme this would provide a far more certain and understandable climate for long-term planning and saving, without the disincentives to save that are inherent in an increasingly means-tested system.

Recasting National Insurance as the ‘State Pension System’, dedicating contributions to funding the Basic State Pension, based on a reformed participatory principle

There is now virtually no difference, in practice, between contribution and needs-based working-age benefits (Hills 2003, Reed and Dixon 2005). However, drawing a decent pension in retirement in recognition of a lifetime’s contribution of working and caring is a powerful symbol of a collective ‘something for something’ society, which progressives would discard at their peril.

Recasting National Insurance as the ‘State Pensions System’, with contributions tied exclusively to funding the higher rate, earnings-linked BSP, would bring greater clarity, simplicity and transparency. This would contribute to building a sustainable and widely understood state pensions system for the long term, alongside a needs-based working-age benefits system (explored in Chapter 3 by Roy Sainsbury and Kate Stanley).

The welfare system will always need to be able to respond to people’s differing needs, and to include provisions to ensure value for money and that the system is targeted towards those with the greatest need. The Government has undertaken some initiatives to limit and reduce the complexity of benefits regulations (NAO 2005, PAC 2006). However, in the interests of fairness and ensuring that the system is effective at incentivising the behaviours it seeks to encourage, there is an overwhelming case for a more radical approach to simplification.

Empowerment

Empowerment is often stated as an objective in the current public service reform debate (PMSU 2007). Empowerment in a progressive welfare system is about increasing the control and agency of the citizens who use it. Control and agency can be enhanced by financial resources but money alone is not enough (Burchardt 2004, 2007). A range of practical, personal and environmental factors also determine what people are capable of doing and being. Therefore, high-quality, tailored support (for example in personal
skills, financial management or childcare) can dramatically enhance the capability set of citizens. However, the way such services are designed and delivered also serves to enhance or restrict citizens’ control and agency. Again, both content and process are important.

A personalised and responsive welfare system needs to offer proactive services and support, delivered in ways that maximise citizens’ control and agency (as described in Chapter 4 by Lisa Harker and Carey Oppenheim). Personalising the welfare system means moving beyond a one-size-fits-all model in which everyone on a particular benefit or programme receives the same ‘offer’. This requires a system capable of adapting to the particular needs and circumstances of individuals, with more flexibility for frontline staff and greater ownership for users over what they receive and their personal pathway. This means expanding the menu of options available to professionals and users, and rethinking the way in which services and resources are allocated. This potentially involves a far more devolutionary approach in thinking about the optimum power balance and relationships between both Whitehall and local service providers, and between frontline professionals and citizens.

Personalisation of public services is sometimes presented as an uncomplicated good, but the reality is that there are difficult trade-offs to negotiate. It is important to be clear about what personalisation is for, and where it is likely to advance our objectives of fairness, simplicity and empowerment. This is not straightforward. For example, welfare rights campaigners have long advocated a ‘rules-based’ approach in decision making and resource allocation, precisely to minimise bias or discrimination. What is needed is a framework of rules that treat everyone fairly but not the same. Here the principles of procedural justice become indispensable; these are: consistency, transparency, accuracy, redress, representation, bias and ethics.

Power relations are also crucial, so that discretion and flexibility are means to empower users by giving them agency and control, in collaboration with frontline professionals – not increasing the power of frontline professionals over that of users. Meaningful empowerment requires a policy agenda that balances the potential advantages of a simpler, more personalised welfare system with the need for fair process, fair outcomes and respect for mutual obligations and responsibilities.

Creating a welfare system capable of empowering people has been promoted as one of the key objectives of recent welfare reforms. The 2006 welfare reform green paper was called *A new deal for welfare: Empowering people to work*. Politicians have sought legitimacy and support for active welfare reforms by describing benefits as a ‘hand up, not a hand out’. For the welfare system to be empowering it must increase the control and agency of the citizens who use it. As highlighted above, the failure of the current system to provide all citizens with sufficient income to secure a decent standard of living will adversely affect their control and agency, such that their ability to participate as full citizens is undermined. Also, one of the consequences of the complexity described above is that it disempowers citizens. The complex interactions within the benefits system make it hard for people to understand and navigate and reduces take-up. Complexity makes it harder for people to assess the extent to which they will be better off in employment, and the impacts that errors and overpayments have on individuals disempowers them.

In its efforts to promote employment, the current welfare system has disempowerment hard-wired through it in two key ways. First, the structure of employment support militates against empowering people with control and agency over their situation and options. The employment support available to people is largely determined by the benefit they are claiming rather than their particular needs. This is the product of a system that has evolved through the creation of the various New Deals, each designed to
cater for different groups. However, the outcome is an inflexible architecture that restricts people’s access to the support they need.

By sustaining a ‘categories’ approach (lone parent, job seeker, disabled and so on), the New Deals draw arbitrary, system-driven distinctions between people, which do not reflect their circumstances. In practice, there are many people whose circumstances cut across the divisions built into the system. Rather than packages of support and challenge being designed around the specific needs of individuals, options are constrained by the reason people are on a particular programme. As the cohort of unemployed and economically inactive people becomes more complex, attempts to sustain an employment support system constructed around discrete groups become increasingly perverse and counterproductive.

Second, beyond the architecture of the welfare system, disempowerment also stems from the way decisions about employment support and challenge are made. The principles of personalisation – services tailored to individuals’ needs – have so far been peripheral in welfare policy debates (PASC 2005). Personalised outcomes presuppose a responsive, collaborative decision-making process, in which outcomes are shaped through cooperation between officials and the individuals concerned. ‘Responsive’ services are likely to empower people both because the outcome of such ‘co-production’ is likely to better reflect their specific needs, and because their sense of agency is likely to be enhanced by the process itself. The current welfare system fails on both counts, combining to weaken any sense of control people may have over their efforts to move into paid work.

A lack of user ‘voice’ in welfare goes beyond the way services are shaped or resources are allocated. There is a systemic lack of user consultation about service design and delivery and few mechanisms for participants to express their views about the support they receive, or to seek redress for poor performance.

**Conclusion**

This Introduction has set out a vision of a progressive welfare system, building on the system as it is today and drawing on the changing nature of our economy and society which frame its future. It has highlighted the extent to which the current welfare system fails to secure a decent standard of living for all or to enable participation, in part at least because it lacks the characteristics of fairness, simplicity and empowerment.

The remaining chapters in this book rise to these challenges. The ‘welfare system’ is a vast and complex entity: an umbrella term for an array of policies, institutions and services. Therefore, while our principles and values speak to policy debate across the system, this book necessarily focuses on a number of specific areas.

The core working-age benefits – Income Support and Job Seeker’s Allowance – have not been subject to fundamental reform for more than a decade. While the Welfare Reform Bill will change aspects of the system that apply to people with disabilities, as Chapter 3 sets out, these reforms will not deal fully with some of the current problems in the system. Following significant gains in reducing poverty and worklessness, progress has stalled in these areas, which highlights the need for thinking about welfare reform to now focus on working-age benefits and employment support. In the following chapters we review these specific policy challenges, setting out practical ways in which long-term welfare reform could make progress towards our vision for a simpler, fairer and more personalised welfare system.
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2. Taking responsibility: a fair welfare contract

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Introduction
The concept of ‘rights and responsibilities’ is now firmly entrenched in debates about welfare policy and is most obviously associated with arguments about benefit conditionality. However, habitual use of this concept risks obscuring the complex and contested set of ideas on which it draws. The idea of ‘balancing rights with responsibilities’ or ‘everyone meeting their responsibilities’ is unsurprisingly popular. But this rhetoric is used to justify a range of quite different philosophical ideas and policy positions. Gordon Brown has argued that Labour has not done enough in government to make explicit the link between rights and responsibilities (Brown 2006), while David Cameron suggests that ‘social responsibility’ is now the Conservative Party’s defining idea (Cameron 2007). However, there are important differences in the way Brown and Cameron conceive of responsibilities in the good society, not least what these responsibilities are and with whom they reside. Without a closer interrogation of the claims that underpin the concept of rights and responsibilities, this potentially potent idea loses focus and meaning, obfuscating the political purposes of those who use it.

As the discussion of fairness in Chapter 1 explored, our shared responsibilities to one another are the essence of social democracy. Therefore, in the context of welfare policy, it is important to think through the terms of a progressive conception of rights and responsibilities – including what it would mean for our society to be animated by such principles. If we accept that citizens have certain civic responsibilities, which can legitimately be enforced, we need to be clear about the corresponding roles and responsibilities of both the state and civil society, on which such citizen obligations depend. Only by exploring these basic questions, and understanding rights and responsibilities as a system performed across society, can we get a sense of what a fair welfare contract might look like – and what it would take to achieve one.

We begin by considering the different terms in which we might think about a fair welfare contract, and what we consider to be the best interpretation of them. We then go on to explore what sort of responsibilities individuals, the state and civil society can plausibly be said to have under a fair welfare contract, before offering some thoughts on what this means in practice.

What makes a welfare contract fair?
We need to start with an elementary question: why should we think of welfare through the lens of a ‘contract’ involving rights and responsibilities at all? What injustice would there be, for example, in simply paying benefits to people who need them, with no questions asked? One response appeals to the value of reciprocity. A just society, the argument goes, is a society in which all citizens contribute their share to generating the economic and social ‘goods’ that people need. It is unfair for some to live off the contributions of others, making none of their own, if they have the capacity and opportunity to do so. As the philosopher John Rawls put it, in a just society ‘all citizens are to do their part in society’s cooperative work’ (Rawls 2001: 179). This expresses the powerful idea that society ought to be, in some

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1. This is the idea that receipt of certain financial support by citizens from the state is ‘conditional’ on certain behaviours, usually steps towards gaining paid employment. The language of rights and responsibilities is also deployed to justify a variety of other contractarian policy approaches.
sense, a cooperative scheme for mutual advantage. This principle of reciprocity is by no means an essentially conservative one: in fact it captures a deep strain of socialist and progressive thought (White 2003). Understood in this way, paying benefits with no strings attached seems unfair because it allows individuals to share in the product of social cooperation without making a reciprocal contribution to producing it.

Does it then follow that individuals have a duty to contribute, say through work, a duty that society may and should enforce, regardless of the character of that society? Emphatically not. Consider the moral position of those living in a society with slavery. Slaves, surely, do not have a duty of economic contribution to their society. This extreme example illustrates that we cannot separate the question of what reciprocal obligations individuals owe from the issue of how society’s institutions treat them in return. Therefore we must clarify the principles of what we may call *fair reciprocity* (White 2000, 2003).

**Fair opportunity:** citizens must have a fair level of economic opportunity
This means having the chance to do things like set up a business, get an education and work in a job of one’s choice. What constitutes a ‘fair’ level of opportunity depends on one’s wider conception of social justice. On a so-called ‘weak meritocrat’ view, fair opportunity requires the absence of active discrimination (White 2006, Marshall and Swift 1997). An alternative ‘strong meritocrat’ view requires that the community does something about structural inequalities in education and wealth, which restrict people’s access to opportunities. The ‘strong meritocrat’ view converges with John Rawls’s idea that in a just society two individuals with the same underlying ability and motivation should have the same chance to realistically aspire to jobs regardless of their social background (Rawls 1971/1999).

**Fair reward:** the structure of rewards for economic contributions must be fair
From a conservative perspective, pay levels determined through market competition for labour are largely fair. However, from an egalitarian point of view, such rewards, which inherently tend towards considerable inequalities, are to some extent undeserved, even under conditions of strong meritocracy. This is because they are partly based on differences in ability, which are to some extent a matter of morally arbitrary ‘brute luck’. An egalitarian will therefore look to the tax and benefit system to even out some of this market inequality. One influential idea here is Rawls’s difference principle: that inequality is justifiable only so far as it works to maximize the net rewards of the least rewarded group.

**Universality:** contributions must be expected and enforced from all who have the capacity to meet them
To deny that the reciprocity principle applies to all is to say that some citizens are entitled to a privileged place in the social order – a denial of citizens’ basic moral equality. However, the implications of this are potentially radical. Much depends on what we consider to count as a ‘contribution’. For example, if someone inherits a large fortune and then lives off this wealth, without ever working, what personal economic contribution are they making? Are they satisfying the reciprocity principle, or using their inheritance to enjoy what we might call a ‘capitalistic free-ride’? A striking feature of current discussions about responsibility shirkers and free-riding is that they focus almost entirely on welfare recipients. If we look back to social liberal and democratic socialist thinking from the early twentieth century we find a lively debate about the way capitalistic property rights can be used to enjoy the economic benefits of social cooperation without the reciprocity principle being satisfied.

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3. Rawls’s difference principle covers a broader range of social goods than simply labour income.
Diversity: society must be sensitive to the full range of economic contributions that citizens can make

What are the different ways that citizens can satisfy their reciprocal obligation to contribute to the collective work of society? In practice, this question largely revolves around the status of unpaid care work, for children or other family members, and whether this counts as a contribution. Conservative social policy thinkers, such as US academic Lawrence Mead, have suggested that care work typically lacks the clear accountability for performance which is a prerequisite for collectively validated contributions (Mead 2005). However, others have argued that unpaid care work represents such a vital aspect of social reproduction – underpinning the operation of the paid labour market – that it should be given proper public acknowledgement and support (White 2003, White and Gardner 2000, Pateman 2005, Beem 2005).

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<th>Table 2.1: Conservative and progressive views of fair reciprocity</th>
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<td>Conservative view</td>
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<td>Fair opportunity</td>
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Drawing together these four constituent elements, we can see that there are a range of different, more specific conceptions of fair reciprocity. Table 2.1 summarises broadly ‘conservative’ and ‘progressive’ interpretations, between which there is a spectrum of possibilities.

This matrix provides a context for approaching the contemporary debate about rights and responsibilities in welfare. Given that the rhetoric of rights and responsibilities is used across the ideological spectrum, it helps us to ask: what assumptions about social justice and fair reciprocity underpin different welfare policies? What responsibilities are they suggesting are legitimate to expect of individuals, and what obligations are they placing on the institutions of state and civil society? Given the nature of our society, are these likely to make the welfare contract more or less fair?

