

“People are the
principal agents
of change in their
lives...”

LIBERATION WELFARE

Edited by Paul Gregg
and Graeme Cooke

COLLECTION 28

DEMOS

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Paul Gregg
Graeme Cooke
April 2010

Foreword

Like schools, the welfare state has become the solution to every problem. Marriage, family breakdown, child development, community cohesion, social mobility: proposals to tweak the welfare state are now made in the name of dealing with an ever widening range of social problems.

But those who don't know their American policy history are doomed to repeat it in Britain. Flash back to 1996, and the welfare reforms which President Clinton and a Republican Congress pushed through to end 'welfare as we know it'. Then, as now in the UK, the right was split in its objectives: the centrist republicans wanted to concentrate on promoting work, whereas the Heritage Foundation and Robert Rector in particular agitated for the welfare system to encourage marriage.

In his entertaining and convincing history of those reforms, Ron Haskins, who worked for the Congressional committee that drove the legislation through, concludes that what worked was work.¹ The evaluation studies 'almost uniformly show increases in employment attributable to work requirements, as long as the programs included job search requirements'.² In contrast, the marriage incentives failed: 'a thorough analysis of the best experimental evidence on welfare reform and marriage... shows that there are few if any reliable effects of welfare reform on marriage'.³

This is not to say that marriage is not important. It is to say that it is hard to affect it through the benefits system. Instead, we should focus welfare on the two things it should do: protect people and help them into work.

As Graeme Cooke and Paul Gregg show in their introduction, the British welfare state was scaled back in the 1980s so that it no longer did either of these two things well enough. The Thatcher government was good at cutting benefits, but bad at

getting people into work. The absence of any meaningful welfare reform contributed to a threefold rise in the number of people reliant on out of work benefits and, therefore, a doubling of social security expenditure as a share of GDP between 1979 and the mid-1990s.

Labour has reformed the welfare state more than it gets credit for. The New Deal increased work requirements while improving support. That approach is being extended to lone parents and people on incapacity benefit. The passage of the Welfare Reform Act 2009, despite Conservative opposition, shows that Labour has also changed the terms of the debate on welfare – we need benefits that liberate people, not ones that trap them, as incapacity benefit in particular too often did (especially in the aftermath of previous recessions).

However, the credit crunch revealed that the welfare state was still not doing either of its core functions – security and work – well enough. It had to be extended to protect more people from repossession and unemployment. As the economy recovers, it would be tempting to scale this support back, in particular given the need to reduce the fiscal deficit.

But this would be a generational policy mistake. The policy response to this recession points the way to the final element of welfare reform: work is what works.

It works in protecting people from future economic crashes. As Hyman Minsky, widely seen as the prophet of financial instability, argued, governments need to act as ‘employer of last resort’ when economies crash.⁴ This both prevents a downward spiral of confidence and protects people from the worst consequences of recession. The job guarantee that Labour has introduced for young people should be maintained for future recessions, and extended to all people of all ages. This could be afforded by redirecting resources from the less effective parts of the £5 billion skills budget.

But work is also what works in good economic times too. It is as close to a silver bullet in policy as I’ve come across. *Adequacy*: it means people get paid a minimum wage, rather than the relatively low rates on Jobseeker’s Allowance. *Activation*: it means people have to take a job or lose their benefits. *Skills*: it means

people get real skills on the job. *Confidence*: it shows jobseekers that society won't let them fall into permanent exclusion and it shows taxpayers that people are meeting their obligation to contribute. *Respect*: a job is better than being on benefits. *Dependency*: it stops long-term unemployment happening.

A striking feature of much of British policy making is how one-eyed it is. We always look to America. Yet, for all we can learn from the failures and successes of their reforms, Europe is a better teacher on welfare. Countries like Denmark and the Netherlands had higher employment rates than the USA before the credit crunch hit – and that was because of their stronger work requirements and more generous support.

The most enduring way of closing the deficit is to get more people into work. This means not only a permanent reduction in the cost of unemployment but also an increase in growth by getting more people working. A jobs guarantee will save more money in the medium term, and can be funded within existing resources.

Beyond that, whoever wins the next election will need to look at how we spend the £74 billion working age benefits budget better. We should consider the recommendations on tax-benefit integration proposed by the Centre for Social Justice and the Institute for Fiscal Studies. A reformed system could be easier for people to understand and offer better rewards to work, complementing the job guarantee – though this will only be worth doing if we tackle the third rail of British social security, housing benefit.

It is clear, however, that the welfare state alone will not afford people the levels of financial security they expect. So, the proposals contained in this report to help people protect themselves better merit urgent attention. In particular, the idea of a lifetime savings account, which people can access during their working life, and which is protected from means testing, must be in place for the next recession, much though we must plan to prevent it. Finally, to make the Turner reforms to pensions work, we should simplify the state pension system. A single tier pension of around £130 to £140 per week could be afforded by merging the basic state pension and the state second pension.

This couldn't all be done overnight – but all overnight reforms of welfare are regretted a few mornings later. As we come out of recession, we should take the opportunity of the requirement to reduce the deficit to undertake fundamental reform, rather than indulge in tinkering that would increase costs in the end. This collection points the way.

James Purnell MP, director of Open Left

Notes

- 1 R Haskins, *Work over Welfare: The inside story of the 1996 Welfare Reform Law* (Washington, DC: The Brookings Institution, 2007).
- 2 Ibid, p334.
- 3 Ibid, p357.
- 4 HP Minsky, 'The role of employment policy' in MS Gordon (ed), *Poverty in America* (San Francisco, CA: Chandler Publishing Company, 1975).

Introduction: Liberation Welfare

Graeme Cooke and Paul Gregg

For most of the last decade welfare has been the unglamorous, often overlooked, part of public service reform. A sustained period of economic growth coupled with rising employment saw welfare fall down the list of issues that concerned voters most, while attitudes to those in receipt of support generally hardened.¹ During this period there have been major policy changes, such as a significant expansion of back to work support and reform of disability benefits. However, these have not captured political attention in anything like the same way as reforms in health or education. The onset of the recession changed all this, with unemployment shooting up the list of public concerns and firmly back into the media spotlight. With the next general election around the corner, getting Britain back to work is also central to the political debate.

In the run up to the election, and in light of the challenges the next government will face, we asked leading thinkers and practitioners to set out their ideas for the future of welfare. There are challenging and innovative ideas in each of the essays published here, which provide food for thought for all the political parties as they prepare their pitch to voters. This introduction summarises some of the best ideas, but it does not do justice to the richness of thinking and variety of experiences expressed throughout the collection. However, what unites all the contributions is a larger argument about a new approach to the shape and nature of the welfare state.

Waves of welfare

Since the establishment of the modern welfare state, based on the post-war Beveridge settlement, there have been four major waves of policy intent and direction. Or perhaps, more accurately,

three and a half. The argument running through this collection of essays is that we are potentially on the brink of the next. Grasping this opportunity will require politicians, practitioners and citizens to put welfare policy at the centre of reforms to reshape the state, reduce the deficit, and tackle major injustices and disadvantages in our society.

The first wave of modern welfare policy was orientated around '*rights*' and ran from the late 1940s to the end of the 1970s. It essentially took three main forms. First was the widening of rights to financial support to new groups, principally disabled people and families with children (for instance, the precursors to Disability Living Allowance and child benefit). These developments saw the welfare state respond to newly understood social needs. The second feature of the '*rights*'-based approach was the development of a less discretionary and more rules-based welfare system. This was a response to concerns about the inconsistency and arbitrary behaviour of so-called '*street level bureaucrats*'. The third significant aspect during this period was the extension of rights to social insurance benefits to those who had not necessarily made National Insurance (NI) contributions and the (limited) development of earnings-linked contributory benefits, eg the State Earnings-Related Pension Scheme (SERPS).

The second wave of modern welfare policy can be characterised as one of '*retrenchment*', following the economic and industrial dislocations of the late 1970s and the election of the Thatcher government. This phase saw a halt in the extension of new benefits and the undoing of many aspects of the social insurance model. The drive was to cut costs by reducing entitlements and generosity. The insurance-based principle was almost completely eroded leaving a residualised, means-tested system of social assistance. In most cases benefit levels were pegged to prices and so, over time, became less valuable compared with average living standards and pushed up relative poverty. However, the absence of any meaningful welfare reform contributed to a threefold rise in the number of people reliant on out of work benefits and therefore a doubling of social security expenditure as a share of GDP between 1979 and the mid-1990s.

Britain, at this time, combined European levels of dependence with American levels of poverty, an unenviable mix that prevented the Thatcher government from cutting the tax burden overall.²

The third wave of reform, defined by a focus on '*responsibilities*', started slowly from around 1986 but came into its own from 1996 with the introduction of Jobseeker's Allowance (JSA). It was inspired by a belief that the welfare state was too passive, paying out cash with no strings attached for indefinite periods. Reform began with the re-instatement of conditionality for the unemployed (initially through Restart). However, aside from JSA, it is striking how little welfare reform the Conservatives actually did during their period in office. The significant rises in incapacity benefit and lone parent income support claims occurred during the 1980s and were not addressed, as keeping the claimant count down was the priority.

Labour has defined its welfare agenda so far as being aimed at a reconciliation of the rights and responsibilities traditions, rather than the development of a distinctive new phase (hence the 'three-and-a-half-waves'). Labour has extended expectations of those in receipt of out of work benefits, backed up by an expansion of back to work support (most notably the New Deals and Pathways to Work for disabled people). It has also increased financial support to children, low-income working families and pensioners. Before the recession, unemployment had fallen to historically low levels. However, although the rise in overall levels of worklessness had been halted since 1997, it had not significantly fallen.

Labour has tried to steer a path between the traditional left and right perspectives on the welfare state. On the one hand it has rejected the view that simply giving people money and leaving them alone is either compassionate or effective in helping people improve their lives. However, on the other, it has challenged the idea that greater social justice or personal responsibility would magically emerge if only the state got out of the way. Or that tackling poverty by boosting people's income necessarily makes them more 'dependent'. As a recent report from the Fabian Society demonstrates, when 'big government' was cut back by the Conservatives in the 1980s and 1990s,

poverty and inequality went up.³ Some think tanks on the right, such as Reform, argue that Labour's welfare reforms have failed because welfare spending has risen.⁴ But much of the increase has been driven by rising pensions, tax credits and child benefit. The challenge is to switch spending from the costs of failure to investments in the future – not just cut the benefits bill for its own sake.

Despite the contraction of the GDP over the last year being the deepest since the Second World War, the rise in unemployment and benefit claims has been slower than in either of the two previous recessions. This suggests that the labour market is responding more effectively than in the last two recessions. However, Labour's reforms to date have been firmly within the 'rights and responsibilities' paradigm. The impact of the recession on jobs has also revealed a number of holes and limitations in the welfare safety net, concealed from much of the population during a decade of rising employment, including:

- whether government is providing sufficient security and protection to people facing the increased economic risks of an open international economy
- whether the welfare settlement is genuinely reciprocal by being demanding enough and supportive enough
- whether people have real power and control within a system that is still heavily process driven and designed around arbitrary categories

Time for a new wave of welfare?

