



It's All About You

Citizen-centred welfare

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Executive summary

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Institute for Public Policy Research

Challenging ideas – Changing policy

Executive summary

Kate Stanley

Introduction

The Prime Minister has said that it is time for change and nowhere is this truer than in welfare¹ 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.

1. 'Welfare system' and 'welfare' are used interchangeably here to mean the benefits and tax credits systems, along with employment services.

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.

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

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.