Is there fair reciprocity in the welfare system?

Before turning to what the responsibilities of citizens, the state and civil society actors might be under a fair welfare contract, it is worth making some comments about how far our society meets the demands of fair reciprocity, as described above. If we take the equal moral worth of all citizens seriously, we believe that only the progressive conception of fair reciprocity is capable of capturing the demands of justice (White 2003). The aim here is not to provide a comprehensive audit, but to demonstrate the umbilical cord between the justice of society and the legitimate nature of any ‘rights and responsibilities’ agenda.

Fair opportunity

It is palpably not the case that two individuals with the same underlying ability and motivation have an equal opportunity to realise their potential and aspirations. Strong and enduring social class differences in educational attainment suggest that society is some distance from satisfying the ideal of strong
meritocracy (Brooks and Tough 2006, DfES 2006). Class inequalities in cognitive development are evident even before children start school (Feinstein 2003). There is also a tendency for children from higher socio-economic backgrounds who initially perform less well on cognitive tests to overtake those from lower socio-economic backgrounds who initially perform better (ibid).

Even controlling for subsequent educational attainment, it seems that individuals born into higher social classes are more likely to end up remaining there than be replaced by high performing children from lower socio-economic backgrounds (Goldthorpe 2003). There is also a clear class profile to the likelihood and size of financial inheritance (Dixon and Paxton 2005, Rowlingson and McKay 2004). Further, there is evidence that social mobility, measured by the association between the income of parents and their grown-up offspring, decreased between children born in 1958 and those born in 1970 (Blandon et al 2004).

Narrowing the attainment gap is now an explicit objective of this government, and the Childcare Act 2006 legislated for a reduction of inequalities in children’s outcomes, but there is clearly still a long way to go.

**Fair reward**

Quiet redistribution over the last decade means that the tax and benefit system is now working far harder to reduce the income gap between rich and poor (Jones 2007). However, the impact of this has been constrained by growing inequality in labour market rewards, driven particularly by those at the very top, and the regressive nature of the overall tax system, where the poorest pay the biggest proportion of their income (Jones 2007). This situation does not embody Rawls’s difference principle and it is hard to see how such unequal rewards for people at work – contributing to high levels of income and wealth inequality – can be justified (Hills 2004). It can be argued that some inequality in labour market income reflects reasonable differences in talent and motivation, while providing incentives that promote economic growth. However, research suggests there is little or no relationship between inequality and growth in advanced capitalist countries (Kenworthy 2004). In fact, unequal societies seem to be characterised by lower levels of the kind of social trust and cooperation that underpin reciprocal social arrangements (Wilkinson 2005).

**Universality**

The key question here is whether obligations are expected of all and enforced on all. Some citizens engaged in the welfare system are subject to rule-based responsibilities, such as a requirement to actively seek work. However, it is not immediately clear that such obligations are consistently enforced. For example, one study found that personal safety fears play a significant role in whether JobCentre Plus officials administer benefit sanctions (Considine 2001). Beyond this, the conditionality regime itself is arbitrary: driven by the particular benefit people are receiving, rather than their individual needs and capabilities. The conditions placed on receipt of each of the main out-of-work benefits – Jobseeker’s Allowance (JSA), Income Support (IS) and Incapacity Benefit (IB) – range from very strict to none at all.

However, there are likely to be as many differences within these categories as between them. Reasonable labour market expectations for a lone parent with high skills, a previous employment history and a primary-school-aged child might be quite different from a lone parent who has never worked but has three children of various ages, one with a disability. The difference between two such people cannot be reduced simply to the age of their youngest child. There is also a plurality of capabilities and constraints within the spectrum of JSA, IS and IB claimants. For example, some JSA claimants, even those deemed medically able to work, may face greater barriers to employment, from low skills, debt or addiction problems, than some IB claimants who might need relatively little support to prosper in an appropriate job. However, policy debate is dominated by which *categories* of
people should be subject to conditionality, such as the current spotlight on when it should be applied to lone parents (Freud 2007).

A more sophisticated debate would focus on more important questions like:

• What are people being expected to do?
• Who has the power to decide what these expectations are?
• Are they reasonable and helpful for them given their circumstances?
• What reciprocal support are other actors and institutions offering?
• What are the consequences if they default?

In thinking about the universality of contributions, we also need to consider the role of what RH Tawney called ‘functionless property’, which enables its holder to claim a share of the social product without necessarily making any contribution in return (Tawney 1920/1948). Large amounts of inherited wealth or unearned increases in asset values enable some people to gain from the social product with few requirements for a reciprocal contribution.

Diversity

The treatment of unpaid care work within the welfare system is confusing and fluid. As the recent Freud Review pointed out, the UK is relatively liberal in the way it places very few expectations on lone parents to actively look for work until their youngest child is 16, though this may be about to change (Freud 2007). However, it is far from clear whether the current regime reflects a conscious perspective that lone parents’ care work is considered a legitimate contribution to the collective work of society. Indeed, the outlook underpinning arguments for increasing the work search requirements for lone parents suggests the opposite is true.

Beyond benefit conditionality, the government has taken steps to recognise the contributive status of care work: extending rights to maternity leave and pay, establishing statutory paternity leave and pay and introducing flexible working rights to enable parents to care for their children. Also, reforms to the contributory system for the state pension will mean that paid work and care work will both accrue entitlements on an equal footing (DWP 2006). However, public policy lacks a clear view about the relative value of care work and paid work contributions, or about how public policy should respond to integrating our individual and collective need for both (Lewis and Guillari 2005).

From a progressive perspective, it would seem that British society does not fully satisfy the opportunity, reward, universality and diversity conditions of fair reciprocity. Drawing together this practical context with our philosophical principles about a fair welfare contract, we now consider the appropriate distribution of rights and responsibilities across a modern welfare system.

**The responsibilities of individuals**

The first and most obvious responsibility held by (working age) individuals is to make a reasonable economic contribution, given their circumstances and capabilities. This is most often associated with a responsibility to undertake paid labour in the formal economy, or take active steps towards doing so. The

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4. Such as from a general rise in house prices unrelated to specific improvements made by the owner.
5. Clearly there are some people for whom paid work is not possible or expected now or at any time in the future, due to a health condition or disability.
idea here is not that each person should necessarily make a contribution equivalent to the value of the goods and services they consume. Beyond its practical difficulties, insisting on this would be unfair given that people’s ability to make valuable contributions is to some extent a morally arbitrary matter of brute luck. Instead, the idea is that citizens have a duty to make a reasonable contribution given their natural endowments.

However, a person’s ability to make a contribution is by no means wholly fixed by accidents of nature or social background. People can, and of course do, make investments in their own human capital which serve to increase their contributive potential. The responsibilities of individuals then can be understood as including reasonable efforts to cultivate one’s potential. For example, if established skills become obsolete due to economic change, then there is arguably a responsibility for individuals – supported by other social actors and institutions – to develop new skills through the investment of time and energy. We can also think of individuals having a responsibility to make a reasonable contribution towards their own welfare provision. Given the context of demographic change, this most obviously applies to pensions, where the new ‘opt out’ National Pensions Saving Scheme will provide opportunities and incentives for people to save for their own retirement (DWP 2006). It is important to remember that people’s capacity to contribute will often shift over the course of their lifecycle, for instance as their age or family circumstances change.

Given our understanding of fair reciprocity, these responsibilities express a demand of justice. Therefore, there is a case for enforcing them, at least so far as this does not endanger other justice-related objectives. There is strong evidence that demonstrating reciprocity is an important part of maintaining support for welfare benefits (Taylor-Gooby 2005). One study found that 78 per cent of people believe it is right to condition unemployment benefit on taking active steps towards work (Sefton 2005). Over the last two decades conditions such as active job search and participation in employment programmes have been applied to claimants of Jobseeker’s Allowance. While this has been justified by an appeal to ‘rights and responsibilities’, it is far from clear whether this adds up to a coherent system of fair reciprocity.

We might also think that the principles of fair reciprocity require that the responsibilities of individuals go beyond paid employment or actively seeking work. For example, do parents not have a responsibility to support (or at least not scupper) the state in its efforts to educate children – so as to ensure their fair economic opportunity? If it is at least theoretically possible to think of parenting as a responsibility both to individual children and society at large, aspects of which the community could be justified in enforcing, then we must also consider its claims as a valid form of contribution. This immediately raises the question of how to weigh the contribution of parenting (or for that matter other unpaid care work) against traditionally understood labour market contributions.

This tension often comes most sharply into focus for lone parents, who frequently have to make the paid work and care work contributions of their household by themselves. Individuals’ labour market responsibilities must be understood in a way that takes into account the non-market care work they also perform. However, it is not possible to reduce this matter to a simple formula, nor see the age of someone’s children, or their family structure, as the only defining factors. This means ensuring a

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6. Conditionality has also been applied to disability benefit claimants participating in Pathways to Work, and there are proposals to move lone parents over from Income Support to the tougher Jobseeker’s Allowance regime when their youngest child is 12 (Freud 2007).
conditionality regime that is sufficiently sensitive to the particular needs, circumstances and other responsibilities of citizens.

If we are to acknowledge care work as part of a legitimate package of contributions, we must take seriously the ‘quality of work’ objection (Mead 2005). To be legitimate, so the argument goes, contributions must be of a sufficient quality. In the case of labour market work, the market ultimately acts as a quality-screening mechanism, incentivising people firstly to look for jobs that they can perform relatively well in, and then to work well in them once they are there. This raises the question of accountability in non-market care work, where measuring and monitoring quality is far less straightforward. In extreme cases of abuse or neglect to children or vulnerable adults obviously there are clear legal mechanisms. Beyond this, we need to think creatively about ways that carers and parents can demonstrate their accountability to the community, in return for receiving its explicit acknowledgment for their contributions.

Thus far we have discussed the responsibilities that individuals could plausibly be said to have under the principles of fair reciprocity operating in a just society. But, as we suggested earlier, society is far from entirely just and some people are clear victims of its injustices. Does this mean that these aforementioned responsibilities evaporate, and does enforcing them become illegitimate?

The answer to this question is almost certainly a complex one that resists easy summary. In a society of profound injustice, efforts to enforce a reciprocity-based responsibility to work could well consolidate such injustice by, for example, increasing the pressure on disadvantaged citizens to rush into low-paid, poor quality jobs (Stanley 2005). For progressives, the reciprocity-based responsibility to contribute only makes sense as part of a society based on a fair welfare contract. If the contract is radically unfair, such as in the distribution of opportunities and rewards, then the rationale for fair reciprocity begins to fall away (at least for disadvantaged citizens). Put another way, how can the more affluent and privileged groups, who benefit from the existing opportunity and reward structure, justify calling on those they have unfairly disadvantaged to ‘play by the rules’ and to ‘do their bit’? Would the disadvantaged groups not be justified in replying: ‘we’ll do our bit when you do yours’, by fostering a fairer distribution of opportunities and rewards? It is simply not acceptable for the unfairly affluent and privileged to pick and choose the bits of the social contract that are respected and enforced.

Applying this idea in a society like ours, which – as we discussed earlier – displays considerable injustice, does not necessarily imply that the disadvantaged have no responsibility to contribute at all. But it does suggest that some principle of proportionality needs to apply. The less just society is, the less it can reasonably expect from its disadvantaged citizens, and the more measured any attempts to enforce such contributions must be. On this basis, we should question the justice of increased obligations on lone parents in the United States to move into work since the introduction of time-limited welfare (Stanley 2005, Shelby 2007). It is far from clear that the pressure on lone parents in the US to ‘do their bit’ in the scheme of economic cooperation, in addition to their responsibilities as parents, is matched by a structure of opportunities and rewards that fulfils the social contract. Therefore, in thinking about the proportional

7. For example, Shelby makes an important distinction between obligations that arise from participation in a scheme of fair cooperation (such as the reciprocity-based obligation to make a productive contribution) and natural duties of a more basic kind (such as non-aggression towards others). In summary he argues that the former obligations are more conditional on background social justice than the latter (Shelby 2007).
responsibilities of individuals in the UK welfare system, we must also consider the responsibilities of the state.

**The responsibilities of the state**

The state’s basic responsibilities are to use its legislative and financial power to promote the conditions of fair reciprocity outlined earlier. Recent proposals for increased benefit conditionality were partly justified by the notion that the state – through policies such as the New Deal and measures to make work pay – is meeting ‘its side of the bargain’. So what are the legitimate responsibilities of the state under fair reciprocity, and are they being met?

**Fair economic opportunity**

Individuals’ duty to look for work must be dependent in some way on the state’s responsibility to ensure that jobs are available and that people are able to access them. In a post-Keynesian era, government is not engaged in the business of direct job creation (outside of the public sector). However, the state retains considerable agency over the shape of the labour market, through macroeconomic policy, and supply side levers like regional economic development, investment in R&D and support for business creation. Through assistance with education and training the state can increase the supply of skilled labour, while it can encourage employers to adopt product market strategies that increase the demand for skilled labour. For example, it can bring trade unions and employer groups together at national, regional or local level to agree on so-called ‘high road’ competitive strategies (Rogers and Streeck 1994). The absence of any serious consideration of such demand-side drivers in the Freud Review was symptomatic of recent perspectives on labour market policy (Freud 2007).

Beyond the availability of jobs, the modern state also has a crucial role in supporting individuals who need extra help preparing for work, finding a job, achieving a reasonable degree of security in employment and progressing to better work. Labour market activation policies have been the overwhelming focus of Labour’s welfare-to-work approach, through the New Deals, tax credits, expanded childcare, more adult learning places and new employment rights. As Chapter 1 discussed, real progress has been made. However, systematically lower employment rates among disadvantaged groups demonstrate that the state’s responsibilities are far from fulfilled (Adams 2005).

In particular, the area of labour market progression, beyond the narrow transition from benefits to work, has not been sufficiently addressed and emerges as a major challenge (Harker 2006, Engel and Sodha with Johnson 2007). Beyond this, equipping individuals with financial assets that enable them to take risks, invest in their human capital, plan ahead, and buy themselves a degree of security in the flexible labour market is a central supply-side agenda. Policies such as the Child Trust Fund and the Saving Gateway represent a promising start in this area, but need to be built upon (Paxton and White with Maxwell 2006, Sodha and Lister 2006). Finally, the structure of the benefit system and the operation of employment support, two areas where the state should do more to meet its responsibilities in a system of fair reciprocity, are explored in detail in Chapters 3 and 4.