In light of this context, our core argument in this collection is that each of the previous welfare paradigms – including 'rights and responsibilities' – have run their course and that a new wave of welfare reform is needed and indeed beginning to emerge. This new approach, which we call Liberation Welfare, is based on evidence of policy effectiveness but also a vision about the values that should underpin the welfare system. This vision has three interlocking elements:

- The welfare system should give people real *power*, choice and control over their lives.
- The welfare system should provide people with greater employment and financial *security* in the face of the new risks inherent in the modern economy.
- The welfare system should entrench *reciprocity* by expecting individuals to take the lead in transforming their lives and contributing to society.

This vision requires both a notion of citizenship that emphasises interdependence and obligations, and an active government taking positive action and making smart investments to tackle injustices and disadvantages. Liberation Welfare rests on a belief that individuals are the central agents in bringing about change in their lives, but also a recognition that this agency is conditioned by the structures of power and patterns of opportunity across society. The financial crisis and recession have re-emphasised the central role for government in reducing insecurity and helping people to manage risk. This is especially important for supporting people with complex needs who are facing a more dynamic labour market.

Liberation Welfare draws on the lessons of the previous waves of welfare, especially rights and responsibilities. However, it moves beyond this latest wave of welfare in three important ways:

- *Power*: it focuses on greater control in the hands of citizens, alongside higher expectations of them – rather than a passive and paternalistic approach to support, often combined with low expectations of citizens.
- *Security*: it focuses on stronger protection against risks, combined with better incentives for people to improve their own lives – rather than letting the market set the outcome, combined with weak incentives (and rewards) to work and self-protect.
- *Reciprocity*: it focuses on relationships and engagement between citizens and practitioners at the frontline, based around individual needs – rather than a highly prescriptive, rules-based system of support, structured around arbitrary claimant categories.

Liberation Welfare - ideas and themes

It is important to say that this notion of Liberation Welfare is not necessarily shared by all the authors who have contributed to this collection. However, the arguments and ideas presented throughout the essays offer a strong starting point for what such a new welfare paradigm could mean in practice – across different elements of the system and for different groups of citizens. These cover three main themes, each of which cut across the core organising ideas of Liberation Welfare: power, security and reciprocity. Before highlighting a set of emblematic policy ideas that could form the basis for this new wave of welfare, we briefly summarise the arguments and ideas presented in the various essays that make up this collection.

Getting into work and getting on at work

One of the core priorities for the next government will be to get Britain back to work as quickly as possible once the economy returns to growth. A job is a central route to greater power and security. A particular focus should be avoiding the increase in long-term unemployment and worklessness which followed the last two recessions. Both of these goals will play a significant role in determining how quickly we reduce the deficit. These are the challenges that Graeme Cooke addresses in setting out a post-recession welfare agenda, which he argues can be at the vanguard of public service reform. One idea in particular – guaranteeing work for everyone at risk of long-term unemployment – is discussed in more detail by Paul Gregg and Graeme Cooke.

The final two chapters in the first section pick up two of the major challenges facing the welfare to work system. Rob Harvey and Rob Murdoch discuss the complicated issue of reforming housing benefit, which even Beveridge struggled to address. They argue that support with housing costs should be placed more firmly in claimants' control and aligned more closely with other benefits. Finally, Rhodri Thomas and Chris Melvin propose options for effectively integrating employment and skills into a single system, to help people build careers not just get jobs.

People in control of their lives

Rather than simply defining minimum standards, entitlements and expectations, Liberation Welfare would focus on putting greater power and control in the hands of citizens (underpinned by clear reciprocal obligations). This would challenge both the dependency narrative of some on the right and the focus on passive receipt of incomes among some on the left. In the second section of this collection a number of authors discuss how these ideas could be applied to different groups and different aspects of the welfare system.

Rachel Perkins and Miles Rinaldi call for the wider adoption of the individual placement and support model, which challenges the idea that the best thing for people with mental health conditions is to ‘protect’ them from the world of work. They argue that the goal should be to take whatever steps are necessary to enable people to thrive in the workplace – rather than exceptionalising people with mental health conditions. Simon Duffy and Eddie Bartnik both set out the potential for self-directed support to transform the lives of disabled people by putting them in control of their entitlements to support and resources (and they include a powerful example from Australia). Simon Duffy also suggests how this approach could inspire reform across the welfare system. Maff Potts discusses how offering homeless people the chance to take responsibility for helping others can encourage them to improve their own situation and move towards employment (backed up by the government’s Future Jobs Fund). In an essay written by an Ingeus (formerly Work Directions) adviser, Sarah Biggerstaff argues for more bespoke support for people with drug and alcohol addictions.

Also in this section, Mary MacLeod discusses both the potential of giving families greater power and control in the welfare system, as well as the limitations, especially where vulnerable children are concerned. Finally, Dalia Ben-Galim and Claire McNeil argue for supporting and enhancing the crucial role of personal advisers within the welfare system – and the potential for giving benefit claimants and frontline advisers greater control over the money spent supporting people back to work.

Assets and financial security

There has been some criticism of Labour for focusing too narrowly on material poverty targets, neglecting wider causes and consequences of disadvantage.⁵ However, poverty remains at root about a lack of money – and the risks associated with a lack of assets and wider financial insecurity. In the final section of this collection Michael Sherraden argues for a renewed focus on asset-based welfare in building the freedom to think and plan for the long term. Paul Gregg proposes a model of lifetime savings to enable people to better protect themselves from risks and insecurities, with incentives from the state to encourage saving targeted at those on the lowest incomes. Ian Forde, a public health doctor who won our public essay competition, sets out how the principle of cash incentives might be applied at a community level. Finally, Paul Dornan and Jason Strelitz remind would be welfare reformers to remember the importance of benefit adequacy, job quality and supporting transitions between welfare and work.

Policy ideas for Liberation Welfare

We conclude this introduction by picking out four big ideas that should form the centrepiece of the shift towards the type of Liberation Welfare system proposed in this report. The scale of the fiscal challenge provides an opportunity to set out a new course and approach for welfare policy, focusing on greater power for individuals over their lives, greater security in the face of increased uncertainty, and greater reciprocity at the heart of the welfare system.

A job guarantee – to prevent long-term unemployment

The right to work and the obligation to work should both be at the heart of the welfare state, embodied in a job guarantee for anyone at risk of long-term unemployment, and a requirement that they take it up.⁶ This would increase security for people, give them the power and purpose of work, and entrench reciprocity in the welfare system. To achieve this, the state should step in as ‘employer of last resort’ where the market fails to ensure a suitable job is available for people who haven’t been

able to find one for themselves. A job guarantee would also create a strong welfare backstop, because people would not be able to choose to refuse a job and continue to receive benefits.

In the short term this guarantee should kick in once people have been looking for work for two years, following their period of support on the Flexible New Deal (and combined with the current guarantee of work or training to young people out of work for six months). Over the medium term, the jobseeker journey should be reshaped so that the guarantee of work is made for everyone out of work for a year, after they have had 12 months of support (increasing in intensity) from Jobcentre Plus and private and voluntary providers. So long as the job guarantee is well designed (in particular, avoiding deadweight and 'lock in' effects), this is the right balance of supply-side supported job search with proactive demand side intervention to prevent long-term unemployment.

In the year to November 2008, 168,315 people reached 12 months on their JSA claim. This was before rising unemployment began to have a significant knock-on effect on longer term claims. During the following year the comparable number was 251,745, reflecting the impact of the recession. These two figures give a reasonable guide to the likely number of people who would be eligible for the job guarantee. The Future Jobs Fund operates on a unit cost of £6,500 per place, suggesting that the annual cost of a job guarantee at the 12 month point could be between £1 billion and £1.6 billion. This costing will be an underestimate because of the impact of the New Deal for Young People on the JSA figures. When young people enter the gateway period of the New Deal for Young People they move off JSA and onto a training allowance. This deflates the headline number of young people under the age of 25 who reach 12 months on JSA (though the official labour market statistics do report the numbers on such employment programmes separately).

These figures demonstrate that a job guarantee would represent a significant extra spending commitment. This could partly be met by continuing the current funding for the young person's guarantee, if it demonstrates its (cost) effectiveness during the recession. We believe any remaining funds should

come from switching resources from those aspects of the £5.3 billion annual skills budget that have the least impact on employability. Such reprioritisation of resources should follow a detailed assessment of the employment impacts of current skills provision and spending. As a starter, there is good evidence that basic employability and job specific training, along with employer-sponsored apprenticeships, are valuable investments for individuals and society. However, the evidence on vocational level 2 is weaker, especially NVQs. For instance a report by the Centre for the Economics of Education in 2007 found ‘non-existent average returns to NVQ2’.⁷ Just over £880 million of the adult skills budget is currently focused on such level 2 training (though not all of it is for NVQs).⁸

Government should also test similar approaches to promoting the employment of disabled people on Employment and Support Allowance (ESA), including the wider use of the innovative individual placement and support model (which Rachel Perkins and Miles Rinaldi discuss further in their chapter). This would help to overcome the discrimination that many disabled people face in the jobs market – and should go alongside increasing the expectations of disabled jobseekers too. Such approaches could build on the successful Access to Work scheme and include significant recruitment incentives for employers (focused on those out of work for over two years). Over time, everyone out of work and in need of financial support should be on one income replacement benefit and a single employment programme, with a consistent journey of support and expectation to get back to work (rather than the current arbitrary distinction between ‘jobseekers’, ‘lone parents’ and ‘disabled people’).

Create flexible lifetime savings accounts – to help people enhance their income security

Many people losing their jobs in the current recession have discovered that the level of financial support provided by the state is very limited, given the low level of JSA and the short period of non-means-tested contributory support. This is especially disconcerting for people who have worked, and made

NI contributions, consistently for a long period. Given the scale of the budget deficit, it is highly unlikely that any government in the foreseeable future could re-create a substantially more generous system of income replacement through the benefits system for people losing their jobs (even if they wanted to). In his chapter on post recession welfare, Graeme Cooke proposes a small step in this direction, by providing a higher short-term rate of benefit to people with a recent work record (as part of wider reform of the benefits and tax credit system). However, even if that step was taken, people losing anything but the lowest paid job face the prospect of a significant and swift drop in income.

The best hope of protecting against this is for people to self-protect through building up savings on which they can draw in the event of unemployment, or other major income need or shock. However, the system of public support for savings and the rules of the benefit system profoundly discourage people from following this natural response to insecurity of work. On the one hand, current public expenditure on saving, in the form of tax relief, is focused massively disproportionately on the well off. A quarter of all relief goes to people earning over £150,000.⁹ On the other, benefits are aggressively means tested against savings. The goal should be to profoundly shift the balance of public support for saving towards low and middle-income families where it is needed most and to stop such people being penalised for saving. This would also help establish a clearer offer from the state about the support it will guarantee through the benefits system and to enable people to protect themselves further.

The government should consider achieving this goal by turning plans for personal accounts (low cost occupational pensions) into a lifetime savings account. This should maintain the opt-out design, mandatory employer contributions and low management costs of personal accounts. However, it would have two key differences. First, government support would be much more progressive (also enabling the scheme to be funded). This would be achieved by basing the public subsidy on a fixed proportion of the savings contribution, rather than at the marginal tax rate paid. So, for instance, for the first £500 saved each year, the state would match the contribution, with the

proportion matched reducing as contributions rise. Reforming the current regressive system of pension tax relief in this way would release the resources necessary to make this change. As a start, restricting tax relief on pension contributions to the basic rate would release £4.1 billion a year (in addition to recent changes to restrict the benefit of such reliefs to higher rate taxpayers).¹⁰

The second key difference from personal accounts as they are currently designed would be that the lifetime savings account would allow people to draw on their savings for certain specified needs – education, job loss, buying a house or investing in new skills – as well as retirement income. This would give people greater control over their resources, though withdrawals could be capped at a certain amount during a given period or tied to specified needs.¹¹ These would be necessary to prevent people ‘gaming’ the system and to encourage people to maintain savings levels for their retirement. Crucially, any income withdrawals from this account would not count against means-tested benefits. This would allow people to self-protect without the drawback that this would count against their benefit entitlement. This should be combined with significantly increasing, from £6,000 up to at least £15,000, the level of savings people can have before benefit entitlement is withdrawn. The aim would be to create a viable incentive to encourage self-protection against income insecurity layered on top of the current benefit system. This would contrast with the current system, which profoundly undermines saving except for the relatively affluent.