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8. Of course, by ‘state’ we mean the citizenry acting collectively, and politically, through the state. It is also important to note that in discussing the responsibilities of the state there are a number of overlaps with the responsibilities of civil society actors, such as employers and trade unions, which we explore in more detail later.

9. On inheritance and entrepreneurship specifically see Blanchflower and Oswald 1998. For a more general discussion of the importance of assets to security and a willingness to approach working life in a self-confident and creative spirit, see Paxton 2002.
Fair reward
The state’s responsibility to see that rewards are fair begins with ensuring that those making a reasonable economic contribution through paid work receive at least a decent minimum in return. High rates of in-work poverty\textsuperscript{10} indicate that, despite the National Minimum Wage and tax credits, the state still has more to do. The optimal policy response is complex and cannot be resolved on philosophical grounds, but is very likely to combine a more generous ‘living wage’ policy and low wage subsidies, alongside labour market, regional, welfare, skills and tax levers. Tax credits have incentivised paid work and lifted hundreds of thousands out of poverty. However, there are clear normative grounds for doubting whether an overwhelming reliance on means-tested in-work benefits can be a long-term solution. In particular, the impact of both high effective marginal tax rates on incentives to progress at work (Adam et al 2006), and administrative difficulties on the stability of household budget are important concerns (Hills et al 2006).

A progressive conception of fair reciprocity requires the state to also take some responsibility for the overall distribution of employment rewards, including those at the very top end of the labour market. In 2005/6, before taxes and benefits, the top ten per cent of households had incomes 27 times higher than those of the bottom ten per cent (Jones 2007)\textsuperscript{11}. Taking such inequality seriously would require the government to engage citizens in a conversation about the kind of top-to-bottom pay ratios that are justifiable under a fair social contract. It would interrogate the veracity of any claim that extremely high differentials serve the common good, and pursue appropriate policies to compress such unequal rewards where it found these claims wanting. To its credit, Labour has made the tax and benefit system work much harder, now bringing the ratio of net incomes between the top and bottom deciles down to 12:1 (Jones 2007). However, the powers of underlying inequality drivers are such that income inequality rose slightly in 2005/6 after a few years of falls (ibid).

Universality
The state has a responsibility to ensure equitable enforcement of civic responsibilities, both among welfare recipient and across the citizenry at large. One relevant tension we can identify in the welfare system is between moves towards greater personalisation of services on the one hand, and the desire for fair and consistent treatment on the other. In principle, there need be no contradiction. Consistency is about treating ‘like cases alike’; personalisation is about taking seriously the ways in which superficially alike cases are in fact not alike. As the discussion of empowerment in Chapter 1 explored, a welfare system that respects the differences in people’s circumstances and needs would treat everyone fairly, but not the same. However, this may be hard to achieve in practice. A less standardised model could promote inequitable or arbitrary outcomes rather than reflecting the diversity of people. Therefore, as Chapter 4 discusses further, it is vital that more flexibility and responsiveness in welfare services means more control and agency for citizens, not greater power and discretion over them in the hands of officials. Procedural justice, including transparent decision making, lines of accountability and mechanisms for redress, are vital (Pearce 2007).

Those committed to the progressive conception of fair reciprocity will also want to raise some awkward questions about the possibilities for ‘capitalistic free-riding’ in our society. Inheritance of very large amounts of unearned wealth or large rises in the value of capital assets unrelated to any improvements the holder themselves has made provides some people with the option of escaping the responsibility to make an economic contribution to society through work. In the current political climate, winning the

\textsuperscript{10} Half of poor children in Britain live in households were someone works (Brewer et al 2007)

\textsuperscript{11} Adjusted for household size.
argument for policies that address these issues requires a more explicit and informed discussion about the current level of wealth inequality, its drag on attempts to build a fairer society, and the reality that reform would advantage the overwhelming majority of the public (Reed and Sodha 2007).

Diversity
Under the progressive conception of fair reciprocity, the state has a responsibility to acknowledge unpaid care work as a form of what White calls ‘civic labour’ (White 2003). This means providing a system of reasonable rewards for care work in return for this contribution. When setting expectations for labour market participation among lone parents and others with dependent relatives, the state has a responsibility to acknowledge the important contribution they already make. It is important to note that there is no inherent contradiction between seeking a high employment economy and publicly valuing caring and raising a family. Promoting more flexible working patterns and part-time working opportunities are examples of how negative trade-offs between these aspirations can be navigated (Hughes and Cooke 2007).

The responsibilities of civil society
Between the citizen and the state lies the messy but rich terrain of civil society. The associations of civil society – employers, trade unions, faith groups, charities, credit unions and so on – can play a crucial role in helping both individuals and the state to meet their responsibilities. But how do they do this, and what responsibilities do they have in fulfilling this vital function?

Employers
Employers have an essential role in facilitating the responsibilities of both citizens and the state which we discussed earlier. In a society of fair reciprocity, employers have a basic obligation to practise strong equality of opportunities in recruitment and staffing policies, including some kinds of affirmative action to ensure fairness for disadvantaged individuals and groups, such as people with a disability12. Employers have responsibilities to support people into work and help them develop their skills. Such contributions, from which they are likely to derive benefits themselves, include engagement with JobCentre Plus and other employment service providers to place people in work, and offering appropriate job-related training. Employers can also cooperate with government, trade unions and other stakeholders, at a national, regional, or industry level, to further shared economic objectives. Such a ‘social partnership’ has been integral to the success of Ireland’s ‘Celtic tiger’ economy over the last two decades13. Under a fair welfare contract, employers also have obligations to make reasonable accommodation for employee’s valued contributions outside work, such as care work. Extending the right to request flexible working more widely would be a sensible way forward (Hughes and Cooke 2007).

A recurring issue is whether these and other such obligations should be seen as a matter of exhortation or regulation. One principled worry about relying too heavily on exhortation is that some companies may try to free-ride on the good efforts of others, potentially causing good practice to unravel under competitive pressures. Of course, in practice a balance must be struck between the use of regulations and incentives, and the need to promote a policy climate conducive to business growth and job creation. One option is to delegate some authority for the detail of policy to employer groups or employer-union bodies14.

12. There are a wide variety of affirmative action policies and it is difficult to generalise about their justifiability is general terms, and without being specific about their context. For an excellent discussion, with which we broadly concur, see Gutmann and Thompson 1996.
14. For a helpful discussion of such systems of devolved regulation see Cohen and Rogers 1994 and Cohen and Sabel 1997.
Trade unions

Trade unions have an important role in a society animated by the principles of fair reciprocity, enhancing the power and voice of individuals by acting collectively in the workplace. Trade unions can negotiate and campaign for things like fair rewards, job security and the right to balance work and family responsibilities. Collective bargaining can help move beyond the National Minimum Wage floor to ensure decent levels of rewards. Solidaristic wage bargaining can also contribute to compressing inequalities in labour market rewards, making the overall pay structure fairer. Beyond this, trade unions can also make a significant contribution to promoting skills development and labour market progression through initiatives like trade union Learning Funds.

Workforce intermediaries

Recent years have seen a growth in so-called ‘workforce intermediaries’, especially in the US. These institutions of social partnership foster cooperation among labour market stakeholders, such as employers, workers and training providers, for mutual benefit. One role they can play is to facilitate better matching between (shifting) employer demand for skills and the workforce training schemes operating in particular industries or localities. Workforce intermediaries can mitigate some of the worst effects of economic restructuring on the least advantaged by helping them to adjust to new employer needs; supporting them to access jobs in a flexible labour market and gaining resources for advancement once they are there.

For example, Cooperative Home Care Associates (CHCA) is an employee-owned, not-for-profit company providing care assistants on a contract basis to large care providers and hospitals in New York City. CHCA provides training and counselling to its members, alongside a ‘guaranteed-hours program’ which effectively transforms temporary, insecure work into full-time employment. Wages of CHCA carers are also well above the industry average. A key characteristic of such intermediaries is that they institutionalise cooperation and collective agency so as to graft training, restructuring and advancement strategies onto the architecture of so-called ‘dead-end jobs’. Developing a more place-based and sector-specific approach to UK labour market policy could encourage greater social partnership through such workforce intermediaries.

Private and voluntary sector providers

The prospect of a significant expansion in the role of the private and voluntary sectors in the provision of employment support raises a number of important questions about the responsibilities of such organisations in carrying out public functions. Ensuring appropriate accountability is central, both for the state as contractor and the citizen as recipient of services. If, for example, private or voluntary sector agencies acquire the power to make important decisions about citizens’ entitlements to particular benefits or services, then individuals must have the same rights to challenge the fairness of these decisions as they should have if the state was directly in control. Equally, the state – on behalf of the tax-paying public – must ensure that private and voluntary sector providers running public sector contracts deliver good outcomes and value for money. In thinking through the appropriate role of these sectors in future welfare provision it is also important to be realistic about their capacity, and their ability to genuinely add value to the public sector.

The increasing use of faith-based organisations in welfare provision raises a further set of issues about procedural fairness and non-discrimination. Should, for example, such providers

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15. For a fuller discussion of the potential contribution of trade unions see Cohen and Rogers 1994 and White 1998.
be permitted to discriminate in providing their services on the grounds of their distinctive religious principles? Given that this would violate the principle of fair economic opportunity, we would argue not—at least if the group receives public funds for its services. The question is whether faith groups can harness the value of their ‘faith ethos’ to beneficial effect without crossing the line into activities that violate citizens’ religious freedoms.

**Self-help and community groups**
The social ecology of welfare provision in Britain includes a panoply of self-help and community groups, ranging from Twelve Step groups like Alcoholics Anonymous to neighbourhood-based parent and baby groups. Such associations provide critical support and shared experiences for people struggling with a range of problems, which can often impact on their participation in the labour market. They can also help to break down social isolation and build community identity and efficacy. Self-help and community groups can complement state efforts to support disadvantaged individuals and prepare them for paid employment, for instance through equipping them with vital personal or social skills. They can also enable people to meet their own responsibilities, through, for example, parent-baby groups where new mums and dads can learn crucial parenting skills and experience from their peers.

Given these potential benefits, we might think of the state as having a responsibility to create an environment in which such groups can emerge and flourish. There are undoubtedly supportive steps that can be taken, not least ensuring a favourable financial and administrative landscape. However, there are some grounds for caution. Self-help and community groups are essentially voluntary, a fact that should not be overlooked by well-meaning politicians eager to harness their work. For instance, a policy that required those with addiction problems to attend a Twelve Step group would run entirely counter to the group’s ethos and philosophy, which emphasises the necessity of voluntary participation. The state risks undermining the integrity and effectiveness of these organisations if it tries to change their fundamental role and nature, by compelling participation in them, or trying to bureaucratise them. Local voluntary groups may often carry within them a body of knowledge and insight that the state itself lacks. The benefits of this might be lost if the state tries too hard to harness and guide their work on its preferred terms. Self-help and community groups represent a distinctively ‘anarchist’ approach to welfare, and their anarchist ethos needs to be respected (Ward 1973).

**Conclusion: next steps in rights and responsibilities**
Our aim has been to return to first principles to construct a picture of what a fair welfare contract might look like. We have suggested that fulfilling a progressive notion of fair reciprocity requires us to think about the interlocking and interdependent responsibilities of citizens individually, the community (acting collectively through the state), and the multiple associations of civil society. We believe that, under the right conditions, it can be legitimate to enforce each of these responsibilities. Indeed, rather than seeing the frame of rights and responsibilities as antithetical to progressive political purposes, we believe that, through its performance of collective duties to one another, it as a potent vehicle for delivering them. However, unlike much current rights and responsibilities discourse, we have not only focused on what (disadvantaged) citizens owe to the rest of society. We have argued that this question cannot be separated from the context in which such obligations are expected and demonstrated, nor the reciprocal responsibilities of other actors and institutions across society.

Sound policy principles offer a framework for policymakers, and provide others with a guide against which to judge them. Therefore it is worth concluding by reiterating some of the main implications of our conception of rights and responsibilities for contemporary policy and political debate.
The idea of rights and responsibilities embodies an important progressive idea that we all have shared duties to each other and shared expectations from one another. Therefore we should promote ways of explicitly expressing this mutuality. Proper recognition of caring contributions, both independently and relative to labour market expectations, is an important place to start. Also, if the state can hold citizens to their responsibilities, through benefit conditionality, are there ways of giving citizens more power to hold the state (and other institutions) to account for theirs? Chapter 4 explores this issue further, highlighting the role of voice, accountability and redress in the welfare system. It is also important to get right the distribution of roles and responsibilities within the welfare contract. For example, when thinking about the provision of employment support, the private and voluntary sectors can potentially add innovation and extra capacity, but they cannot, and should not, do it all. Equally, while there are some functions that must ultimately reside with the state, it does not have all the answers.

On the specifics of benefit conditionality, fairness requires that we develop a far more tailored approach. Driven by benefit categories, the current system makes arbitrary distinctions about people’s responsibilities, ignoring important differences between the capabilities and constraints of individuals within these categories. Also, by focusing on which groups of people conditionality falls, more significant issues are obfuscated. For example, what are people being expected to do? Who has the power to decide what these expectations are? Are they reasonable and helpful for them given their circumstances? What reciprocal support are other actors and institutions offering? And what are the consequences if they default? A far more person-specific approach to citizens’ responsibilities – tied both to their individual needs and circumstances on the one hand and the support and entitlements they are offered in return on the other – would provide the basis for more genuinely fair, productive and reciprocal relationships across the welfare system.

A far more personalised model of conditionality would also bring the responsibilities of the state and civil society into shaper focus. Reasonable expectations on citizens to take steps towards work should be performed hand in hand with reasonable obligations to ensure adequate childcare provision, skills development opportunities, health support, measures to help people to cope with financial insecurity and so on. Such a model would move us far closer to a welfare contract genuinely animated by a progressive notion of fair reciprocity. Finally, in constructing arguments about the appropriate role for conditionality in a fair welfare contract, progressives must build in an awareness of the background structure of opportunities and rewards in society. Whatever the political challenges that these issues raise, they are a fundamental aspect of responsibility politics, and discussion of potential solutions must remain on the table.
References

Note: web references correct June 2007


Introduction
Interest in the prospect of radical benefit reform is high. Ministers have been talking about it, the House of Commons Work and Pensions Committee has discussed it (2007), and a Government-commissioned report on welfare reform has devoted an important chapter to it (Freud 2007).

The seeds of this emerging interest in radical change were probably sown in a short chapter on long-term benefit reform in the Government Green Paper A new deal for welfare: Empowering people to work published in early 2006. Having set out its proposals to reform Incapacity Benefit (IB), the Green Paper delivers a stark judgment on the structure of the social security system in this country:

‘The present benefits system for people of working age is too complex. The many different rules make sense in isolation, but together they make for a confusing and incoherent picture.’ (Department for Work and Pensions 2006a: 92)

It is difficult to think of any reason to disagree with this diagnosis (unless of course it is to argue that it is an understatement). The Green Paper suggested that one way forward would be to move ‘…in the longer term towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those with a long-term illness or disability’ (2006: 92), an idea raised prior to the Green Paper in Stanley (2004). But what that ‘single system of benefits’ might look like was left tantalisingly undeveloped (although see Sainsbury 2006 for some analysis). This has been the case even since the publication in March 2007 of David Freud’s report into the future of welfare-to-work policy, commissioned by the Department for Work and Pensions (DWP).

Whereas Freud was clear in his recommendations for the future provision of employment services, he was more circumspect in his views about benefit reform: ‘whether the answer [to the complexities of the current system] is a single benefit system may still be a matter for debate – but that debate should certainly take place’ (Freud 2007:100). Freud himself usefully contributes to the debate by discussing ‘three broad options’ for a single system of benefits, to which we will return shortly.

It is fair to say that a single benefit system is not a totally new idea but it seems that there is a strong case for assessing its pros and cons again. There are two principal reasons for this. First, the current benefit system presents barriers to people who want to move towards and into work (as acknowledged by the Government itself in its 2006 Green Paper) and current reform plans will not radically alter this. While the benefit system demonstrably hinders the Government’s welfare-to-work agenda, there is a compelling argument to change it. Second, its structure generates problems for both benefit claimants and benefit administrators; the structure is dysfunctional and consequently wastes public money, as comprehensively evidenced by the National Audit Office (2005) and the Public Accounts Committee (2006). These two conclusions about the benefit system are now so widely accepted that we will not rehearse them again here. Rather we will look at how they can be addressed.

In this chapter, therefore, we want to examine the case for a single working-age benefit. We will conclude...
that this offers perhaps the best prospect of achieving a benefit system that actively supports welfare-to-work policy (in a way that neither the current system nor the imminent changes to IB does), is greatly more responsive to individuals’ needs than the current system, and matches a rights and responsibilities agenda of the kind discussed by Graeme Cooke and Stuart White’s chapter (Cooke and White 2007). We also attempt an early assessment of the likely costs of our ideas for a single working-age benefit to address the legitimate question of whether such radical reform is at all within the bounds of the possible.

Our conclusion is that a single working-age benefit seems not only desirable, but also feasible, not necessarily as a short term reform, but certainly within a 10-year time frame.

**Welfare-to-work and partial benefit reform**

Welfare-to-work programmes have been one part of a wider social policy agenda aimed at helping people into work and to stay in work. The minimum wage and tax credits have been aimed at ‘making work pay’ and anti-discrimination legislation has been introduced to address some of the barriers that disabled people, women and older workers experience in the labour market. But there is one piece of the jigsaw that has, until the last year or so, been missing – benefit reform. It has long been recognised that the social security system itself has presented a range of difficulties for people who want to move towards work and for people like personal advisers who are there to help them. And it has long been recognised that benefit reform is necessary to support welfare-to-work policy. It is no particular criticism to say that benefit reform has lagged behind. Getting welfare-to-work programmes up and running and high-level administrative reforms in place have been understandable previous steps.

One of the major changes to the machinery of government was the amalgamation in 2001 of the former Department of Social Security with the Employment Service to form the Department for Work and Pensions (DWP). This merger gave effect to the aim of the New Labour government to ‘join up’ employment and social security policymaking and delivery, and to move from a passive benefit system that provided a safety net for people towards an active system that works in support of employment policy.

That aim, as noted above, has taken a long time to come to the top of the policy agenda although the ‘problem’ of IB – that is, the large increase in the number of recipients – had been recognised much earlier (see Stanley 2004). It is possible to see the problem of IB as actually worse than it just being a passive benefit, failing to provide support for employment programmes. For many people it has been a hindrance to making progress into work, discouraging them from doing so, and could even be viewed as punishing anyone who tried to make such progress. Furthermore, IB was part of a complex social security system that itself made it ‘harder to move into work’, in the words of the Government Green Paper of early 2006 (DWP 2006a).

The Government is currently in the process of replacing IB with a new benefit, the Employment and Support Allowance (ESA). An attempt has been made to show the differences between the current system and ESA in Table 1, with the caveat that the details of ESA have not been set out in the Welfare Reform Bill, but will eventually emerge in Regulations.

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1. We acknowledge that there are other radical reforms that might go even further, such as integrating the tax and benefit systems and the idea of a basic income to replace social security benefits. However, neither of these appear to have any current political or public momentum. Indeed, as a means of promoting work incentives, the integration of tax and benefits was rejected by the current government early in its term of office (see HM Treasury 1998) in favour of the system of tax credits that was introduced in 2003.
Table 1: Key characteristics of Incapacity Benefit and Employment and Support Allowance

<table>
<thead>
<tr>
<th>Who can apply?</th>
<th>Incapacity Benefit (IB)</th>
<th>Employment and Support Allowance (ESA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working-age people out of work due to a health condition</td>
<td>Working-age people out of work due to a health condition or disability</td>
<td></td>
</tr>
</tbody>
</table>

| How do you qualify? | Score 15 points in the Personal Capability Assessment (or 10 for mental health conditions) | Undergo a new, revised Personal Capability Assessment |

| What are the possible outcomes of the Personal Capability Assessment? | EITHER you qualify for IB OR you do not, and therefore should make a claim for Job Seeker’s Allowance (JSA) | (a) You meet the criteria for the ‘support allowance’ element of ESA, OR (b) You do not meet the criteria for the ‘support allowance’, but do for the ‘employment allowance’ element of ESA, OR (c) You do not meet the criteria under (a) or (b) and therefore must claim JSA |

| How much do you get? | IB is paid at one of three rates, increasing with the time spent on the benefit, ranging in 2007 from £59.20 to £78.50 | No figures have been given yet, but the ‘support allowance’ will be higher than the ‘employment allowance’ |

| What are the ongoing conditions for receiving the benefit? | – In most areas of the country, nothing  
– In areas covered by the Pathways to Work pilots, mandatory attendance of a series of ‘work-focused interviews’  
– However, IB recipients can always participate in employment programmes for disabled people voluntarily | – None for recipients of the ‘support allowance’ (though voluntary participation in employment programmes is possible)  
– ‘Employment allowance’ recipients must complete an action plan and undertake specified ‘work-related activity’ |

| Are there any sanctions? | Yes for IB recipients in Pathways areas. Failure to attend a work-focused interview may result in loss of benefit | Recipients of the employment allowance may have their benefit reduced if they do not comply with their action plan |

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2. The Pathways to Work pilots are back-to-work programmes for IB claimants, which began in 2003. By the end of 2006 the programme was available to claimants in 40 per cent of the UK.
The logic behind ESA is apparently straightforward. The aim is to increase the work-related requirements placed on people awarded the ‘employment allowance’ of ESA, who are projected to be the great majority (over 90 per cent) of ESA recipients, and to create a new sanction for people who do meet the requirements of the Action Plan they devise with their Personal Adviser. Although it is hard to see how ESA will deal with some of the problems of IB and the current system, it is also possible to view it more constructively as a stepping stone towards a single working-age benefit (a theme to which we will return later in this chapter).

One of the criticisms of the current system is the problem for benefit recipients (and administrators) of moving between benefits, principally IB and Job Seeker’s Allowance (JSA), when a health condition or disability changes. Under the ESA reforms, people will still be moving between ESA and JSA, and there is the added possibility of moving between the ‘employment allowance’ and the ‘support allowance’. Also, the current system has been criticised for ‘incentivising’ sickness by paying higher benefit amounts to people on IB and furthermore an enhanced rate to people on IB for a year or more. ESA seems to maintain the perverse so-called incentive to be sick. Another concern is the effect of having to administer ESA on the relationship between personal advisers and their clients. As noted above, the review of welfare-to-work programmes identified the importance of this being a constructive and mutually trusting relationship, and the negative consequences when people experience the relationship as coercion.

To summarise briefly, in replacing IB with ESA, there seems to be have been something of a missed opportunity for thinking creatively about what a benefit system could (and should) comprise if it is really going to be joined up with employment policy. But, following the Freud report, the opportunity has clearly not disappeared completely. In addition, JSA and Income Support (IS) have remained largely unreformed over the last decade and progress in reducing claimant levels appears to have plateaued. This is therefore a highly opportune time to present a vision of what a truly active benefit system might look like. The next section attempts just that.

**The principle of the single working-age benefit**

In this section we introduce some ideas for replacing the confusing and complex range of benefits available to out-of-work people with just one benefit for people of working age. The Freud report raises this as one ‘broad option’ for benefit reform, the others being (a) minor adjustments to the current system and (b) a single system with a short- and long-term rate (Freud 2007). In our view, these options would offer few of the advantages that a single working-age benefit would. Minor adjustments would simply save the fundamental problems inherent in the current system for another day and would therefore be of little benefit to either current or future claimants. A single system with two rates would perpetuate the perverse incentives to seek to claim the higher rate, and would retain unnecessary complexity.

The current system is built on two principal features: it pays income replacements to people who are not in paid employment, but the type of benefit and the amount people get will vary according to a number of factors. These include the reason for not being in work (such as sickness, disability, or caring for children or dependent adults), National Insurance contribution records, and length of time out of work. There is a range of income replacement benefits that are familiar: JSA, IS, IB and Carer’s Allowance.

There are also a number of needs-based benefits that contribute to meeting the additional financial burdens created by, for example, having a family or being disabled. Child Benefit and Disability Living Allowance are examples of needs-based benefits in the social security system. However, as well as specifically needs-based benefits, the income replacements benefits also have elements that reflect extra costs (in additional premiums and long-term rates).
A single working-age benefit would separate the two functions of social security more clearly and establish one benefit that deals with income replacement (the ‘single working-age benefit’), and transfer the function of recognising extra financial needs as far as possible to a range of needs-based benefits. Below we address income replacement first, then turn to needs-based benefits.

The essential features of the single working-age benefit would be:

- A single set of rules
- Benefit paid at a standard basic rate
- Benefit remaining the same over time (so with no higher, long-term rates).

The single benefit would replace JSA, IB and IS and could also incorporate Carer’s Allowance. There is a range of advantages to this vision of a single working-age benefit that deal with some of the problems of the current benefits (and particularly the links between them) that certainly exist and that look likely to continue after the introduction of the ESA. The problems associated with moving between benefits would disappear. There would be no risk to a person’s benefit if they tried going to work because the benefit would be the same before and after a period in work. There would therefore be no need for the little understood ‘linking rules’, which currently allow people to return to their former rate of benefit if they cease working. It could also be expected that the stigma and possibility of subsequent discrimination that have been associated with the notion of disability benefits would be reduced. Importantly, there would be no financial gain of claiming one benefit over another or of remaining on benefit for a long period. Overall, a single working-age benefit would not only be less complex and easier to understand than the current array of working-age benefits, it would be easier to administer, too.

**The Gateway**

The possible advantages of a single working-age benefit are greater even than this. We suggest that part of the claiming process for the single working-age benefit should be to ask new claimants two questions, which we might call ‘gateway questions’. These are:

1) Do you think you will be able to work at any time in the future?

2) Do you want to work in the future?

We know from a number of sources that the majority of people asked these questions, including many with long-term health and disabling conditions, would answer ‘yes’ to both (see, for example, Stanley and Regan 2003). When this happens two things should follow:

- The single working-age benefit should be put into payment.
- The claimant begins to work with a personal adviser to plan how the goal of paid employment can be achieved.

This will involve exactly the sort of dialogue that personal advisers in Jobcentre Plus offices already have with claimants: discussing work aspirations and goals; assessing skills, knowledge and experience; assessing barriers to work such as skills gaps, caring responsibilities, health and disabling conditions; putting an action plan in place with a mutually agreed timetable; and accessing appropriate help and support.

3. Carer’s Allowance can currently be claimed by people who are providing care for 35 hours a week or more for a person in receipt of middle or higher rate Disability Living Allowance, Attendance Allowance, or constant Attendance Allowance. Under a single working-age benefit carers would receive the same benefit as other claimants but their return-to-work plans (see ‘The Gateway’ above) would necessarily reflect the amount and timing of the care they provide.
The pathways from the gateway interview are described in Figure 1.

This approach builds on the lessons learnt from experience of the welfare-to-work programmes that we discussed above. For people answering ‘yes’ to both questions a process is set in motion that starts from a positive base – a mutual understanding between claimant and personal adviser that paid employment is the goal. To establish this understanding it is important that both ‘gateway questions’ are asked. Answering ‘yes’ to the second question – ‘do you want to work?’ – demonstrates the sort of motivation and commitment from the claimant that has been found to be important in moving people towards work (Hasluck and Green 2007).

A further advantage of the single working-age benefit is that access to employment support ceases, by definition, to be dependent on which benefit a person is receiving. Whatever help is needed, or whatever individualised package of measures is needed, can be accessed (assuming capacity is in place; see the following chapter by Harker and Oppenheim). The benefit breaks the connection between entitlement to benefits and entitlement to employment support. This means this benefit will be more flexible than the current system in its ability to respond to people’s needs on an individual basis (rather than as a member of a group such as lone parents or disabled people).