This policy could be combined with one further pension reform, which would effectively complete the Turner settlement. This would be to move towards a single tier, non-means-tested contributory state pension, on which people could graft their lifetime savings account. Even once the Turner reforms are in place there will be a significant number of people reliant on means-tested support for a decent retirement income, while the perception persists that people on pension credit ‘get more’ than those who only receive the state pension, because they have other sources of income or savings. This is partly to do with the complex landscape of state pension products, especially the

legacy of SERPS and the state second pension (S2P), which often means people get more than just the basic state pension (BSP). However, there is still not a clear deal between citizen and state.

Moving to a single tier pension would involve increasing the BSP to at least the same, ideally above, the guarantee level of the pension credit (for example to between £130 and £140 a week). This higher BSP would be available to anyone who had made 30 years of contributions, creating a clear guaranteed, non-means-tested minimum income from the state. It would be an individual entitlement so would boost the household income for many low income couples, as the current couple rate of pension credit is well below £260–280 a week.¹² This reform could be funded by ending new accruals to the S2P and SERPS, which currently allow people to build up a state pension on top of the BSP and higher than the £130–140 a week range (while respecting existing accruals). People could obviously redirect any contributions they currently make into S2P or SERPS into their lifetime savings account.

End in-work poverty – so people who work hard earn a decent living

In-work poverty has been rising over the last decade as the numbers on out of work benefits have fallen.¹³ Being in work significantly reduces the risk of living in poverty but is far from a certain route out of it. Over half of poor children live in a working household. This is a major social injustice. In-work poverty is driven by a number of factors related to household size and the amount of work done. Low pay is also an important factor, especially as in 2006 there were 5.3 million people who earned less than £6.67 an hour.¹⁴ However, the guiding principle should be to ensure that people's reward for work reflects what society can bear – not how little the market will pay.

As the economy emerges from the recession, the national minimum wage should continue to be raised, consistent with not damaging employment growth. It may be possible to trade off the increased costs to employers of rises in the minimum wage through targeted reductions in employer NI contributions. Campaigns for a higher 'living wage' in particular locations and

sectors also have a crucial role to play. This should be supported by the reintroduction of ‘fair wage’ clauses in public sector procurement – so the state only does business with people paying a decent wage. Even with these steps there will almost certainly continue to be a need for increasing the value of wage supplements (such as through working tax credit).

In addition to raising the floor of wages, attention should also be paid to helping people progress into better-paid jobs. This is partly an issue related to the occupational and industrial structure of the labour market, but is also about ensuring that the welfare to work system is focused on targeted support for people moving into jobs to support skill acquisition and advancement. Government could also test out the impact of paying providers a bonus for placing someone into a better-paid job (eg above £7 an hour). Another idea worth consideration is whether the NI system could be refined to discourage hire and fire recruitment practices to support hire, train and retain. This could be done by rewarding employers who rarely have staff moving onto benefits through a lower contribution rate – similar to no claims bonuses in car insurance. An alternative approach would be to push up the first NI threshold, making it cheaper to hire low wage workers, paid for by a higher rate triggered when a certain proportion of the workforce leaves for benefits in a given period.

Having two earners in a family dramatically reduces the risks of in work poverty – to well under 10 per cent – even where the second earner only works part time.¹⁵ One of the major structural weaknesses in the current benefits and tax credit system is the weak work incentives for potential second earners.¹⁶ One short-term reform that would help would be the introduction of a separate ‘personal allowance’ for second earners within working tax credit. This would enable them to earn a certain amount each week before their tax credit entitlement started to be withdrawn. Currently this allowance applies to households and so is often exhausted by the first earner, drastically reducing the gain to work for a second worker. However, the problem of uncertain work incentives – as well as complexity, administrative burdens, poor targeting and

inadequacy – are inherently intertwined across the benefits and tax credits system. This makes reforms in isolation problematic as one change invariably has knock-on effects elsewhere.

Therefore, such measures to improve second earner incentives should be considered as part of a government sponsored back to work commission, whose task would be to set out a model for fundamental reform of the benefits and tax credits system – and a plan to implement it.¹⁷ The core goals of this reform should be to improve incentives to work, increase people’s understanding and experience of the system, and ensure support is focused on the right groups of people. There are inevitable trade-offs in reforming the benefits system – not least between expenditure, adequacy and incentives – and no perfect model. However, there is ample room to improve on the current status quo, given that we spend £74 billion on working age benefits and still many people are far from generously supported and incentives to work are uncertain. Reform should consider shifting resources towards priority groups and boosting the reward to work, such as through higher earnings disregards that reduce the amount of income people lose when moving into work. The Centre for Social Justice published a report last year proposing one possible model, which is worthy of serious consideration.¹⁸ An approach based on this model, but without the tax incentives for marriage and better incentives for second earners could offer an attractive starting point for a back to work commission.

Give people power – so they take control of their lives

Moves to extend conditionality with the benefits system have been framed by a shift from a ‘passive’ to an ‘active’ welfare state. However, this has yet to be accompanied by a significant extension of power and control to individuals within the welfare system – despite these being two sides of the same coin. The next phase of reform should seek to match a more demanding system with a more empowering one. People ought to be more directly and intensively involved in the design and delivery of the strategies aimed at helping them improve their lives. Support through the welfare system should be designed around the needs

of individuals rather than multiple agencies or arbitrary categories. This is because solutions are likely to be more effective when people own them, while giving people greater power also goes hand in hand with expecting them to take greater responsibility for their situation. This is about not just greater control for individuals but greater focus on the relationship and engagement between claimants and practitioners, which are invariably crucial in bringing about effective change.

This requires a change of culture and mindset, as much as a reform of policy. It will require policy makers, practitioners and citizens to think differently about the way support and challenge are designed to help people take control of their situation and improve their lives. This does not mean abandoning any rules and all regulations, less still weakening conditionality or accountability. But it does mean doing each differently. As an indication of what such an approach would mean, we offer four examples:

- Implementing a model of *back to work conditionality* based around distance from the labour market rather than membership of arbitrary categories (disabled, lone parent, jobseeker etc). Greater scope for advisers and claimants to design and follow action plans tailored to particular circumstances, rather than prescribed pathways, underpinned by minimum expectations and support.
- Increasing *voice and control for claimants* over their journey back to work, such as through a Claimants Charter that sets out what they can expect from the state and their responsibilities in return, and by testing out giving them a greater say over the money and options available to help them get a job.¹⁹
- Extending the principle of *self-directed support* to other aspects of the welfare system, building on ‘right to control’, for disabled people. This would involve a more transparent system of allocating resources and putting greater purchasing power in the hands of citizens (with appropriate controls where necessary).²⁰
- Undertaking a *workforce strategy for personal advisers* aimed at raising skills and professional development to enable them to

exercise greater discretion to tailor interventions to the individual in front of them (backed up by strong accountability).²¹

Such an approach would build on the responsibilities agenda developed over the last decade, in that agreed plans would need to be followed by the claimant and the adviser. The aim would be to create the scope for these plans to be more flexible and involve the individual in their development. This is a big agenda where there will need to be careful steps of assessment and learning, especially around the delivery challenges where more than one agency is involved. There are a number of areas where reforms along this line are already being developed and so are prime candidates for being pioneers of this approach: adults at risk of chronic exclusion and long-term income benefit and ESA claimants. A natural extension would be JSA claimants with issues around homelessness, ex-offenders, those with milder health problems and lone parents.

Conclusion

After a long period of steady economic growth, high employment and falling poverty, the context for welfare policy has changed radically over the last two years. The priority for the government is to stem the rise in unemployment. There is evidence that after a very tough year labour market conditions are beginning to ease, helped by extra discretionary spending to help people back to work. However, the post-recession welfare agenda remains up for grabs. The aim of this collection is to inform that debate, by offering a new narrative backed up by a set of arguments and ideas for the next wave of policy and practice. This is based on the challenges facing the country in the years ahead – especially reducing the deficit, getting Britain back to full employment and tackling structural injustice and disadvantages. But it is also rooted in a clear view about the purpose and ethos of a modern welfare system, which we describe as Liberation Welfare. At its best, welfare is about spreading power, increasing security and entrenching reciprocity. These values should guide the next phase of reform.

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Notes

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- 11 Examples of a similar approach can be found in the Canadian Registered Retirement Savings Plan, which allows for 'special withdrawals such as home-buying and education', www.cra-arc.gc.ca/rrsp/ (accessed 9 Mar 2010). The First Home Saver Account operating in Australia (http://homesaver.treasury.gov.au/content/fact_sheet/Account_Holders.asp, accessed 17 Feb 2010) and the individual development accounts in the USA (see chapter 12) are examples of savings vehicles based on the principle of progressive, matched contributions (similar to the Savings Gateway in the UK).
- 12 The guarantee level of the pension credit is currently £130 a week for single people and £198.45 for couples; see www.parliament.the-stationery-office.co.uk/pa/cm200809/cmselect/cmworpen/411/41105.htm (accessed 17 Feb 2010).
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Section 1

Welfare to work

1 Back to work: a post recession agenda for welfare

Graeme Cooke

Since the number of people claiming Jobseeker's Allowance (JSA) began rising in early 2008 two questions have dominated welfare policy: what should be the response to growing unemployment? and what impact should the recession have on plans to reform the welfare system? The aim of this essay is to look beyond these immediate issues towards a post-recession policy agenda. Whoever wins the general election, the next government will have to engage with a complex set of challenges, some of which emerged during the downturn, others that were present beforehand. However, returning Britain back towards full employment and putting the public finances on a path towards balance are central. The scale of these tasks provides an opportunity to pursue a bold set of welfare policies, consistent with a clear reforming vision.

Challenges - before and after the recession

Despite the return to positive growth at the end of 2009, there is considerable uncertainty about both the strength and length of any recovery, and the prospects for the labour market. Unemployment has certainly risen by less than the Treasury and independent experts predicted – a testament to individuals who have sought work and companies who have prevented job losses despite inhospitable conditions. There is also evidence that welfare-to-work policies have responded more effectively to curb unemployment in this recession compared with those of the 1980s and early 1990s. Off-flow rates from benefits have remained robust and unemployment has grown by far less than GDP has contracted. Hopefully, lessons have been learnt from previous downturns. Rises in long-term unemployment have so

far been relatively small, but the risks of a slow employment growth hangover remain.