While it is conventional to refer to JSA, IB and IS as ‘out-of-work benefits’, certain forms and levels of work are permitted under IB and IS rules. A single working-age benefit could similarly adopt a set of rules around permitted work for all claimants. Research from the Institute for Employment Studies (Dewson et al 2005) shows permitted work within IB to be working well, with no major problems when work must stop at 12 months. Under the single working-age benefit more people would be able to take advantage of the opportunities that permitted work allows.
A final advantage of a single working-age benefit is that for the purposes of claiming benefit the reason a person has no paid employment becomes irrelevant. A claimant does not have to decide whether to claim as a disabled person, or a lone parent, or a carer. A major advantage of this is that for the yes/yes respondents with a health or disabling condition there would be no need to obtain a doctor’s certificate. People’s health or disabilities would of course be highly relevant in considering a route back to work but claiming benefit, for most people, would effectively become ‘de-medicalised’ (see also Mabbett 2003).

But what if someone answers ‘no’ to one or both of the gateway questions? It is important to point out that answering ‘no’ to the first question would be an entirely legitimate response for people in a range of circumstances, particularly those with some types of disability, long-term health conditions or caring responsibilities. The social security system has always recognised that for some people it is right that they should not be obliged to undertake work-related activity as a condition of receiving benefit. The proposed revised personal capability assessment (PCA) under the ESA will perform a similar function to what would be needed for a single working-age benefit.4

Having said that, we know from welfare-to-work evaluations, for example of the New Deal for Disabled People and Pathways to Work pilots, that some people have negative perceptions of their own health and capabilities that initially prevent them from considering the possibility of work, but that can be changed to more positive perceptions by personal advisers or through engagement with the Condition Management Programme element of Pathways. So, an answer of ‘no’ to the first question – ‘do you think you will be able to work at any time in the future?’ – would initially start a different dialogue with a personal adviser to investigate the reasons for saying no. This might lead to a PCA-type assessment that might exempt a person from committing to an action plan or might lead to changing the answer to a ‘yes’ (as indicated by the dotted line in Figure 1).

This may lead to a residual number of cases in which someone says they can work but they do not want to, or someone says that they want to but then fails, with no good reason, to undertake the actions to which they have signed up in the action plan. These scenarios would not be caused by the introduction of a single working-age benefit; personal advisers in Jobcentre Plus offices deal regularly with such situations already and have a range of responses open to them (from encouragement and persuasion to sanctions). In such cases, it is ultimately not reasonable to expect the state and its citizens to continue to support people who refuse to fulfil their side of the rights and responsibilities contract (see Chapter 2/Cooke and White 2007).

We have set out very briefly the broad principles on which a single working-age benefit might be based. In developing those principles the advantages of such a benefit have emerged. To sum up:

• A single working-age benefit can address many of the disadvantages of IB and its interactions with other benefits that are not addressed by the imminent ESA. Specifically, it promotes access to employment support and movement into work, and sees people as individuals rather than simply members of a client group.

• It can promote and enhance the type of relationship between claimants and personal advisers that have been identified as one element of ‘what works’ for welfare-to-work programmes.

4. In the longer term it might even be possible to envisage being able to abolish the PCA altogether if personal advisers working within multi-disciplinary teams were sufficiently highly skilled to develop action plans to reflect capability including a ‘do nothing’ option.
• Through the two gateway questions it promotes the sort of 'work first' message that has been argued by Ministers as important in developing the 'rights and responsibilities' contract between citizens and the state.

**Eligibility**

There are, of course, still many issues to consider that go beyond the in-principle argument for the benefit and the way in which it is framed. Central among these is the question of the conditions of eligibility. Specifically, should the single working-age benefit be means-tested or based on National Insurance contributions, or a combination of both? Consideration should also be given to whether eligibility is based on a household or an individual level. Other central questions are what level should the benefit be set at, and how should any extra needs, such as those currently covered by disability, caring premiums or child-related premiums, be treated within a single working-age benefit.

It is not possible to address these questions comprehensively in the space available here, but below we set out some ideas in these areas to guide thinking about next steps in developing the notion of a single working-age benefit.

Eligibility for the current range of out-of-work benefits is based on a mixture of National Insurance contributions and means tests. There is significant support for the contributory principle. However, the value of this principle in building support for the benefits system is tempered by public misunderstanding of it and the lack of an actuarial link between contributions paid in and benefits paid out. Further, almost identical out-of-work benefits can be drawn by people with no contributions history as by those with an unbroken contributions record. Establishing a new single working-age benefit would provide an opportunity to create a more transparent and easily understood system.

In developing a new system of entitlement, consideration should be given to a range of objectives including creating a system that is seen to be fair and that uses resources in an efficient way. There is also a need to minimise administrative complexity and the time taken to get people onto the benefit in order to avoid poverty, reduce costs and expedite people's access to employment support.

There are many systems of entitlement that might go some way to achieving these objectives. We highlight just one possible system here. The contributory principle could be removed from the system of out-of-work benefits for the reasons given above. A new system might comprise a time-limited universal entitlement to out-of-work support, followed by a means-tested period to better target resources. The cost calculations below assume a 12-week universal entitlement followed by a means-tested period based on the current means test for IS.

A universal entitlement to 12 weeks' support for those of working age who are out of work\(^5\) would minimise the administrative burden to both individuals and Jobcentre Plus. Many people would move off the benefit within the initial 12-week period. For example, in the year from February 2004 more than 46 per cent of JSA claimants moved off the benefit within 12 weeks (DWP 2005). Claimants who previously would have claimed IS or IB may take longer to move off the benefit. Those who did not move off the benefit and into work so quickly would be assessed against a means test in order that only those in significant financial need would be eligible for longer-term support. Income from working-age

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5. See, for example, the speech from the Minister for Welfare Reform, March 2007 (Hutton 2007)
6. The benefit would also include the small number of people who do work (for a duration of less than 16 hours a week) but are eligible to claim IS.
contributory benefits also tends to be more heavily focused on people who are higher up the wage distribution compounding inequalities (Jones 2007).

Employment support would be open to anyone who was out of work, whether or not they were eligible for the benefit. This system could be more effective in both supporting people into work and in alleviating poverty at times of need. Of course, there are other options but this is one that has particular merit.

Eligibility for many benefits is currently also calculated on a household rather than an individual basis. There are good reasons for this. Most importantly, it enables resources to be better directed towards those who live in households below a given income level. However, an individual entitlement would have a number of benefits. It would better reflect the diversity of financial arrangements within households and recognise the importance of women’s financial independence. It would reduce the need for people to register certain changes of circumstances (a requirement that contributed to claimant error leading to £150 million of overpayment in 2005/06 (DWP 2006b)). It would also reduce the incentive for couples to claim falsely that they are not living together (which contributed to £240 million of fraud in 2005/6 (DWP 2006b)). But perhaps most significantly, household-level calculations generate significant disincentives for the second earner to work longer hours. This is because of the high rate of withdrawal of benefits and tax credits once a second earner is working more than part-time hours.7

There is a strong case for making a serious assessment of the costs and benefits of individualised entitlement. Of course, this is already the basis of the tax system. Evidence emerging from Belgium, which has recently moved towards an individualised system of tax credits (Rubery et al 2004), should be closely monitored and the Treasury and DWP should model a move from household to individual benefits (and tax credits). As we have said though, this is just one possible option and the appeal of the single working-age benefit is not dependent on the implementation of this particular system of entitlement.

**Level of the benefit**

We now turn to the thorny question of the level of the benefit. Clearly, the level at which the benefit is set has to be based on a political judgment balancing this against other demands on the public purse and overarching political objectives such as ending child poverty and increasing the employment rate. However, it should be possible to structure the overall package of benefits that are available to working-age people in such a way that a range of objectives can be reconciled.

In order to achieve this, certain principles should guide the development of the overall package. The benefit should be set at a level that does not significantly adversely affect work incentives for the majority of people who are out of work. There should be a clear separation of payments for earned income replacement and additional costs that are incurred, for example, as a result of disability or caring responsibilities. This means that the level of the benefit is not affected by the need to meet additional costs. All existing premiums for additional costs could be transferred to other redistributive vehicles such as tax credits and Disability Living Allowance (see Stanley 2004 for a fuller discussion of the case for an enhanced Disability Living Allowance). This would ensure that people who are unable to work as a result of a disability or caring responsibilities would not be worse off as a result of these changes, even if the level of the benefit was set at a lower rate than current levels.

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7. The Freud report is enthusiastic in principle about the individualisation of benefits generally, but acknowledges concerns about costs and additional complexity (Freud 2007).
We estimate that the amount of IS expenditure which is accounted for by ‘extra costs’ premiums was £1.8 billion in the year from May 2005 (see Reed 2007 for details). This amount could be transferred to cover these costs via tax credits or an enhanced Disability Living Allowance.

The cost of this overall package of benefits will be important in assessing its viability as a proposal. In the next section we present some early estimates of the financial effects, in terms of additional benefit costs and possible benefit savings, of a single working-age benefit. We do not calculate the costs of this wider package of reforms, though they should be regarded as elements of the overall reform package that would need to accompany the introduction of a single working-age benefit.

**Costing the single working-age benefit**

We have modelled some of the likely costs of making these reforms (Reed 2007). The costings assume the single working-age benefit would replace: IB, IS (adult component), contributory JSA and income-based JSA, and that the benefit is structured in line with the suggestions made in the section above. We have not included Carer’s Allowance in these calculations. Data constraints and conceptual issues mean that the analysis makes a number of simplifying assumptions (which should be taken as assumptions only for the purpose of examining the feasibility of a single working-age benefit rather than being in any sense recommendations). The key assumptions are summarised in Box 1 below.

**Box 1: Key assumptions**

- The rate of the single benefit is set at £60 per week and awarded on an individual rather than a household basis.

- All other features of the benefit system operate in conjunction with the single benefit in the same way as they operate in conjunction with existing means-tested benefits. Changes in the level of the benefit are not ‘clawed back’ through downward adjustments and are reflected in changes in the thresholds for eligibility for other means-tested benefits.

- Take-up of benefits remains unchanged under the single benefit, as does the flow onto and off benefits. However, there is a good case for thinking that the introduction of the single benefit could increase take-up of benefits if the benefit system were seen as more straightforward, and that off-flows would increase given greater alignment of the benefit system with welfare-to-work objectives.

Our costings are based on the single working-age benefit having been introduced in May 2005, and we look at what benefit expenditure would have been a year on from its introduction to give an idea of the first year costs of the introduction of the single benefit. In the long run, the existing caseload of IB claimants will gradually reduce as they move off IB, or reach state pension age and move onto state pension and other benefits.

We have costed both the minimum extra costs implied by changes under these assumptions and the maximum extra costs. In the ‘minimum extra cost scenario’ we assume:

- The maximum possible savings from replacing non-means-tested IB with means-tested single benefit.

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8. Costings are by Howard Reed and a full paper is available at www.ippr.org. The analysis uses May 2006 data from the DWP’s Work and Pensions Longitudinal Study (WPLS), which is a 100 per cent sample of benefit claimants. The one exception is the analysis of the costs of moving from JSA to the single benefit, where the DWP’s five per cent sub-sample of WPLS has been used because it distinguishes between Contributory and Income-based JSA.
for new claimants

• The maximum possible savings from replacing contributory JSA with means-tested single benefit for new claimants.

This would correspond to a situation in which everyone in a position to claim non-means-tested benefits had too much income from other sources (or too much capital) to be eligible for the single benefit. In this scenario, overall benefit expenditure rises by two per cent, largely due to the extra payments made to claimants under 25, couples and the 12-week period of universal entitlement (which results in increases in expenditure of around £560 million for IS and £330 million for JSA).

In the ‘maximum extra cost scenario’ we assume:

• The minimum possible savings (i.e. nothing) from replacing non-means-tested IB and JSA with a partially means-tested single benefit.

This would correspond to a situation in which everyone in a position to claim these non-means-tested benefits had such a low income from other sources that they maintained an entitlement to the single benefit instead. In this scenario overall benefit expenditure rises by 5.1 per cent.

In summary, the projected costs from introducing the single benefit under our assumptions suggest an increase in expenditure of between two per cent (or £400 million) and 5.1 per cent (or £1 billion) on current expenditure. It is not possible to be more precise than this at this stage and the ‘real’ figure might be anywhere between these extremes. If the single benefit were introduced, some people who were eligible for IB or JSA would not be eligible for the single benefit and vice versa. But without further analysis using micro-data, it is impossible to say how many people would be ineligible or eligible.

It is worth noting that if we do the same analysis but do not individualise entitlement, retaining household-level calculations, this reduces the additional cost to between 0.2 and 3.2 per cent on current expenditure (£35 million and £633 million).

The benefit changes discussed here are only one part of a wider set of reforms, which would include investment in increasing the capacity of active labour market programmes and employment support and enhancing needs-based benefits such as Disability Living Allowance. This would clearly also require additional spending.

Clearly these costings are only very preliminary and there are a great many variables that we have not been able to model within the resources available to us. We have not, for example, taken into account the benefits that are likely to accrue from these reforms as a result of having a system that is more supportive of people gaining employment. The next step would be to undertake thorough and detailed modelling work to assess the likely costs and savings in moving to a single benefit (as recommended in the Freud report (2007: 105)), and investigate the likely distributional impact of the changes. In doing this work it would be necessary to make certain assumptions about how we might move from the benefit system we have to one based on a single working-age benefit. The next section suggests one possible way of making this transition.

**Next steps**

The Government is committed to implementing ESA from 2008. We have discussed why this reform will be inadequate in meeting the challenges of supporting many more people into work. However, rather than being the end of the reform process, the implementation of ESA could be the beginning. ESA could
become the basis for the development of a single working-age benefit.

This would mean modifying the way in which ESA is implemented and then, over time, opening it up to new claimants who would have moved onto JSA or IS, as well as those who would have gone onto IB. The name of the benefit could remain the same. In contrast to scrapping ESA along with the other benefits, this approach would enable administrative costs to be vastly reduced as the single benefit was implemented.