Trends in employment (and growth) over the coming years will have a significant impact on the budget deficit and the wider public finances, a contingency too rarely acknowledged in the fevered political debate about spending and debt. The focus on possible departmental cuts is all based on projections for overall public expenditure, which are, in turn, based on assumptions about levels of social security spending (and debt repayments) and tax receipts. This ‘uncapped’ annually managed expenditure accounts for a third of overall public spending and is highly sensitive to the performance of the labour market and the wider economy. This relationship is complex because aggregate demand in the economy affects the level of employment, making cuts in public spending before employment growth returns or in highly employment sensitive areas damaging. Equally, falling unemployment and worklessness can contribute significantly to reducing the budget deficit, as benefit spending falls and tax receipts grow. Between the 2009 budget and the pre-budget report, the JSA claimant count rose by 400,000 less than had been predicted, saving £10 billion in benefit spending over a ten-year period.

A post-recession policy agenda must also address those challenges that existed before the downturn, many of which have grown during it. The employment rate of disadvantaged groups – such as people with mental health conditions, ethnic minorities, and the low skilled – remains well below the national average.¹ This is linked to pockets of entrenched worklessness, often in areas with fewer job opportunities and concentrations of disadvantage across generations.² Also, the experience of many in employment is characterised by poor quality, low-paid work, with limited power or control in the workplace or over their career.³ High levels of job churn also inhibit investment in skills and opportunities for people to progress in their careers.⁴

These challenges are rooted in enduring weaknesses in the welfare system and the labour market. The benefit and tax credit systems are complex and disempowering, with uncertain incentives to work (and work more) and often incoherent and

inadequate entitlements to financial support. Employment support does not consistently provide high quality, personally responsive services, which treat claimants fairly and put them in control. Public investment in skills under-delivers on employment goals, due to separate targets, funding streams and delivery arrangements. A significant proportion of jobs are insecure, unsatisfying and low paid, with limited opportunities for advancement. Other pressing injustices remain – like ensuring all children grow up enjoying a decent standard of living – but further progress in addressing them is constrained by the state of the public finances.

A new approach to welfare – beyond rights and responsibilities

Despite considerable advances in welfare policy over the last decade Labour has struggled to develop a clear and positive narrative for its approach, often returning to the tired ‘rights and responsibilities’ tune of the 1990s. In the context of a hostile media and sceptical public, ministers have tended to emphasise a muscular approach. But there is no evidence that this has either appeased or shifted attitudes; in truth it has probably entrenched them.⁵ The Tories have pursued their ‘broken Britain’ story, with its tales of individual pathology and cultures of dependency. Beneath the rhetoric of despair they offer few practical solutions beyond a traditional hostility to the state and denial of the systemic roots of disadvantage.⁶

A different narrative would start by expecting almost everyone on benefits to be taking active steps on a journey back to work, with clear and escalating consequences if they do not. This is an obligation of citizenship and an essential condition for maintaining broad support for the welfare system among the public who fund it. Being out of work and on benefits should be a temporary state for the vast majority, with decent financial support for people through the transitions of job loss, poor health, caring or the initial stages of parenthood. In return, society has an equivalent duty to do everything possible to help people build their capabilities, improve their situation and

ensure that the chance of work is real. No one with the motivation and desire should be denied the opportunity of a decent job and the chance to get on, requiring positive action and smart investments. A more generous, more supportive and more conditional welfare state is the expression of our collective obligations in a reciprocal and compassionate society.

This is a vision for a welfare system with high expectations of both citizens and the state. It rejects the lowest common denominator of a poor quality offer from the state, combined with low expectations of citizens. The remainder of this essay will sketch out what the policy implications of this approach might be. Before that, one final overarching observation: a new approach to welfare should be shaped around responding to contemporary concerns around risk and insecurity, and the need to build people's capabilities and resilience. The recession has seen many people experience job insecurity and unemployment for the first time. This provides an opportunity to reframe the debate about welfare as a valued institution that exists to protect people from risks, enable them to take risks and collectively pool risks. This is also why policy debate about welfare and work – job quality, power in the workplace, career advancement and decent pay – need to be integrated. These are two sides of the same coin, especially in an era of multiple job changes and more complex work patterns.

Welfare at the vanguard of public service reform

The narrative and vision set out above moves beyond and broadens the rights and responsibilities framework in three important ways, pointing towards a new paradigm for welfare and new directions for policy. First, it treats claimants as individuals rather than as part of arbitrary categories (such as 'lone parent' or the 'disabled'), requiring the system to be smarter about the support and expectations that are right for people given their circumstances. This means, for example, focusing on *what* responsibilities it is fair and effective to expect people to meet, rather than simply debating which groups should be subject to conditionality. This should be underpinned by a

system of crisp sanctions for people failing to engage in back to work support, with positive incentives at every stage for them to do so (for example, by holding a proportion of lost benefit in a pot to be paid back on re-engagement). The best sanctions regime is one that is well understood and therefore rarely used.

This more personalised approach would also mean moving towards a single employment programme with support targeted not by benefit category but by length of time out of work (with some ‘fast-tracking’ for disadvantaged groups). This should be structured around the ‘ready for work’, ‘preparing for work’ and ‘no conditionality’ groups proposed in the Gregg review.⁷ One approach worth testing out is fast tracking JSA claimants to more intensive support based on their total time spent on benefits over, say, the previous three years. This would target repeat claimants potentially caught in a destructive ‘low pay, no pay’ cycle. A diversity of public, private and voluntary providers increases capacity, drives up quality and brings in different expertise and experience. An outcome-based funding model allows the process of support to be tailored to the individual rather than being centrally prescribed. An escalator funding structure discourages providers from ‘parking’ those with the greatest barriers to work (especially in the context of the so-called AME-DEL – annual managed expenditure and departmental expenditure limit – or ‘invest to save’, funding model).

Second, this new approach conceptualises ‘rights’ not just as legal minimums of money and services, almost defensively expressed, but as a wider notion of expectations and entitlements for claimants: to high quality support, to fair treatment and the right of redress, and to greater control over their journey towards work. This should be developed through a claimant’s charter, an independent regulator holding Jobcentre Plus and external providers to account, and more control for individuals over the money currently spent on their behalf.⁸ Claimants’ voices and experiences should also be built into the process of developing policy and reflecting on its implementation, as happens in the Netherlands. A representative claimant’s panel could supplement (or possibly replace) the statutory role of the Social Security

Advisory Committee. Similar panels could operate locally, as well as nationally.

Third, this alternative narrative speaks to a system driven far more by positive engagement and relationships of support and challenge, rather than low expectations and non-interference. This emphasises trust over hostility. In this approach, the position of personal advisers becomes pivotal. Their role becomes working with people holistically to address their difficulties and help them achieve their goals. These relationships need to be underpinned by a set of basic minimum standards and expectations, not least because of the likely power imbalance between advisers and claimants. However, once the expectation of engagement is built into the system, the focus should shift towards building positive and coproducing relationships. This requires a workforce transformation strategy to raise the skills, status and pay of the adviser profession, including a navigable career pathway and recognised qualifications structure across the emerging adviser workforce.⁹

Finally, the government should articulate a clear 'end-game' for integrating employment and skills, an agenda at risk of being suffocated in the detail of delivery and conflicting priorities.¹⁰ There is a strong case for merging Jobcentre Plus and the Learning and Skills Council into one body focused on sustainable employment and career progression, with shared funding, delivery, target outcomes and accountability. This would prevent the duplication and contradictions inherent in two systems operating in similar territory working with the same people, one focused on job entry, the other on qualification acquisition. As part of this process, claimants and advisers would become commissioners of skills provision where this was identified as a barrier to work (with a focus basic literacy, numeracy and IT skills free for all). Government should also test whether paying an 'outcome bonus' to providers for supporting people into a job with a higher wage (perhaps over £6.50 or £7 an hour) would incentivise them to do just that. This could be targeted initially at a particular group, such as lone parents, building on the move to rewarding sustainable job outcomes.

Making a shift in gear along these lines now is not straightforward, given the pressures of rising unemployment. There will be a temptation to get bogged down in short-term challenges or to beat a retreat from reform. However, politicians should have the courage to take this period of flux as an opportunity to set out and build consensus around a vision for the welfare system in 2015. Taken together, this agenda would put welfare at the vanguard of the next phase of public service reform. And it should be supplemented by two further steps.

The right to work – job guarantees and proactive employment for disabled people

In return for the clear expectation that those on benefits should be taking active steps towards work, the state has a responsibility to make sure the right to work is a genuine one. As Britain emerges from recession it will be trade, investment, enterprise, skills and economic stability that drive employment growth. However, to ensure that no one with the desire and motivation to work is denied that opportunity and to prevent long-term unemployment, supply-side active labour market strategies should be supplemented by targeted demand-side interventions, building on the experience from the recession.

Even during the economic good times, when employment hit record levels, the chance of work was less real for some than others. Some groups of people – such as ex-offenders or those with mental health conditions – find it much harder to get a job, perhaps because of higher perceived risks among prospective employers or outright discrimination. The most effective policy response is likely to be found in focusing on people rather than places or sectors. Therefore the policy response should be well-targeted investments in people at risk of long-term unemployment or worklessness, not industry subsidies, blanket job creation programmes or protectionism. The goal should be to make the right to work real, back it up with the obligation to work, and in the process end long-term unemployment.

Extending the job guarantee

The vast majority of unemployed people want a job, not benefits – and there is good evidence that work is the best way to build skills, develop employability and kick start people's careers (see chapter 2). In the budget of 2009 the government introduced a guarantee of work or training to all young people on JSA for a year (now brought forward to six months). This policy has demonstrated the importance of the state in providing security for people in the face of the worst consequences of recession. When the market fails to provide employment for people, government must step in. As the economy returns to growth, this approach should be extended as the final piece of the puzzle of welfare reform.

The government should guarantee work to everyone at risk of long-term unemployment. At first this should be delivered by reshaping the current Work for Your Benefit policy. This is a mandatory full-time work experience scheme for people who have not found work after a year on the Flexible New Deal and 24 months on JSA, due to be piloted from next year. Over time, the guarantee of work should kick in after someone has spent a year looking for work, with the support of Jobcentre Plus and private and voluntary back to work providers. Ideally this period should include bursts of work trials and work experience. A job guarantee should provide up to six months of decent work for people, paid at least the minimum wage, which they are required to take up. This would provide the dignity and purpose of work to people who have struggled to find an employer willing to give them a chance, while encouraging them to find a job themselves before this point and ensuring that no one loses touch with the labour market for a prolonged period. For this group of people, society would assume the role of employer of last resort.

In chapter 2 Gregg and Cooke consider the design of this job guarantee in more depth. However, broadly, it should be based on the Future Jobs Fund, with charities, local authorities and social enterprises bidding for money to create work of social value (a form of intermediate labour market approach). It should draw on the evidence and lessons from the recession, particularly in seeking to minimise substitution and

deadweight costs and maximise additionality. This intervention should be targeted on the small minority who do not find work earlier in their benefit claim. It is vital to ensure ongoing job search and employment support to prevent ‘lock-in’ effects and encourage a rapid movement into the open labour market. A job guarantee will also strengthen the role and engagement of local authorities in welfare policy, adding an important and neglected spatial dimension to tackling worklessness and unemployment.

Promoting employment for disabled people

In recent years the government has transformed the landscape of back to work support for people with a health condition or disability. Pathways to Work is now available across the country and the ‘invest to save’ model will soon test new ways of supporting longer-term disability benefit claimants into work. However, many disabled people still encounter structural barriers to getting a job. Sometimes there is prejudice and discrimination that must be overcome. Often prospective employers have worries about the costs or risks of taking somebody on with a condition they perhaps do not understand.

To make sure no one with the desire and motivation is denied the chance to work, the government should test out a range of targeted steps to promote the employment of disabled people. The first priority should be shifting expenditure towards highly effective (and cost-effective) interventions that enable disabled people to work, rather than just paying them benefits. The government has committed to doubling the budget for Access to Work, which pays for workplace adaptations, and should continue to do so until this is an entitlement not a highly rationed secret. Specialist disability employment programmes should be scaled up, potentially drawing on the Danish Flexjobs approach, where the state meets part of the salary costs of a disabled employee.

A similar approach would be to give disabled people the right to flip their benefit into either a subsidy for a prospective employer for a defined period or to pay for any other support,

intervention or adaptation that would enable them to work. This would, in effect, replicate the AME-DEL principle but in a way that puts individuals rather than providers in control of the cash. This would complement the move towards individual budgets and the ‘right to control’ for disabled people. Another way to stimulate the employment of disabled people would be to reduce the NI contributions liability of their prospective employer or to offer them a large one-off recruitment incentive (similar to the ‘Golden Hellos’ currently in operation). The government should also consider greater use of the individual placement and support model for people with mental health conditions, which has demonstrated impressive results (which Perkins and Rinaldi discuss further in chapter 6).

Demand-side interventions such as these have not been widely deployed in the UK in recent years, so the evidence base for them is weaker. Therefore, the government should embark on a period of policy experimentation and learning, mirroring the development of supply-side active labour market policies from the mid-1990s. A crucial question will be how interventions should be targeted to ensure value for money and to avoid deadweight costs. In short, where does the ‘invest to save’ principle hold true? Given the low probability of people on disability benefits for over two years returning to work, it would make sense to start with this group. This must be balanced against the evidence about the value of prevention in keeping people healthy at work and early intervention to ensure a rapid return from sick leave. These are the tensions and trade-offs that a period of innovation should explore.

A simpler and fairer benefits system that supports people to work

The government spends £74 billion a year on working age benefits, a significant figure, which has already been identified as a potential target for public spending cuts.¹¹ There will no doubt be a temptation among ministers to seek savings from the benefits bill in the coming years. However, if this is done through cuts to benefit levels or ad hoc changes it will risk increasing financial hardship for the most disadvantaged and adding further com-

plexity to an already byzantine system. Instead, the government should use the need to reassess all public spending as an opportunity to consider fundamental reform: to address systemic weaknesses, control costs and ensure maximum impact from public resources.

There is a broad consensus that the current benefits and tax credits system is ripe for significant reform.¹² It is confusing and disempowering for individuals and administratively costly for government (especially where people claim multiple benefits from different agencies). Incentives to work have been improved under Labour, but the gain to work for those moving into low-paid jobs is still limited, while money is not always well targeted and entitlements are unclear. Disjuncture in the system undermines smooth transitions between welfare and work. There remains public mistrust about access to benefits, while many who rely on the system are far from generously supported. Given the amount of money being spent, the system underperforms on its core goals of supporting people into work and reducing poverty. Also, its opaqueness and complexity results in people sometimes being treated inhumanely and can constrain their sense of control over their situation.

Step by step reform in this area risks solving one problem while creating another, so there is a strong argument for meeting these systemic problems with a systemic solution. Therefore the government should establish an independent back to work commission with the task of developing a model for a reformed benefits and tax credits system and a plan for implementing it.¹³ The commission would base this proposal on detailed modelling and analysis informed by broad consultation and consensus building. However, it is worth setting out some of the principles and goals that the commission should aim towards:

- improving incentives to work by increasing the amount of money people can earn before their benefits start to be withdrawn – boosting the gain to work
- increasing people's understanding of the system and their confidence in moving into work, through greater transparency and simplicity

- ensuring most financial support goes to those with the greatest needs, such as people with severe disabilities and parents with young children
- controlling expenditure by reducing administration and compliance costs, increasing employment and ensuring support reaches the right people
- switching resources towards social justice priorities such as ending child and in-work poverty and investing in work enablers such as universal childcare, Access to Work and job guarantees

It is important to remember that there is a set of inherent trade-offs in reforming the benefits and tax credit system, particularly between expenditure, adequacy and incentives. There is no magic formula or solution that avoids difficult choices. The rationale for reform is that the impossibility of perfection should not obscure the reality that the current system has significant weaknesses and could be improved. The impetus for reform is that the welfare bill will inevitably be subject to scrutiny given the fiscal deficit, so better to have a strategy than a tactic. Given the public finance deficit, it is hard to see how further progress in addressing pressing injustices can be made without unlocking resources from a more effective system. The job of the commission would be to grapple with these tensions and engage the public in an honest debate about them.

The priority is to establish the back to work commission and kick off a process leading to reform. However, to contribute to what would hopefully be a rich and informed policy debate, a restructured system could have the following characteristics:

- an integration of tax credits and benefits, with a single assessment, payment and administration process
- entitlement to support based on a flat rate income replacement element – unifying JSA, Employment and Support Allowance (ESA) and income support – and additional premiums for the extra costs of disability, housing and children
- making the income replacement element available in full for those out of work and then flip into an in-work benefit on the

transition into employment; the extra cost elements could be available in and out of work

- a unified set of disregards (the amount that can be earned before support starts to be withdrawn) and a single taper (the rate at which support gets withdrawn as income rises); child benefit should remain a universal foundation
- a reformed contributory principle could restrict the period of non-means-tested support across the unified income replacement element, but with a higher short-term level of benefit to those with a recent work record – moving the UK decisively in a flexicurity direction with more generous but more demanding benefits
- a remodelled disability element to integrate DLA with the current web of disability premia, with the goal of higher benefit rates for those in the ESA support group (or ‘no conditionality’ group)

This is a very high level outline of what a reformed system might look like and leaves many questions to be resolved, particularly around support for housing costs and carers.¹⁴ Housing benefit is arguably the aspect of the system most in need of reform. Others have already gone further in setting out alternative models, most notably the Centre for Social Justice and the Institute for Fiscal Studies.¹⁵ A new ‘grand bargain’ on welfare will be difficult and controversial, involving winners and losers. It will take political courage, compromise and consensus. However, it is the best hope for addressing arguably the outstanding social policy challenge in our country.

Conclusion - welfare and work

A new approach to welfare should aim to support a return to full employment, contributing to paying down the deficit, and switching resources to meet pressing injustices. Its animating values are that people should have control over their lives, within a context of interdependence, reciprocity and mutual obligations. It requires a renewed emphasis on relationships and engagement, combined with a commitment to public action and investments. The policy prescriptions set out would mark a

decisive shift towards a distinctively British model of ‘flexicurity’: combining light employment protection legislation, investment in active labour market programmes (including childcare) and generous but conditional benefits. This is the best route to maintaining the benefits of globalisation and an open economy, while responding to people’s insecurities.

The final piece of the jigsaw should be a new workplace agenda, aimed at tackling low pay, improving job quality, promoting career advancement and strengthening employee power and voice at work. This is an area where government necessarily has a less direct role; however, it can ensure a strong labour market floor and develop institutions, for example through the skills system, to encourage employers to improve productivity, raise their demand for skills and shift up the value chain. In addition to reforming the benefits system to tackle the injustice of in-work poverty, a policy approach should include continued rises in the minimum wage, a single enforcement agency for employment rights and a ‘fair wage’ clause in public procurement rules. The concept of ‘good work’ should also be central to a renewed trade unionism, focused on organising and securing improved terms and conditions in low paying sectors of the economy, demonstrating the value of collective workplace action and representation to a new generation of workers.

Graeme Cooke is head of the Open Left project at Demos and was expert adviser to the secretary of state for work and pensions between 2008 and 2009.

Notes

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- 2 ONS, *Social Trends*, ch 4, ‘Labour market’ (London: Office for National Statistics, 2009), www.statistics.gov.uk/downloads/theme_social/Social-Trends40/ST40_Cho4.pdf (accessed 9 Mar 2010).

- 3 D Coats, *Good Work: Job quality in a changing economy* (London: Work Foundation, 2008).
- 4 JK Swaffield and MB Stewart, 'Low pay dynamics and transition probabilities', *Economica* 66, no 261 (1999).
- 5 T Sefton, 'Give and take: attitudes towards redistribution' in A Park et al (eds) *British Social Attitudes 2005-2006* (London: Sage, 2006).
- 6 Social Justice Policy Group, *Breakdown Britain* (London: Social Justice Policy Group, 2006), www.centreforsocialjustice.org.uk/default.asp?pageref=180 (accessed 11 Feb 2010).
- 7 P Gregg, *Realising Potential: A vision for personalised conditionality and support; an independent report to the Department for Work and Pensions* (London: The Stationery Office, 2008), www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/realising-potential/ (accessed 11 Mar 2010).
- 8 See chapter 9 by Ben-Galim and McNeil.
- 9 C McNeil, *Now It's Personal: Personal advisers and the new public service workforce* (London: Institute for Public Policy Research, 2009).
- 10 See chapter 4 by Melvin and Thomas.
- 11 Cawston et al, *The End of Entitlement*.
- 12 See reports by the Citizens Advice Bureau, Centre for Social Justice, Institute for Public Policy Research and the Work and Pensions Select Committee.
- 13 This is an idea that has already been backed by the Citizens Advice Bureau and the Work and Pensions Select Committee.
- 14 See chapter 3 by Harvey and Murdoch.

- 15 A number of reports have proposed structural changes to the benefits and tax credits systems, which would provide valuable starting points for the work of such a commission. See for example, Economic Dependency Working Group, *Dynamic Benefits*; M Brewer, E Saez and A Shephard, *Means-testing and Tax Rates on Earnings* (London: Institute for Fiscal Studies, 2008); and J Bennett and G Cooke (eds) *It's All About You: Citizen-centred welfare* (London: Institute for Public Policy Research, 2007).

2 Job guarantees: evidence and design

Paul Gregg and Graeme Cooke

The government's policy of guaranteeing a job or training to all young people who have been on Jobseeker's Allowance (JSA) for six months is arguably its most ambitious response to the recession after bailing out the financial sector. It is crucial to ensure that its design and delivery are right, by learning the lessons from similar past interventions. Looking ahead, the government should build on this approach by embedding a job guarantee for everyone at risk of long-term unemployment into a post-recession welfare system. This essay will make the case for this policy and suggest how it should be done in a way that maximises the benefits and minimises the risks.

There is a long standing literature highlighting how long-term unemployment leads to lifetime scarring effects of lower wages, frequent joblessness and poor health. This provides much of the motivation for programmes to provide work for unemployment for people – and there have been many over the years. The potential benefits of such schemes are essentially threefold:

- 1 If there is work needing to be done and people wanting to work, but the market is failing to facilitate this, then government should step in and organise it. This rationale does not depend on the subsequent benefits to someone of going on the scheme, but on the *contemporaneous* benefits: useful work is undertaken and people have a wage and the satisfaction of making a contribution.
- 2 All the evidence suggests that compulsory full-time activity encourages some people to find other solutions *before* a job guarantee type scheme kicks in. This so-called 'activation' or 'shake out' function increases off-flows from benefits and reduces unemployment.

- 3 The goal is also to enhance the *subsequent* employment prospects of people who have gone through the scheme. Work experience and full-time activity are held to improve people's employability skills and work habits in a way that makes them more attractive to prospective employers. This is perhaps the acid test for any government intervention.