ESA would need to change in several ways in order to lay the right foundations for the single benefit. The way in which ESA was framed would be crucial. Personal advisers would use the gateway questions described above to frame the development of action plans and ensure understanding and commitment to a realistic set of actions. This would be supported by opening up all employment programmes to claimants rather than just a narrow range of programmes related to disability. This would ensure a much wider range of opportunities for claimants and enable a more tailored approach (as proposed in a forthcoming paper by Harker and Oppenheim). Over time, the levels of the different benefits would be aligned and resources redistributed from earnings-replacement benefits to extra-costs benefits. The sooner the steps were taken to move all new benefit claimants onto the ESA, the sooner advantages would stack up, for example, by reducing the incentives to get and stay on one benefit over another.

These changes would require consideration of the way unemployment and economic inactivity are counted. Clearly, it would be important that these structural changes, designed to support more people into work, were not undermined in the public’s view by an apparent increase in the unemployment count.

Conclusions

In this chapter we have sketched out the architecture of a benefit system that would meet the welfare-to-work aims of social security as they have developed over the last 10 years or so. We have also suggested how we might get there. Is the notion of a single working-age benefit fanciful and unrealistic? We think not and take encouragement from developments in New Zealand where a similar idea has become part of government policy. There, the potential of what they call a ‘core working-age benefit’ is that it ‘…will remove the tangle of rules and entitlements that have become a barrier to people moving into work’. New Zealand’s aim is to introduce the new benefit in 2008 or 2009 (Ministry of Social Development 2005).

The New Zealand government also emphasises that the ‘core benefit’ would promote greater simplicity into its benefit system. We have argued above that the rationale for a single working-age benefit in this country is not primarily simplification but to promote an active benefit system that supports welfare-to-work policy rather than confounds it. Simplification is a powerful additional motive for introducing a single working-age benefit, though. The complexity of the current system is well known and the source of problems for claimants, advisers and administrators alike (National Audit Office 2005, Public Accounts Committee 2006) and a key area of current DWP activity. The 2007 Inquiry of the House of Commons Select Committee on Work and Pensions into benefit simplification also reflects the emergence of complexity and simplification as important policy concerns.

It is a coincidence of timing that current interest in fundamental benefit reform comes 65 years after the publication of the Beveridge report (Beveridge 1942). Is it therefore time to retire Beveridge (with enormous thanks and respect) and to tackle afresh the types of questions he was addressing in relation

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9. This would also go with the grain of European trends promoted by the Lisbon Agenda for active social security and investment in active labour market programmes.
to social security: what do we want from the welfare system as a whole and how can we construct a system that is feasible, workable and affordable? If the argument for a single working-age benefit is persuasive enough then perhaps we should not be asking if we can afford it but considering whether we want to afford it. That leads us into a new, challenging but potentially groundbreaking set of questions. How can we afford this? And what needs to happen for us to make sure we can afford it? Beveridge embraced these questions in 1942 and was painstaking in answering them. If we can answer them satisfactorily in 2007, the type of fundamental reform represented by the single working-age benefit might just command the sort of broad support that Beveridge achieved.

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It's All About You | Active welfare and the single working-age benefit

Stationery Office


A new New Deal: Citizen-centred welfare to work
Lisa Harker and Carey Oppenheim

Introduction
Almost one hundred years on from the opening of Britain’s first labour exchange, the support available for people seeking work bears little resemblance to what it once was. Gone are the days when job seekers were simply presented with a list of vacancies; today one can get access to training, work experience, and help with compiling a CV, looking for a job, writing an application or even buying appropriate clothes to wear to an interview. Over the last thirty years, and particularly in the last decade, the state has become much more active in helping individuals into employment. At the same time, the obligations of individuals to accept support have also increased (see White and Cooke, Chapter 2).

The impact of these developments has been considerable. Government action to prepare people for work has contributed to a substantial growth in employment. The UK’s employment rate is now approaching 75 per cent, one of the highest rates in the world (National Statistics 2007). Mass unemployment is now a thing of the past; just 5.5 per cent of the working age population is unemployed (National Statistics 2007). In the last decade, long-term unemployment has fallen by 400,000 and the lone parent employment rate has increased by 11 percentage points (HM Treasury 2007). Stable and successful macroeconomic policies have played a critical role in ensuring sustained employment growth and the Government’s New Deal programmes, alongside improved financial incentives to work, have benefited those outside the labour market.

Nevertheless, looking ahead, the situation looks challenging. Unemployment has recently started to rise again, particularly among young people. Indeed, youth unemployment is now at a higher level than when the New Deal for Young People was introduced in 1998 (National Statistics 2007). And there are many more people who are out of work but not registered as unemployed – the ‘inactive’ out-of-work population now stands at 7.8 million people (3.5 million of whom are claiming benefits). While the composition of this group has changed, now with more students and fewer lone parents and incapacity-benefit claimants, the overall figure has barely altered since 1997 (Freud 2007).

What is more, those who remain outside the labour market are now more likely to face additional disadvantages from being without a job. Ill health, inadequate housing, drug and alcohol addiction, illiteracy and low skills are common characteristics of today’s out-of-work population. Those with complex, often multiple, problems are much less likely to be able to move into work quickly than if they did not have these problems, or if they do move into work they are more likely to return to benefits (Freud 2007). Current welfare-to-work support appears to be ineffective for a significant minority. As many as one third of claimants have spent more time in receipt of benefits than in work; around 100,000 people receiving Jobseeker’s Allowance have spent six of the last seven years on benefit (Freud 2007). Also, a substantial number of people are stuck in a ‘low pay – no pay’ cycle, ‘cycling’ between jobs and benefits; around two-thirds of Jobseeker’s Allowance claims each year, 1.6 million claims, are repeat claims (Harker 2006).

The situation looking ahead is also different because the labour market has changed in recent years. The service sector now accounts for three quarters of the UK economy which means there is less demand
than previously for certain types of skills (Leitch Review 2005). High-level skills are in increasing demand, as are so-called soft skills like communication and team working (Leitch Review 2005). Having such skills is no longer simply an asset: they are critical to securing a job. Around half of those who are not in work lack the equivalent of five good GCSEs, the minimum increasingly required for employment (Leitch Review 2005). In the future, the mismatch between the skills of those who are not in work and the skills required by employers will become even more pronounced. This will affect the ability of organisations to fare well in the face of international competition, which depends on the skills of its workforce.

In the context of all these changes, the Government’s goals for active labour market policies have broadened beyond reducing unemployment. As unemployment levels have fallen, greater attention has been paid to related concerns: the scarring effects of long-term unemployment, the relationship between high levels of child poverty and worklessness and the importance of increasing skill levels among both those in and outside the labour market.

The changes justify a fresh look at welfare-to-work programmes, which must be able to respond to these challenges. Indeed, the Government has already signalled that some change will be necessary (HM Treasury 2007, Department for Work and Pensions 2007b).

In this chapter we assess the limitations of the current welfare-to-work system. We make the case for a radical shift to a much more personalised approach, built around the needs of individuals rather than benefit entitlement, a system that is more responsive both to the preferences and expectations of job seekers and to the demands of the labour market. We go on to describe how a single agency for those of working age would provide the best model for helping those most likely to be excluded from the labour market and ensuring continued employment growth in the years ahead.

The case for more personalised, flexible support

While the majority of people claiming Jobseeker’s Allowance find a job within six months, many enter work only to return to benefit at a later date and a significant number fail to find work at all. Most of those who are economically inactive and receiving benefits are out of work for long periods. Being in employment is of course unsuitable for some – for example, those who are full-time carers or have a disability that prevents them from working. However, the vast majority of those not in work do want to find employment in the foreseeable future. Indeed, eight out of ten lone parents and nine out of ten people receiving Incapacity Benefit (IB) say that they would like to return to work at some point (Freud 2007, Department for Work and Pensions 2005).

Much of the commentary on this issue is underpinned by an assumption that certain individuals are work-shy (for example, see Hinsliff 2006), but there is little solid evidence to justify this. Most job seekers appear to support the expectation that they should be looking for work. For example, the vast majority of Jobseeker’s Allowance claimants believe the sanctions regime to be fair (Peter and Joyce 2006).

At the same time, current welfare-to-work programmes may have reached the limits of their effectiveness. Job entry rates resulting from both the New Deal for Young People and New Deal 25 plus, which have mandatory participation, have declined since the programmes’ introduction. There is considerable geographical variation in performance – for example, London fares particularly badly compared to other regions that have similar challenges (Centre for Social and Economic Inclusion 2007). Welfare-to-work programmes also continue to be less effective for certain groups – the low skilled, those with multiple disadvantages and minority ethnic groups – all of whom represent growing proportions of the out-of-work population (Hasluck and Green 2007).
While job entry rates from the voluntary New Deal programmes are generally better than the mandatory New Deal programmes (partly because they are voluntary and therefore dealing with the job-ready), participation rates are stubbornly low. Only one in ten lone parents eligible for the New Deal for Lone Parents joins the programme. Around 2 per cent of IB claimants participate in the New Deal for Disabled People (Orr et al. 2007). The very low level of participation in voluntary programmes may be more indicative of fear over loss of benefits, poor work incentives or barriers to work other than ‘work-shyness’. While there are many causes to these problems, it is clear that they are exacerbated by limitations in the welfare-to-work system: the support offered is determined by which benefit someone is claiming, it is inflexible and unresponsive, and is withdrawn at the point of entry to work. These issues are explored in detail below.

Support is benefit-determined

Eligibility for New Deals is largely determined by which benefit an individual is claiming (see Table 1). While there is some logic to this approach, given that benefit entitlement can signal different needs, it can mean that support is not flexible enough to respond to individual needs.

<table>
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<th>Table 1: New Deals and their participants</th>
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<td><strong>New Deal for Young People</strong></td>
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<td><strong>New Deal for Disabled People</strong></td>
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*JSA = Jobseeker’s Allowance; IB = Incapacity Benefit

For example, there are 264,000 lone parents who are not working and have a self-reported, long-standing health condition (Labour Force Survey 2006) but it is the fact that they are lone parents that normally determines the type of support they receive, above their illness or disability (Harker 2006). They are encouraged to claim income support because they are lone parents and because the eligibility threshold for disability benefits is high. Indeed, many people with self-reported health problems do not qualify for help with condition management because their condition is not deemed serious enough. But as a result, a significant number of lone parents may not be receiving the support they need to return to work.
Support is also heavily tilted towards those claiming Jobseeker’s Allowance (those on the claimant count) who are required to participate in programmes as a condition of their benefit. Two thirds of participants in welfare-to-work programmes are on Jobseeker’s Allowance, yet these people make up less than 20 per cent of people not in work (Department for Work and Pensions 2007b). The mandatory welfare-to-work programmes (New Deal For Young People and New Deal 25 plus) are more intensive and offer work or training placements which are not available in other programmes. Yet a person’s entitlement to a particular benefit is not an effective indicator of their readiness for taking a job or of the support required to enable them to enter work.

Support is inflexible

Even within the New Deals support is rigidly prescribed. There is limited scope to personalise support or direct resources according to particular needs. While New Deal programmes have a variety of elements, entitlement to those elements is tightly defined. Most job seekers – regardless of their particular needs – are treated in the same way. Those who have additional problems, such as drug problems or homelessness, are offered the same kind of support as job seekers without those problems. Those who complete a New Deal programme only to return to benefits again are treated in exactly the same way as new entrants.

The rigid application of welfare-to-work programmes is a source of frustration for participants. A number of research studies (for example, see Hudson et al 2006, Atkinson et al 2006, Corden and Nice 2006) have found that some welfare-to-work providers require people to work through a specified set of activities and do not allow for any response to individual differences in skills and experiences through a divergence from these. For example, job seekers have reported being required to sit a basic literacy test despite informing their adviser of their illiteracy (Atkinson et al 2006), or having to complete ten job applications every day regardless of the appropriateness of the jobs (ippr 2007).

A deliberative workshop was held in London. 30 participants were recruited for ippr by A4e and Shaw Trust from a range of different welfare-to-work programmes including the New Deal for Young People, New Deal 25 plus, New Deal 50 plus and the New Deal for Disabled People. New Deal participants told ippr:

‘It’s a very, very humiliating and depressing experience to keep applying and applying for jobs, being told you have to jump through hoops, and ingratiate yourself with prospective employers, but there’s always a brick wall on the other side.’

‘Everyone’s treated the same. Everyone gets to apply for the same jobs but we might not want the same jobs. There’s not enough individual help.’

The inflexible nature of the support on offer in welfare-to-work programmes, together with the rigidity in the way that they are applied, may explain why a proportion of job seekers fail to ever find a job. Around two-thirds of Jobseeker’s Allowance claims each year, 1.6 million claims, are repeat claims (Harker 2006). Between one-third and two-fifths of all New Deal starters have been on a programme before; around one in eight participants on the New Deal for Young People and the New Deal 25 plus have been on the New Deal three or four times (Murphy 2007). This would indicate a need for increasing the intensity of the programmes, or changing the type of support provided rather than just delivering more of the same for repeat job seekers.
Many of those who cycle in and out of work have multiple associated needs. One in four (23 per cent) of repeat JSA claimants have no qualifications (DfES and DWP 2007). One study found that many of those who had moved in and out of work several times had significant problems, including serious health problems (20 per cent), no permanent home (14 per cent) and no qualifications (23 per cent) (Carpenter 2006). A one-size-fits-all approach to support, which fails to address underlying barriers to finding and remaining in work, is unlikely to address the high proportion of people cycling in and out of work.

The experience of Employment Zones suggests that when support is more individually tailored to the needs of the job seeker, it is more effective. Under Employment Zones, which were introduced in 13 areas of high long-term unemployment in 2000, there is no central prescription, other than the requirement for participants to attend fortnightly interviews with their personal adviser. At these interviews clients identify the help they need to move into employment with their adviser. In addition providers have been rewarded through heavily skewed outcome-based payments. Performance has been better in Employment Zones than in other areas, both in terms of the proportion moving into work and those remaining in employment (Hirst et al 2006).