With these arguments in mind, the government announced plans in Budget 2009 to guarantee work or training to all young people at risk of long-term unemployment. The core proposal is for up to six months full-time activity in one of the following: a job funded through the Future Jobs Fund, paid at least the minimum wage; a route into a job in sectors with vacancies through pre-employment training and a recruitment subsidy; a training place; or a place on a community taskforce. The most innovative area is the Future Jobs Fund, which is taking bids from local authorities, social enterprises and charities to provide work of social value.

The Future Jobs Fund is a hybrid supply and demand side intervention that combines increasing the number of work opportunities during a period of private sector contraction with more proactive help to improve the long-term employment prospects of those struggling to find work on their own. This is an approach that has played a relatively limited role in UK labour market policy over the last two decades. However, there is considerable evidence about its impact both from the UK before that and internationally.

The major criticisms often levelled at such schemes is that they have produced rather little in the way of useful output and in some instances have actually delayed job entry (through 'lock-in effects') rather than enhancing it. However, these are the consequences of particular features of the way such schemes have been implemented, which we believe can be overcome. The remainder of this essay will consider this evidence and draw lessons for how a post-recession job guarantee could and should be designed and delivered.

Policy evidence and evolution

Following the economic and employment ‘shocks’ of the 1970s most OECD countries made use of temporary job creation programmes. The important difference compared with the ‘public works’ programmes of the 1930s was that the new generation of programmes was usually, but not always, targeted at the long-term and young unemployed. The challenge was to provide temporary work in a way that did not undermine or distort the regular labour market. This was normally accomplished by developing activities either within the public sector or in areas not normally undertaken in the open labour market (to avoid substitution).

Evaluation of the impact of these schemes was, however, generally negative. *The OECD Jobs Study* in 1994 suggested that participation in these programmes reduced future job chances (especially relative to other employment support interventions).¹ The central research finding was that temporary job schemes led to ‘lock-in’ effects whereby people delayed looking for regular work and so spent longer unemployed. In an influential OECD study, John Martin, suggested that the evaluation evidence ‘showed fairly conclusively that this measure has been of little success in helping unemployed people get permanent jobs’.² By the mid-1990s the OECD reported that many states were moving decisively away from such job creation programmes.³

Moving beyond temporary employment programmes

Policy makers sought to respond to these problems in two very different ways. One approach was to reform temporary job programmes through reducing their comfort factor by lowering pay below minimum wage levels, often to around benefit levels. This happened in Germany, France and Britain, where the numbers of hours on the Community Programme in the 1980s were restricted to keep wages only just above benefit levels. These were combined with mandatory requirements to participate in the programmes in return for continued financial support from the state.

In the USA, Australia and New Zealand these schemes evolved into workfare policies. Evaluations show that this can be

effective in ‘shaking out’ people from claiming benefits, some of whom will get jobs while others move onto different benefits such as those related to sickness or disability (or are lost from the welfare system altogether). However, they also appear to have little positive impact on people’s employment prospects – while embodying a punitive rather than supportive approach.

The other direction of reform from the 1980s was to move decisively away from temporary employment programmes to emphasise job search and building people’s work capabilities. Claimants were given more job search assistance and job search effort was often monitored, with only a very marginal role for work experience or temporary work. The most comprehensive evaluation based on randomised control trials of 29 such schemes by the Manpower Demonstration Research Corporation found that the most successful had job search at their heart – and this became known as the Work First approach. However, eight effective programmes combined job search and mandatory work activity periods.⁴

Developments in British labour market policy

Against this backdrop, the Labour government introduced the New Deals in the late 1990s, aimed at both improving employment outcomes and addressing the sense of alienation caused by long-term unemployment. The New Deal for Young People comprised a four-month period of intensive and supported job search – the Gateway Period – followed by one of four options: a subsidised job with an employer, self-employment start up, training or a place on an environmental taskforce. There was to be ‘No Fifth Option’ of continued benefit receipt. There was then a second phase of supported job search, in the follow-through period.

Studies by Van Reenan and more recently De Georgi have found that New Deal for Young People raised outflows into work by five percentage points (a 20 per cent increase) and that the costs (net of benefit payments) more than justified the savings.⁵ Evidence from the piloting of the intensive activity period for those aged over 50 in New Deal 25 Plus found that mandating

participation in back to work support had an independent impact on raising job entry and reducing the period people spent on benefits.⁶ In addition, work trials of up to three weeks with prospective employers have long been an effective way of supporting people to move into employment.

Job guarantees through intermediate labour markets

After the failures of the Community Programme in the 1980s, policy in Britain focused on supply side strategies such as the introduction of JSA and the New Deal. However, during this period a number of local providers and partnerships developed the concept of intermediate labour markets (ILMs), designed in ways that sought to avoid the negative effects of earlier incarnations. The Wise Group, in Glasgow, is a good example.

A core aim was to provide more valuable work experience by integrating ILM projects with local regeneration programmes and other aspects of the social economy, targeted at the long-term unemployed. The core elements of such schemes were that they recruited long-term unemployed people on temporary contracts, paid wages to participants, gave access to off the job training and personal development activities, and provided assistance with job search and job placement. They are thus a hybrid between job creation and job search approaches.

The most substantial and best evaluated ILM project in the UK was StepUP, which provided a guaranteed job and support for up to 50 weeks for people who remained unemployed six months after completing the New Deal. An independent managing agent sourced jobs from employers in the private, public or voluntary sectors, and Jobcentre Plus placed participants into the jobs. Employers were paid a wage subsidy for 50 weeks to cover at least the minimum wage plus a fee to reflect their additional costs. The subsidised job was of 33 hours a week to enable job search to continue while carrying out the job. Support to participants was provided through a Jobcentre Plus personal adviser, a support worker from the managing agent, and a workplace buddy. Among young people, job outcomes were 3.2 percentage points higher in StepUP areas, but

the scheme was more successful for those aged over 25 where there was a six percentage point gain. However, StepUP was only partially successfully in mixing the message of work now and job search for the follow-on job (so not entirely overcoming the 'lock-in' effects). Also the long time frame and (almost) full-time hours meant that StepUP was very expensive.

Lessons for the recession and beyond

The evidence from over 30 years of active labour market policy is clear. For the vast majority of jobseekers, rapid and monitored job search is the most effective route back to work. As people remain out of work for longer, support needs to become more personalised and intensive. For those who spend longer periods unemployed, full-time work experience combined with job search and personal support can be effective in building work habits and employability skills. However, these need to be designed carefully to avoid twin dangers, which potentially sit in tension to one another.

On the one hand they must avoid 'lock-in' effects that slow down or damage people's future employment prospects. This means ensuring that claimants continue to undertake job search and are given support to get back to regular employment alongside their placement. It also requires placement providers to be focused on moving people on to open employment as quickly as possible, or at least to their rapid re-engagement with the open labour market at the end of the placement.

On the other hand, placements should offer valuable work-like experiences to claimants and ideally some social benefit to the community as well. This means developing work opportunities that give people the chance to prove their worth to prospective employers, not merely fill their days with pointless activities. However, the more valuable the work is for the individual, the less inclined they might be to move on to permanent work (and the greater the risk of displacement effects).

In the short term, the Department for Work and Pensions (DWP) needs to balance these imperatives in the design and delivery of the Future Jobs Fund during the recession. This

means ensuring a decent period of intense and supported job search before the job guarantee phase. For this reason, the priority should be to widen access to the jobs guarantee to older unemployed people, rather than bringing it forward to earlier in the claim for young people. This would increase deadweight costs (where young people would have found work in the open labour market for themselves) and open up a very significant division in the claimant journeys for those below and above the age of 25 (when the direction of policy should be towards treating people according to their circumstances rather than arbitrary categories).

In developing the young person's guarantee, the government was right to generate work opportunities through a demand-led bidding process, embodied in the Future Jobs Fund, rather than central contracting. This has led to the creation of good quality jobs of real social value, including in sports coaching, renewable energy and community care. The challenge is to ensure that providers have a focus on supporting people to move on to regular employment, including making sure participants have time for job search and receive wider employment support (indeed these factors should be the currency of the bidding process). In later bidding rounds the DWP should consider structuring the payments to providers so that follow on employment is rewarded, perhaps through bonuses. Young people who leave their Future Jobs Fund placement and don't find work straight away should move onto the Flexible New Deal, not be treated as new claimants.

Embedding the job guarantee within the welfare system

Learning the lessons from the recession, there is a strong case for building a job guarantee into the welfare system permanently – to make both the right to work and the obligation to work real. The goal of this approach would be to prevent long-term detachment from the labour market and give people the dignity and purpose of work. People who have struggled to find an employer willing to give them a chance would be able to build

up work skills and employability habits. Requiring people to take up such work would also encourage people to find work themselves before the guarantee kicked in (so-called ‘activation effects’). Given the evidence on the risks of ‘lock in’ for less disadvantaged jobseekers, and the relatively expensive unit costs, a job guarantee should be targeted at the small minority of people who have not found work themselves over a significant period and so are at great risk of long-term unemployment and detachment from the labour market.

Allowing for the constraints on the public finances over the coming period, we propose that a job guarantee should initially be provided to jobseekers who have been out of work for 24 months, following a year of supported job search and a year with a Flexible New Deal provider. In the short term, the extra funding required should come from the resources released from lower than expected unemployment. A jobs guarantee along these lines could fit within the current jobseeker regime as follows:

- During the first 12 months of a JSA claim individuals would undertake self-directed and monitored job search, escalating in intensity as the period out of work increased. From six months there should be intensive and supported job search, with extra support with particular barriers to work. This mirrors the current approach, with the vast majority of claimants find work during this period, even during a recession. However, consideration should be given to fast tracking young people and those with a poor recent work history (either to supported job search at six months or to the Flexible New Deal).
- At the one year point claimants move onto the Flexible New Deal. Depending on the early effectiveness of this programme, the government should consider two alterations to the contract structure – to build in the benefits of full-time activity. First, increasing the period of full-time activity required from four to perhaps eight weeks. And second, requiring that this be undertaken within the first three or six months of an individual’s time with a provider. These placements should include work trials, ILM and Future Jobs Fund type placements. Ideally these should be sourced from a sub-contractor who has extensive

working contact with employers – with job search and support continuing in tandem. The government should also introduce an escalator funding model where providers get a low payment for the first people helped back into work, but this rises as they are more successful (creating an incentive to invest in those hardest to help).

- Current plans to pilot Work for Your Benefit after 24 months on JSA should be turned into a job guarantee providing work of 25 hours a week, paid at minimum wage for up to six months. Placements should be generated in a demand-led way, mirroring the Future Jobs Fund and ILM models. The contracting and commissioning structure should focus on ensuring the quality of the placement and its social value but also the commitment of providers to moving people on quickly to regular employment (for example, employer engagement, skills development and job search). The payment structure should be divided between meeting the costs of the work opportunity and incentivising employment after the placement. For example, payment for the second three months could be partially withheld until a job in the open labour market had been secured, with an additional bonus paid at this point (or for employment sustainability). People who hadn't secured work after the job guarantee period would repeat the Flexible New Deal process with a new provider.

Over a period of time the lessons from young people's guarantee and the remodelled Jobseeker's Regime would enable a strong body of evidence to be developed about what works and how these schemes should be designed and delivered. This should be used to inform the development of a job guarantee for all jobseekers who have been looking for work for a year. The would mean claimants spent 12 months being supported to find work by Jobcentre Plus and private and voluntary providers, with increasing intensity of support during this period. This would provide considerably greater security for people while also creating a strong backstop in the welfare system. The funding for such a reform should come from switching resources from the skills budget, following a detailed review to identify where public

money spent in this area is having the least impact on employability.