Support stops at entry to work
Welfare-to-work programmes are based on a ‘work first’ approach, informed by strong evidence that gaining a job offers better long-term prospects than attending training while receiving benefits. While exposure to work is important, the ‘work first’ approach has tended to underplay the value of acquiring work-relevant skills before entering employment and gaining further skills once in work in order to progress to better-paid employment. Evidence of the impact of training on later job entry and progression has been mixed but overall both British and international evidence seems to suggest that a combined approach, where people undertake an active job search and training before entering work and then continue to train once in work, is most effective (DWP and DfES 2007). To date there has been a tendency to place a strong emphasis on rapid entry into the labour market, to the detriment of consideration of how best to ensure individuals both remain, and advance, in work.

Job seekers at ippr’s deliberative workshop, 15 March 2007, spoke of their worries about being made to take any job:
‘I’m a locksmith, and they offered me a lifeguard job. They didn’t even ask if I know how to swim’

‘It’s about their targets…I want to go into sustained work. Not something [where I’m going to go] and last only two or three days.’

‘Their main goal is to get you off Jobseeker’s Allowance. It doesn’t matter where they put you. As long as you get a job, cleaning or whatever.’

‘When you start they ask you what kind of job you want but no matter what you say, [the personal adviser is] trying to put you into something completely different, just to get you out of the course, so that he can say at the end of it that he got everyone a job, whether or not it is the job you want.’
(participant on New Deal for Young People)

What would citizen-centred welfare-to-work services look like?
The current system is based on benefit group rather than need, is highly prescriptive, very rigid and generally assumes that a standard remedy is needed to help people back to work.
A citizen-centred welfare-to-work model would take a very different approach. Support would be personalised, built around individual needs. There would be less central prescription and more discretion at the hands of providers. Links would be made to wider support to draw together the necessary help for those with multiple problems. Outcome-based funding would provide a strong incentive for providers to draw together the right package of support to enable someone to enter, remain and progress in work.

**Personalised support**

It has long been noted that the next logical step for welfare reform is for there to be more flexibility to design support around the needs of the individual. Indeed this was central to the Government’s own 2004 proposals, originally outlined in *Building on New Deal* (Department for Work and Pensions 2004), and more recently in *In Work, better off: next steps to full employment* (Department for Work and Pensions 2007b). By tailoring support more closely to individual need, welfare-to-work services could be both more effective and more suitable for a wider group of citizens – both the inactive and unemployed.

As Figure 1 shows, we would propose that both the unemployed and inactive would initially undertake some self-service job search where they would be able to access vacancy information at the Jobcentre, but not one-to-one support from a personal adviser. (Whether this would be a requirement of benefit receipt would depend on circumstances specified by the conditionality regime.) Most job seekers would move into work during this stage, as they do now.

If a job seeker had not entered work after a period of six months of self-service job search they would then enter a personalised support phase. They would be referred to a welfare-to-work provider who would be able to determine the most appropriate package of support necessary to help them into employment. This might involve one-to-one coaching, work placement, support with acquiring new skills, help with finding childcare or any other measure that would significantly increase the chances of
someone entering work. Although there would need to be some national core requirements, to ensure that effective elements of support were available to everyone (see Box 1), providers would be able to personalise support to a considerable extent. There would be very little central prescription and providers would be encouraged to develop new and innovative approaches.

**Box 1: What works – effective elements of welfare-to-work programmes**

**Personal advisers** – high level of ability to engage, support and motivate is essential. Regular contact is important. The greater the flexibility given to personal advisers, the better they are able to meet the needs of individuals.

**Job search activity** – motivating and improving job search is critical, although little is known about the effectiveness of different methods.

**Action plans** – these are needed to facilitate the identification of barriers to work and agreed actions to overcome these difficulties.

**Active engagement with employers** – this is necessary in order to understand the local labour market, the needs of employers and to generate work placements and vacancies.

**Focus on sustained employment** – strongly weighting contracts towards rewarding entry to work for at least 13 weeks has been shown to improve rates of sustained employment.


The personalised support approach would end the categorisation of welfare-to-work support by benefit entitlement, age group or family type. Ultimately this would mean unifying the current range of programmes into a single new deal, which would be consistent with, and complement the proposals, for a single working-age benefit set out in Chapter 3 (Sainsbury and Stanley).

Specialist support would still be necessary – to help those with health conditions or disabilities, for example – but this would be determined on demand rather than via a programme. A new generation of welfare-to-work support would offer individuals tailored support drawing on the elements that have appeared to work well in existing programmes. This would not only enable support to better match individual need, but enable a better allocation of resources. Overall, this approach would open up support to a greater number of people not in work; this raises questions about capacity, which are dealt with below.

It would be important to have some safeguards in place to ensure that providers had incentives to work with all individuals – including those who are the least ready to start a job – and for incentives to be given to encourage sustained employment.

Giving access to the personalised support phase at the six-month point avoids there being too much ‘deadweight’ (support being directed at those who would have gained work anyway) while also limiting the ‘scarring effects’ of being out of work. However, the optimal time at which one-to-one support is likely to be most beneficial will vary considerably from individual to individual. Others have suggested that 12 months might be an appropriate cut-off since most individuals enter work in the first year (Freud 2007, Department for Work and Pensions 2007b) but this would effectively reduce the level of support currently offered to young people entering the New Deal. It would risk leaving some people in the ‘self-
service’ phase for so long that their job readiness would be reduced significantly before they received any personalised support.

While we suggest that most job seekers enter the personalised support phase at six months, there would be some for whom it would be appropriate to provide one-to-one support earlier. This would include those who have recently left employment because of ill health or a disability, those who had already entered work only to return to benefits again, and those with multiple problems who are very unlikely to enter work through self-service job search. A profiling tool would need to be developed to determine early entry.

The arguments in favour of greater personalisation are compelling but there would be some trade-offs. A personalised support approach that would allow providers to determine the nature of the support would inevitably lead to greater diversity in provision. As Graeme Cooke and Jim Bennett argue in Chapter 1, there would still need to be a framework of rules to treat everyone fairly, if not the equally. Greater personalisation would also bring a certain amount of complexity – a one-size-fits-all system is simpler.

While there may be tensions between simplicity, personalisation and fairness, achieving an effective balance should not be impossible. To help ensure that the more flexible services are sufficiently fair and effective, there would be a strong case for increasing the claimant’s voice in determining the way the system works. While in many areas of public policy it has been recognised that services need to become more responsive if they are to improve in ways that meet with the public’s expectations (Public Administration Select Committee 2005), less attention has been paid to increasing the citizen’s voice in welfare-to-work. This is despite the shift that has occurred towards ‘active’ welfare, which recognises the importance of an individual’s agency – the so-called ‘hand up, not a hand out’.

Although the personal adviser approach is built on the notion that individuals must be involved in decisions about the support they receive, in practice, in the face of limited choice, poor information and the requirement for users to follow the advice of their personal adviser (or risk losing their benefit), job seekers have very little influence over what happens to them1. They rarely become actively involved in making decisions about the kind of support they get (see, for example, Barnes and Hudson 2006).

This may go some way towards explaining clients’ attitudes towards the help they receive. Clients often fail to contact advisers after cancelling an appointment or follow up an offer of support (Corden and Nice 2006). Claimants express confusion and a lack of understanding about what is expected of them and whether their benefits will be affected if they do not comply (Joyce and Whiting 2006). And although most people report having a good relationship with their adviser, and find the support friendly, professional and caring, a significant proportion of participants report that programmes do not help them find work, express frustration that their job search efforts had not led to employment, or are disappointed when they find work because it is low-paid, low-skilled and does not reach their expectations (Joyce and Whiting 2006, Hudson et al. 2006).

While the state–citizen relationship in employment programmes is different from that in other public services – not least because of the requirement of citizens to participate on condition of their benefit – there are ways in which users’ sense of control over their efforts to return to work could be increased. This could be achieved through more regular consultation with users over the quality and nature of their

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1. The exception may be in Employment Zones where personal advisers tend to view their role as enabling rather than directing.
support, better information, more effective complaints systems, user forums and even giving claimants a say over the way resources allocated to them are spent by using Personal Employment Accounts – these are individual budgets which job seekers could be allocated to purchase support and services in consultation with their personal adviser (Evans 2007). These accounts were originally envisaged to be a feature of Employment Zones but they have never been fully tested in the UK. Yet there would be merit in empowering individuals to have more say over the kind of support they receive, particularly if providers were given more discretion over the support they could offer individuals. This approach would enable some redress against unfair treatment. More broadly, the greater discretion afforded to personal advisers would require safeguards to ensure that they complied with national core standards.

**Holistic support for individuals with multiple needs**

Moving away from a one-size-fits-all model could target greater help at those with the most complex problems. This might involve putting together a package of support provided by a far broader range of agencies than Jobcentre Plus currently works with, such as drug treatment and rehabilitation services, housing support and debt advice agencies. It would mean allowing personal advisers to access a range of services on behalf of an individual and possibly to act as the budget-holder for related services, such as skills training. It could also mean working in different ways – combining housing and employment support for social housing tenants, for example (Hills 2007). These kinds of approaches would require much more flexible allocation of funding and more integrated working arrangements across health, social care, education, housing and employment services.

To ensure that there are incentives for providers to work with people with complex needs, rather than simply address the easy cases, providers should be rewarded financially for helping the least job-ready into work. There should be incentives to reward progress on the amount of progress made towards entering work as well as job entry/progression. Rather than wait for the usual entry point into personalised support at six months, those with multiple problems could be fast-tracked. Given the evidence that early intervention is effective in supporting those with disabilities and health conditions, these individuals would also be fast-tracked (Regan and Stanley 2003). A profiling system or screening tool would need to be developed to determine who was fast-tracked, but the early experience of such a tool in the Pathways to Work programme suggests that this would be possible and profiling tools are already being used in countries such as Australia (Bewley et al 2007).

**A mixed economy of provision**

Welfare-to-work support is already delivered by a mix of providers: Jobcentre Plus currently contracts with more than 900 suppliers of services from the private and voluntary sector (Freud 2007); the New Deal for Young People and New Deal 25 plus is already led by the private sector in 10 areas; and the New Deal for Disabled People, and Employment Zones, are entirely contracted out to the private and voluntary sectors. But services are organised around current programmes and the contracting model is normally focused on process, giving providers limited opportunity to design packages of support around the needs of the individual. Contracts are also normally short-term, which stifles innovation. If these constraints were lifted, private and voluntary-sector organisations could play a more significant role in developing welfare-to-work services.

Having a mix of providers would be beneficial, but would not necessarily mean greater choice of support provider for job seekers, which is the reason often put forward for having a mix (Prime Minister’s Strategy Unit 2007). In practice, job seekers are more likely to benefit from there being greater personalisation and flexibility within services than from having a choice of several providers. Instead, contestability
matters because it is important to have an alternative provider when services perform badly. This threat of being able to withdraw contracts encourages improvements in performance. Having a diversity of providers also promotes innovation; the experience of Employment Zones and the New Deal for Disabled People suggests this to be the case. Even then, contestability cannot deliver innovation on its own. International evidence tells us that innovation continues in the first few years after contracting out – but then reaches a plateau, so contracts would need to be renegotiated every three years or so.

While we believe that a mixture of provision is desirable, we do not advocate a wholesale switch to the private and voluntary sector along the lines proposed by the review conducted for the Department for Work and Pensions by David Freud (Freud 2007). There is no compelling evidence to suggest that the private and voluntary sector would be better per se at delivering personalised support than the state. What is important is that there is competition between providers across all sectors, so we believe Jobcentre Plus should be able to compete on an equal footing for contracts. Indeed, this view is also reflected in the recent Green Paper (Department for Work and Pensions 2007b). There would need to be a division between purchaser and provider functions. In addition Jobcentre Plus would retain responsibility for benefit delivery and benefit sanctions and would continue to act as the ‘gateway’ to all services. Nevertheless the organisational structure via which Jobcentre Plus competes for business on an equal footing with the private and voluntary sectors would clearly need to be determined.

**Outcome-based contracting**

Rewarding welfare-to-work provision according to the outcomes achieved rather than the processes undertaken would allow for greater flexibility and innovation in services. The approach has already been tested through Employment Zones and the New Deal for Disabled People, where payments linked to job entry and employment retention (up to 13 weeks) have led to better outcomes. For example, the proportion of job seekers entering and remaining in work has been nine percentage points higher in Employment Zone areas than in areas where the New Deal is operating (Freud 2007). Although the cost per job has been greater in Employment Zones, when the fact that more of the people who move into work remain in work is taken into account, the cost per sustained job is equivalent to that in New Deal areas.

Outcome contracting could be structured in several ways but some key elements are likely to be an up-front registration payment combined with several payments to reward entry, retention and progression in employment. David Freud’s review proposed payments at 13 weeks, six months and one, two and three years after entry into work, as well as additional payments for pay progression, improvements in qualification levels, and wider outcomes such as reductions in child poverty. Certainly lessons can be gleaned from the way that outcome payments have had an impact on providers’ behaviour in the New Deal for Disabled People (Stafford 2007). Smaller providers tend to struggle if the payments are set too low since they are unable to benefit from economies of scale and where margins are too tight providers tend to focus on registering potential participants who are most job-ready.

**Integration of skills and employment support**

The disconnection between the employment support and skills systems means that individuals are often unable to access the package of support that would give them a chance to sustain and progress in employment. The skills system is not sufficiently focused on what is needed to enable individuals to do well in the labour market and the employment system is overly wedded to a ‘work first’ approach, which can underplay the importance of gaining skills and qualifications. Figure 2 below illustrates the way that the two systems work along parallel tracks with insufficient integration.
The Leitch Review of Skills highlighted this problem and recommended that the basic skills of all benefit claimants should be tested at the start of their claim and, where necessary, job seekers should be offered part-time basic skills support alongside activity to find work (this would be requirement for individuals who have been on Jobseeker’s Allowance for six months or more) (Leitch Review 2006). There is a case for dispensing with the 16-hour rule for study while retaining some work search requirements for JSA claimants undertaking skills training (Delorenzi 2007). Individuals who cycle between work and benefits would also be a priority for additional support and low-skilled job seekers who move into work would be referred to work-relevant training through the Learning and Skills Council’s Train to Gain service. A new national careers service is proposed for England to provide labour market-focused advice and it would operate in a number of locations including co-location with Jobcentre Plus.

While the Leitch proposals represent an important step in bringing the skills and employment systems closer together, they do not amount to full integration. An integrated system to support the attainment of basic skills is an important starting point but many job seekers, while able to read, write and apply mathematical skills, would fare better in the labour market if their efforts towards gaining employment were accompanied by the opportunity to renew their skills. The system is particularly poor at tailoring training for individuals who are motivated to learn new skills in order to find work. This point was made forcibly in ippr’s deliberative workshop in March 2007:

‘I want to be in admin or an electrician but he was telling me fishing packer or something. I told him I definitely don’t want to do that.’

‘I told them I wanted to be a plumber, but they said there were no courses

Source: Leitch Review 2006
Note: *DfES is now two departments: the Department for Innovation, Universities and Skills (DIUS) and Department for Children, Schools and Families (DCSF).
available in the Jobcentre. You have to go to college for that, but they would cut your benefits.’

‘They are spending a lot of money on these courses, and if they are prepared to spend that money anyway, I think you should at least be asked what sort of training you would like and for it to actually be training so that at the end of it you could say “now I’m trained to do…or qualified to do that”’

While the Leitch Review proposed a number of structural changes, including the establishment of a Commission for Employment and Skills and a network of employer-led Employment and Skills Boards to influence delivery, our view is that it will be necessary to go further than these initial reforms if the two systems are to be integrated fully. There are several ways in which this might be achieved; some have suggested that an Advancement Agency is needed (Denham 2004). However, integration may be better served by establishing a single Work Agency, as set out in Figure 3. This would mean bringing together the employment and skills functions for working age adults into one agency. The Work Agency would replace Jobcentre Plus and have a commissioning role, retain responsibility for benefit delivery and benefit sanctions, as well as providing a gateway to all employment and work-related training services.

*Skills for young people in receipt of Jobseeker’s Allowance are the responsibility of DCSF working through local education authorities. The local work agency would need to liaise with the local education authority in relation to the skill support needs of under-18s.

See Figure 2 for explanation of abbreviations
In-work support
Given the high proportion of job seekers who move between benefits and low-paid work and the lack of progression opportunities for those at the bottom of the labour market, it is clear that support needs to go beyond getting individuals into jobs.

This would mean changing the goal of welfare-to-work services from a focus on rapid entry into any job to sustained employment that offers decent prospects. Currently, sustained employment is defined as 13 weeks, but we think that a year would be more appropriate. Evidence shows that there is strong link between temporary jobs and repeat claims (Carpenter 2006). Defining sustained employment as a longer period would encourage a focus on securing permanent employment where possible. The targets and incentives offered to welfare-to-work providers would need to change to reflect this, as would the nature of the support. There is good evidence, for example, that where job seekers are helped to get a good job, rather than the first job that comes along, they are more likely to remain in work and earn a decent wage. Evaluation of the Employment Zones suggests that good job matching is important in ensuring that individuals remain in work (Griffiths et al 2005).

However, tailored pre-employment support and better job matching is not going to be enough. In order to ensure that people progress in the workplace, some in-work support may be necessary. The Department for Work and Pensions’ Employment Retention and Advancement demonstration pilots’ are already showing promising results (Dorsett 2007), albeit at a high cost. Good quality pre- and post-employment support, together with financial incentives, does appear to improve the chances of entering and remaining in work and earning higher wages. So extending support to some individuals beyond job entry, in order to help them access training, appropriate career advice and other personal support, will be critical to ensuring the improvement of retention and advancement rates of those most likely to be out of work.

Support will be required not only to help individuals remain and progress in a job, but, if necessary, to move between jobs too. While welfare-to-work providers should be providing on-going support to individuals once they enter work, there are clear capacity constraints. More prolonged engagement would require personal advisers to have smaller case loads. The point at which the role of welfare-to-work providers ends and that of employers and other agencies begins is also worthy of further debate. But given that the state is already able to identify many of those in low-paid work – because they will be claiming Working Tax Credit – it is possible to envisage a system that invites individuals in receipt of Working Tax Credit to regularly access skills and career advice.

Attuned to employers’ needs
For a citizen-centred welfare-to-work system to be effective, it must fit with the needs of the local labour market. There is scope for improvement here. Fewer employers are now participating in the New Deals than in 1997 and although around one in three vacancies is advertised via Jobcentre Plus and most employers are satisfied with the service this provides, there is evidence that a substantial minority are dissatisfied (Bunt et al 2005). Employers often complain that job applicants identified by Jobcentre Plus are not job-ready and lack basic skills. Welfare-to-work programmes have long been criticised for not being attuned to the needs of employers and while a demand-led approach has been championed in initiatives such as Ambition and Fair Cities, it has yet to filter through to mainstream programmes.

2. These pilots began in 2003 in six Jobcentre Plus districts and are intended to test what is effective in helping people retain and advance in work.
3. The Ambition pilots were set up in 2002 to test out the demand-led approach to job preparation and training and ways to enable disadvantaged job seekers to enter work with above-entry-level pay and strong potential for career development. Fair Cities is an employer-led initiative to help disadvantaged members of ethnic minorities to obtain, remain in and advance in work.
If the employment and skills agendas are to be integrated and individuals are to be supported not only to enter, but to advance in, work, Jobcentre Plus will need to work more closely with employers. Local negotiations to offer employers work-ready employees in return for a commitment to supporting individuals to remain and progress in work could be supported by national employer partnership

## Box 2. Key features of a citizen-centred approach to welfare-to-work

We propose welfare-to-work should be reformed to increase the flexibility and personalisation of the provision of employment support for out-of-work people, as follows.

Citizen-centred welfare-to-work services would be personalised to reflect individuals’ needs as opposed to their benefit category as is the case now. The boundaries between different programmes would be removed and the provision of support would be determined by demand rather than rigid eligibility criteria. Specialist support would still be available, but only in response to an individual’s need as opposed to the benefit they are receiving.

The provision of employment support would be less centrally prescribed, with frontline advisers given greater discretion to tailor support services to the needs of their clients and encouraged to innovate. For most individuals, after a period of six months of undertaking employment searches they would be provided with a personalised package of employment support. The conditions with which individuals would be expected to comply to receive benefit would also need to be personalised.

Under this approach individuals requiring employment support would have more say in determining the support they received. Advisers would have to use the greater discretion that they had to respond to the support needs expressed by individuals, rather than a paternalistic and rigid notion of eligibility as defined by the system.

The provision of employment support would be better integrated with other services to ensure a more holistic response to individuals with multiple needs. The system would identify individuals who needed to be fast-tracked into the personalised support phase after three months instead of six months.

Support would be provided through a mixed economy with contestability between providers for three-year contracts. The public sector would compete alongside the private and voluntary sectors, while retaining responsibility for benefits delivery and acting as the gateway to services. Under the contracting regime funding would reward outcomes rather than delivery of processes.

Under this system employment support would be integrated with skills for people of working age. Jobcentre Plus would be replaced by a Work Agency, which would incorporate employment skills and careers advice functions. Support for people, including in-work training, would continue once they were in work, to ensure that employment was sustained and that where appropriate people have the opportunity to progress. Skills and career advice would also be available to low-paid workers in receipt of Working Tax Credit. The Work Agency would be more responsive to the needs of employers than Jobcentre Plus is currently.

Under this system significantly more people would access support as eligibility constraints and programmes between barriers were swept away and provision became more demand-led. Demand would exceed current levels of capacity in the employment support system and so in the short to medium term more resources would be required. In the long run higher costs should be offset against higher levels of labour market participation.
agreements, of the kind announced in the 2007 Budget (HM Treasury 2007). Accrediting employers who take steps to promote retention and progression among their employees via a national scheme that would build on existing programmes (such as Investors in People), as recently proposed by the London Child Poverty Commission, would also be a helpful approach (London Child Poverty Commission forthcoming).

**Implications of adopting a citizen-centred approach**

The model for welfare-to-work set out in this chapter has wider ramifications for the current system which require more consideration than can be given here. In particular, given the funding constraints facing the Department for Work and Pensions it seems unlikely that such a model could be delivered within existing resources. The proposed model would require personal advisers to be more highly skilled than is currently the case. The responsibilities of Jobcentre Plus would change. There would be a substantial increase in procurement of services and the role of other partners would need to be considered. Ultimately, a more citizen-centred welfare-to-work system would need to be matched by more personalised benefit support and conditionality.

Here we consider three key areas: costs and capacity; planning, procurement and delivery architecture; and wider welfare issues.

**Costs and capacity**

Certainly a more personalised approach implies a more intensive ‘treatment’, which would have additional up-front costs. We know from the experience of Employment Zones that a more personalised approach is likely to be more expensive but more effective, resulting in similar overall costs when the impact on sustained employment is considered. The approach rests heavily on the skills of personal advisers, who tend to be more skilled and better paid in Employment Zones than elsewhere. Less skilled (and poorly rewarded) personal advisers will not be as effective.

There would be other cost implications too. The model proposed here would end the distinction between the unemployed and the inactive, bringing all those who are out of work into one system. Given the limited reach of current voluntary New Deals, it would substantially increase the number of individuals receiving support and therefore the resources required. The exact cost of services would depend on where the entry point into personalised support provision was set and the level of outcome payments required by providers. But it is difficult to escape the conclusion that, in the short to medium term at least, more resources would be required.

David Freud’s report proposed a new approach to the funding of employment support: investment in programmes over the longer term would be financed through savings in benefit expenditure (Freud 2007). Setting longer contracts would offer providers more stability, although the seven year contracts proposed by Freud would be too long and would not allow sufficient opportunity to tackle poor practice, share innovation and refine contracts. The experience of other countries suggests that contracts of around three years in length would be more appropriate.

**Planning, procurement and delivery architecture**

We have set out the case for there being a wider range of welfare-to-work providers but with the state competing alongside the private and voluntary sector to deliver services. In addition, we envisage Jobcentre Plus retaining responsibility for benefit delivery and benefit sanctions and continuing to act as the ‘gateway’ to all welfare-to-work services. The integration of employment and skills support would require Jobcentre Plus to have a greater role in relation to skills, possibly as a Working Age agency. If job
seekers are to be supported to remain and progress in work, the responsibilities of Jobcentre Plus will not end at entry to work.

However, several issues would need more detailed exploration than space here allows. Should contracts be set at regional or sub-regional level? What level of devolved decision-making should there be? Getting to grips with entrenched worklessness requires the ability to combine investment and expertise across a wide range of issues, such as skills, mental health and family support – all areas beyond the remit of one national government department. This suggests that local authorities and other local agencies should be involved in decision-making about tackling worklessness.

But giving local authorities and other agencies greater say over local provision – as is currently being piloted to a limited extent under the City Strategy Pilots – would appear to be at odds with the approach put forward by David Freud. He proposed a small number of prime contractors, who would compete on price and quality for a regional contract and be required to work with local agencies, but would in effect be single monopoly providers. In practice, a balance will need to be struck between having some element of devolved decision-making and some national procurement. All these issues require careful consideration.

**Wider welfare issues**

A more citizen-centred employment support system would fit with a more personalised wider welfare system, including a single working-age benefit, as proposed by Roy Sainsbury and Kate Stanley in Chapter 3. There is much evidence to suggest that the process of claiming benefits and tax credits is complicated and confusing and claimants often express frustration at the inflexibility of benefit rules and procedures (see, for example, Corden and Sainsbury 2003, Turley and Thomas 2006). There is a strong case for benefit simplification (see Chapter 3), which would make it possible for the process of claiming benefits and tax credits to be as personalised as possible to help claimants through the system. The integration of the Benefits Agency and Employment Service into Jobcentre Plus has started this process but significant challenges remain, particularly in terms of ensuring that the transition between benefits and work is transparent and seamless. Even with a single working-age benefit the interface between out-of-work benefits, housing benefit, tax credits and childcare plays a crucial role in smoothing the transition and incentivising work, yet job seekers still report significant difficulties navigating the system.

If the welfare-to-work system is to become more tailored to individual need, it also needs to be underpinned by a conditionality regime that better reflects the circumstances of the client. This will be particularly important as the differences in support for ‘inactive’ and ‘unemployed’ claimants disappear. Rather than requiring more and more individuals to comply with rigid Jobseeker’s Allowance rules, a more personalised conditionality system would be more flexible in requiring individuals to take appropriate steps to move back to work. While a strong focus on requiring job seekers to be looking for work or undertaking work-related activity would be retained, a broader range of activities might be required of job seekers, such as improving basic skills, taking English for Speakers of Other Languages (ESOL) classes or drug/alcohol rehabilitation. In short, rules and expectations would be more tailored to individual circumstances, as argued by Stuart White and Graeme Cooke in Chapter 2.

**Conclusion**

The UK has achieved an exceptionally high level of employment via a combination of successful macroeconomic and labour market policies. But the challenges we now face are more complex: supporting those who remain out of the labour market – who are often those with more complex needs – into work and helping individuals gain work and skills so that they progress in employment.
In this chapter we have set out the case for more citizen-centred welfare-to-work services, tailoring support to individual need and ending a categorisation-by-benefit approach. A system of the kind we propose would rest on there being more contestability of services, an outcome-based contracting model that rewards sustained employment and greater integration of skills and employment support. The UK’s welfare-to-work system has already moved from a passive to an active approach, focused on equipping individuals with the support they need to make the most of opportunities available. The next stage is to personalise that support so that it is more effective.

The scale, cost and ambition of shifting to a personalised system should not be underestimated. Implementing such a system would require significant structural changes to the institutions involved in employment support. The professionals working within those organisations would need to better skilled and the capacity of the system would need to increase.

If the UK were to adopt such a model it could retain its reputation for having some of the most effective labour market policies in the developed world. This is a reputation that hinges on whether we can adapt to the changing circumstances of our society and economy. By adopting a citizen-centred welfare-to-work model the UK could attain continued employment growth, helping those who remain marginalised to benefit from labour market opportunities. Without such an approach we may already be at the limits of what it is possible to achieve.

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