This approach offers the best combination of focused job search, positive incentives for providers and work experience for the most disadvantaged – ultimately guaranteeing a job to those who have struggled to find work on their own. In addition to building individual's work habits and employability skills for themselves and prospective employers, this would prevent people become detached, demoralised and alienated – the worst effects of long-term unemployment.

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Notes

- 1 OECD, *The OECD Jobs Study* (Paris: Organisation for Economic Co-operation and Development, 1994).
- 2 J Martin, *What Works among Active Labour Market Policies: Evidence from OECD countries' experiences* (Paris: OECD, 1998).
- 3 Ibid.
- 4 See D Bloom and C Michalopolous, *How Welfare and Work Policies Affect Employment and Income: A synthesis of research* (New York: Manpower Demonstration Research Corporation, 2001).
- 5 J Van Reenen, 'Active labour market policies and the British New Deal for unemployed youth in context' in R Blundell, D Card and R Freeman (eds), *Seeking a Premier Economy* (Chicago: University of Chicago Press, 2004); and G De Giorgi, *Long-term Effects of a Mandatory Multistage Program: The New Deal for young people in the UK* (London: Institute for Fiscal Studies, 2005).

- 6 R Dorsett and D Smeaton, *Mandating Intensive Activity Period for Jobseekers Aged 50+: Final report of the quantitative evaluation* (London: Department for Work and Pensions, 2008).

3 Home truths – time to reform housing benefit?

Rob Harvey and Rob Murdoch

Despite tentative signs that the economy is recovering, the labour market remains flat, with 2.5 million people officially unemployed and 5.5 million reliant on out of work benefits. The weak labour market has also served to highlight some of the inconsistencies and structural problems in the benefits and welfare system that can inhibit efforts to support people back into work.

This essay focuses specifically on housing benefit.¹ It argues that housing benefit is in need of reform due to its central role in creating work disincentives, its poor support for individuals seeking to move from unemployment into work, and the problems caused by the way the benefit is administered. The essay also discusses the balance of control between the individual and the state.

The government itself has acknowledged the need for reform,² and the Department for Work and Pensions is currently consulting on reform of housing benefit.³ However, the stakes for reform are high. Housing benefit is claimed by over four million households and it has knock-on impacts across a range of areas, from welfare to work to housing, mixed communities, child poverty and financial inclusion. This means that any reform of the system would affect many groups in society.⁴ The reform of housing benefit is also politically difficult as it affects the housing of some of the most disadvantaged people in society.

‘Better off on benefits’

Despite progress in tackling some of the worst ‘unemployment traps’, there are still some households which would be little or no better off, in the short term, by going into work. Housing benefit

is a major contributing factor here. The ‘unemployment trap’ occurs where net income after taxes and in-work benefits is little or no better than value of out of work benefits.⁵

Better-off calculations are used to illustrate the financial impact that moving into work will have on a claimant.⁶ These can be extremely useful, but tend not to take into account certain costs associated with having a job, such as childcare, travel and work clothing. Research has also shown that many claimants do not trust the results of better-off calculations.⁷

Also, when the unemployed feel that the job opportunities available to them are likely to be poorly paid and unsustainable it will consolidate the perception that they are better off remaining on the security of out of work benefits (including housing benefit) – rather than taking the risk of getting a job.

The gap between benefits and work

The structure and operation of housing benefit also poses problems for people during the transition between welfare and work. For example, there is often a poorly aligned cycle between benefit entitlement ending (or changing) and a first wage packet arriving. This can lead to a four- or five-week period where no income is coming into the household. There are a number of measures in place that are intended to deal with this issue, principally housing benefit run on and in-work housing benefit. Research and our own experiences have shown that both of these options are still poorly communicated to people who are out of work.⁸

Administration of benefits

In addition to the problems outlined above, establishing entitlement to housing benefit can be a lengthy and complicated process. It requires individuals to provide a considerable amount of information, with errors leading to lengthy appeals. The appeal success rate for people we work with claiming housing benefit is around 85 per cent, higher than for most other benefits.⁹ This suggests there is a high incidence of errors in

decision making and administration. If the claim for one benefit is linked to a claim for another then there is even more scope for things to go wrong, especially if this involves two separate agencies.¹⁰ Perversely there are minor incentives for housing benefit offices not to help get people into work as their funding is based on caseload levels, not movements into and out of work.¹¹ In conclusion, an unanticipated consequence of a system which is so complicated and prone to errors is that once claimants are in regular receipt of a stable out of work housing benefit award, they could be reluctant to do anything that might jeopardise this payment, including moving into work.

Choice and control

Set against the backdrop of this wider debate about the structure of housing benefit system there is the important issue of the role of the individual. Recent reforms to the operation of housing benefit in the deregulated private rented sector give claimants the option to have their benefit paid to them, rather than going direct to landlords (as is still the case in the social sector). This has provoked opposition from landlords, who argue that this increases the chances of defaults on rental payment.¹² There is some evidence from the Local Housing Allowance (LHA) pathfinders that the fewest problems with rent collection were reported when payments were made directly to the landlord or letting agent.¹³ Also, a recent research project conducted by the Chartered Institute of Housing on behalf of the Joseph Rowntree Foundation, exploring claimants' attitudes to different payment methods for their housing benefit, found some preference for claimants to continue having their housing benefit paid directly to their landlord.¹⁴

However, some people expressed positive feelings about receiving their housing benefit payments directly themselves. Their accounts focused on greater awareness, certainty, control and responsibility. For instance, people knew how much housing benefit they had been paid and when, and could be certain that the rent had been paid in full and on time, having done this themselves. This arrangement also meant that the claimant was

quickly aware of any delays or problems with their housing benefit claim and could take steps to clarify or address the situation. For some people, a preference for receiving the money themselves was linked to a general wish to retain control and responsibility for their finances, as well as having the ability to conceal their housing benefit status from their landlord.¹⁵ In the long term, providing claimants with more control and power over their benefits will also contribute to the government's financial inclusion agenda as those on housing benefit will have the confidence and ability to engage better with mainstream financial institutions and manage their finances through bank accounts, standing orders and direct debits.

Since April 2008 the value of housing benefit for claimants in the private rented sector has been determined by the LHA. Rather than being linked directly to the rental value of specific properties, the LHA provides a level of financial support towards housing costs based on the size, composition and broad geographic location of households.¹⁶ Under this system providing individuals with housing benefit money directly rather than the state contracting directly with the housing provider or via a voucher system gives them much more choice and control over their accommodation. If a household wishes to stay in accommodation that is more expensive than the value of their benefit they are required to make up the difference. Similarly, if a household finds accommodation for less than the value of their benefit they are allowed to keep the difference between their housing benefit and the cost of their rent (currently up to £15 a week).

This approach is valuable for a number of reasons. It creates an incentive for claimants to 'shop around', as well as giving them more control to prioritise how their state support gets spent. It also has wider benefits for the community. A study by Gibbons and Manning demonstrated that the level at which housing benefit is set has a profound impact on the wider cost of private rented accommodation in that area.¹⁷ In a system where the individual has no vested interest or control, the cost of accommodation becomes tightly bound to the value of the state subsidy rather than the wider housing market. By incentivising the individual to take greater control on what accommodation

their support buys for them, the state will benefit through control over the cost of the strands of private rented accommodation that housing benefit claimants are able to access. Future reforms should experiment with extending similar choice and control to housing benefit claimants in the social sector (both local authorities and registered social landlords).

The aim of reforming housing benefit from the individual's point of view should be to remove the risk that goes hand in hand with ambitions for work. From the housing provider's point of view, reform should mean that their accommodation costs are met irrespective of whether the tenant is out of work, between benefits and their first pay cheque or in work. Supporting claimants to take a more active role in their relationship with the welfare state represents a progressive move and will provide individuals with more control over their entitlement to financial support to meet housing costs.

The above discussion highlights four major problems with housing benefit that reform needs to address:

- Weaknesses in the structure and operation of housing benefit hamper people's transition between welfare and work.
- Processing delays and reliance on multiple sources of information from employers and HMRC can leave people at risk of acute financial difficulty.
- The system undermines people's control of their finances, which only enhances uncertainties around transitions.
- The rapid withdrawal of housing benefit as income rise leads to many people having weak incentives to increase their earnings.

Dealing with all of these issues at once is a big step but there are some quick wins that can be introduced ahead of more fundamental reform.

Policy proposals

Reforms that would begin to address these problems and could be implemented quickly include the following:

- On moving into work a household's out of work housing benefit entitlement should be fixed at that level for six months to provide greater financial security and stability during this transition. This would also give housing providers greater certainty over rental income during this period.
- After this initial period, housing benefit awards should be determined every six months, with less sensitivity to every change in earnings. New awards could be triggered for major changes, such as losing a job or moving house, but the aim would be to trade some responsiveness for greater certainty.
- The marketing of housing benefit as an in-work benefit (and ideally the fixed awards proposed above) needs to be substantially overhauled – so that unemployed people are aware of the support that is available to them. Local authorities and registered social landlords need to be at the heart of this.
- Better-off calculations must incorporate all the financial benefits and costs to them of moving into work – including the impact on the wider household and less visible costs associated with moving back to work such as the need for formal attire, childcare and travel costs. Anonymised data generated from these calculations should be analysed to better understand the employment incentives and behaviour of unemployed people.

In the longer term there is a good case for considering the extension of the LHA model of individual choice and control – and broad housing allowances based on location not property – to the social rented sector. This could be done as part of a wider structural reform of the benefits system where support with housing costs could be integrated within a single benefit payment to households comprising various elements (income replacement, children, housing, disability and so on) depending on their circumstances.

Integrating a local housing element within the benefits and tax credits system would simplify the administrative and transition process, but would be a complex change that would have to be introduced over a period of time. But moving away from fixing housing benefit levels according to actual rent (or mortgage interest costs) would encourage individuals not to

under occupy accommodation, reduce distortions in the housing market and engage housing benefit claimants in the same choices and trade-offs as non-claimants. Preserving different rates for different geographic areas, mirroring differential housing costs, would avoid the risk of further entrenching deprivation in certain communities.

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A4e provides welfare to work support across the UK; last year we helped to move 20,429 people into employment.¹⁸ It also delivers a range of initiatives which provide money and debt advice through new progressive community legal advice centres and bespoke services delivered on behalf of local authorities. The combination of the initiatives that it delivers means that A4e is uniquely positioned to provide direction to the housing benefit reform debate.

Notes

- 1 Housing benefit is an income-related benefit that helps over four million households with the cost of rented accommodation. Nearly three out of four customers are also on income support, income-based Jobseeker's Allowance and pension credit. It is a stand-alone benefit, designed and administered separately from other benefits, but there are close and often complicated links with other benefits and credits. See Department for Work and Pensions, *Raising Expectations and Increasing Support: Reforming welfare for the future* (London: HMSO, 2008).
- 2 HM Treasury, *Budget 2009* (London: The Stationery Office, 2009); DWP, *Raising Expectations and Increasing Support*.
- 3 Department for Work and Pensions, *Supporting People Into Work: The next stage of housing benefit reform* (London: The Stationery Office, 2009).

- 4 S Karabiner and C Raha, *Housing Benefit: A literature review* (Leeds: Corporate Document Services, 2009).
- 5 HM Treasury, *The Working Families Tax Credit and Work Incentives, The Modernisation of Britain's Tax and Benefit System*, 3 (London: HM Treasury, 1998).
- 6 Better-off calculations are conducted on behalf of claimants and give a comparison between the claimant's out of work benefits and the in work benefits they would receive when they take up employment at a certain income. Given that the transition from benefits to work can involve changes to levels of income and to periods of payment, a better-off calculation can ease the consequences of change and the interaction between wages and in-work benefits by clarifying an individual's budget once they begin employment.
- 7 Department for Work and Pensions, *Housing Benefit and Council Tax Benefit as In-Work Benefits: Claimants and advisors' knowledge, attitudes and experiences* (Leeds: Corporate Document Services, 2006).
- 8 Department for Work and Pensions, *Easing the Transition to Work* (Huddersfield: Corporate Document Services, 2002).
- 9 These observations are based on A4e's experience in administering community legal advice centres.
- 10 Department for Work and Pensions, *Housing Benefit and Council Tax Benefit as In-Work Benefits*.
- 11 P Gregg, *Realising Potential: A vision for personalised conditionality and support; an independent report to the Department for Work and Pensions* (London: The Stationery Office, 2008), www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/realising-potential/ (accessed 11 Mar 2010).

- 12 BDRC, 'More of Britain's private landlords take housing benefit claimants as tenants', 2009, [www.greenfieldscommunications.co.uk/releases/09/BDRC090519 More private Landlords take benefit claimants May F.pdf](http://www.greenfieldscommunications.co.uk/releases/09/BDRC090519%20More%20private%20Landlords%20take%20benefit%20claimants%20May%20F.pdf) (accessed 10 Mar 2010).
- 13 Karabiner and Raha, *Housing Benefit*.
- 14 A Irvine, P Kemp and K Nice, *Direct Payment of Housing Benefit: What do claimants think?* (Coventry: Chartered Institute of Housing, 2007).
- 15 Ibid.
- 16 DWP, 'Housing benefit: information for local authorities', Department for Work and Pensions, www.dwp.gov.uk/local-authority-staff/housing-benefit/ (accessed 11 Feb 2010).
- 17 S Gibbons and A Manning, *The Incidence of UK Housing Benefit: Evidence from the 1990s reforms* (London: Centre for Economic Performance, 2003).
- 18 From April 2008 to March 2009 across New Deal, Pathways to Work, New Deal for Disabled People and European Social Fund provision.

4 Bridging the divide: integrating employment and skills

Chris Melvin and Rhodri Thomas

Before the start of the recession, the percentage of working age adults in employment rose steadily for 15 years reaching a high of 74.5 per cent in September 2008. This was the result of sustained economic growth and active labour market strategies aimed at helping people enter the labour market. However, given the continuous level of economic growth that the country saw between 1993 and 2008, it is reasonable to ask why greater progress was not made in supporting more people from worklessness to sustainable employment.

In response to this challenge, we will argue that the most important policy intervention that could be taken over the coming years to help overcome the problem of long-term unemployment and generational worklessness is the integration of employment and skills provision. This essay will provide a brief summary of the current policy landscape, before proposing some initial ideas for what a truly integrated model could look like. Finally, we will discuss how this approach could empower people to take greater control over their own lives.

A vision for integrated support

It is crucial to recognise that an individual's journey doesn't begin when a person starts receiving benefits or end when they enter employment. Rather, genuine integration is about providing people with the opportunity to enter and progress in employment through the acquisition of skills, knowledge and experience. This sustained intervention is the best way to avoid the revolving door of people moving into short-term employment before ending up back on benefits. Therefore, we need to develop a single employment and skills system that provides people with access to continuous support.

There are significant benefits for the government and individuals that could result from integrating the employment and skills systems. First, this approach will more firmly align skills needs with the requirements of both users and employers. Second, providing access to continuous support will help the individual progress in their career and reduce the amount of time they spend on benefits. Third, it would be an effective way of tackling the problem of people getting trapped in low-paid, low-skilled work.

There is some research which points to the benefits of what a more integrated system could deliver. The Department for Business, Innovation and Skills, in a review of the Train to Gain programme, which provides an element of integration, found that ‘three-quarters of employers training their staff through the Government’s flagship Train to Gain programme have seen significant gains in performance and in the skills of their workforce’.¹ The training was seen as providing both immediate benefit to employers, with 74 per cent seeing an improvement in job-related skills and performance, and over one-third of employees being promoted as a result of their training.

In October 2009, the UK Commission for Employment and Skills published *Towards Ambition 2020: skills, jobs, growth*, which set out how a better skilled workforce is more employable and more productive.² The report pointed to the higher employment rate of people with level 2 qualifications and how a 1 per cent increase in the proportion of people with these skills would lead to an increase in productivity of 0.6 per cent, resulting in significant financial benefits to the UK.

Compelled to learn?

As of August 2009, there were 1.5 million people in receipt of Jobseeker’s Allowance (JSA), up from just 785,000 in November 2007. Against these rising numbers, Labour and the Conservatives agree on the need to maintain the conditionality regime for JSA claimants – and potentially extend it further. The roles of sanctions and conditionality have recently been the

subject of a major Department for Work and Pensions (DWP) review by Paul Gregg, which looked at their effectiveness.³

Sanctions play an important role within the benefits system in encouraging engagement with support and to combat the issue of people ‘playing the system’. The government has proposed also sanctioning people who refuse to engage with training and skills provision. Compelling people to improve their skills is an interesting policy development, but one that risks running counter to the idea at the heart of this collection: the potential of welfare to help liberate people.

Fundamentally, the role of employment and skills support should be to empower individuals to take responsibility for their own future. Many participants in welfare-to-work programmes have had extremely negative experiences of education in the past, which severely impacts on their willingness to engage with learning as an adult. Many completely disregard the concept of learning or skills development, believing they are simply incapable of achieving real outcomes in this area.

The role of providers, such as Reed, should be to build people’s confidence and self-esteem so they become engaged and enthusiastic about the range of opportunities available to them. Experience demonstrates that driving empowerment through a more personalised approach, rather than using sanctions, is more likely to be effective – rather than deflecting those already jaded by the educational system.

The policy landscape

Welfare to work policy has largely focused on the need to help people move into employment as quickly as possible. This has resulted in many people entering low-paid, low-skilled work with few long-term prospects. Because of the lack of personal support and skills development after job entry, low-skilled workers often become part of the large number of people repeatedly moving between benefits and work.

In December 2006, the DWP and the Department for Innovation, University and Skills (DIUS, since abolished and replaced by the Department for Business, Innovation and Skills,

BIS) published *Prosperity for All in the Global Economy*.⁴ The report focused on the need to align employment and skills support with the belief that this would help increase employment rates and the productivity of those individuals in the workplace.

This new approach has led to stronger partnership work among BIS, DWP, Jobcentre Plus, the Learning and Skills Council and the Sector Skills Councils. In addition, the UK Commission for Employment and Skills was formally established in April 2008 with the task of driving this agenda forward, with a particular input from employers. Trials of an integrated employment and skills service began in September 2008 in the West Midlands, with other pilot projects being developed in different parts of the country. The trials differ between regions, but have seven core components including:

- an *enhanced Jobcentre Plus skills screening process* to identify people who have potential skills needs which are preventing them securing a sustainable job
- *enhanced referral processes* between advisers from the different services
- the introduction of a *skills health check*, delivered by ‘nextstep’ (careers information and advice) advisers, to identify an individual’s existing work-focused skills levels and those that they need to develop
- *skills accounts* offering a personal service that allows adult learners to access a range of information and advice about improving their skills and accessing financial support
- nextstep careers advisers working in Jobcentre Plus offices alongside personal advisers to deliver *skills and employment advice* in the same place
- *support to access relevant job opportunities* and focus on sustained employment
- *relevant and responsive provision* to reflect customers’ needs and local labour market conditions

The pilots have not yet reported on their levels of success or lessons learnt. It will be important to see how far the changed economic conditions have affected the pilots, and whether the

initial focus on skills support for people already in employment has been maintained, given the pressing needs of those losing their job.

What should an integrated model look like?

The trials described above have been valuable for demonstrating what can be done, but a clearer vision for an integrated employment and skills system is badly needed. For us, an integrated model is about bringing together funding streams into one programme, which can provide customers with a holistic and joined up service. We need providers to work together and for individuals not to be constrained by funding streams that cause confusion and limit progress.

The proposals below set out what the core planks of this agenda should be. It must be rooted in the need to provide people with a coherent and navigable journey that can adapt to specific needs, such as periods of unemployment or when an individual needs new skills in order to progress in work.

Contracting for more and better outcomes

Building people's confidence, self-esteem and personal ambition is central to helping people become less reliant on the state. The Flexible New Deal, a new multibillion pound employment programme launched in October 2009, is focused on delivering job starts with sustainability measured at six months. This is an extension of the other large employment programmes operating in the UK over the past decade, though with longer contracts and a stronger focus on outcomes over process.

In the next phase of development, the government should look at more imaginative ways of running such programmes. For instance, longer sustainability measures, as suggested by the Conservative Party, coupled with a personal skills account could help individuals move into better paid work. This system would help create a system in which providers could broker the right type of skills support to help individuals progress with a real focus on the needs of employers. Similarly, there is a role for

ensuring programmes include opportunities to develop entrepreneurial skills for people who may wish to become self-employed or start their own business.

This longer-term post job entry support would help people to stay in and progress at work and mitigate some of the revolving door phenomena. With the right contracting framework, which could reward providers for helping individual progression, providers could demonstrate how small amounts of additional support aligned with skills funding over a period longer than six months can drive sustainability, individual confidence and empower people to take control over their own career. To achieve this would not require significant extra investment. Instead, we need to be smarter about the use of DWP and BIS funding by actively aligning skills funding with employment support so that it reaches the right people.

Broadening the agenda

The discussion about integrating employment and skills often focuses solely on supporting the long-term unemployed. However, the policy agenda can and should be broader. There are many people with a solid work history who end up as long-term unemployed because they lack the confidence and ability to respond to change in the labour market. An integrated employment and skills package should aim to provide support to stop these individuals from entering the benefits system.

Over the past 20 years the labour market has changed radically. We've seen in the current recession that the demand for greater labour market flexibility has increased significantly. In response to these shifts, there has been a failure to put in place an employment and skills package to really equip people with the confidence and ability to navigate the changed labour market successfully. There is a need to provide better access to careers advice so people already in employment have the ability to respond positively to job and career changes.

Integrated pilots for claimants of Employment and Support Allowance

There are currently nearly three million people on health related benefits. Supporting this group into work is central to tackling worklessness in the coming years. At the moment, they can receive support from Pathways to Work that provides employment and some skills development assistance for nine months. What is striking across the country is the lack of voluntary registrations on this programme despite active campaigns and awareness raising.

Experience suggests that a significant number of people on health related benefits want to work but lack the confidence to do so, even with employment support. Many are not able to return to their previous employment because of their health condition and therefore feel that they have few skills to offer in other lines of work.

To encourage more of these people to take the first tentative steps into thinking about employment, the government should pilot a scheme that gives them an individual skills account that they can access through the support and guidance of a personal adviser. With Pathways to Work contracts under profile in terms of job outcomes, the DWP has resources that could be invested into trialling new ways of working. The adviser would be there to provide information and guidance to ensure skills development is linked to options for returning to work. This is one possible way of developing an integrated approach to encourage customers to begin a journey back into work.

Continued and integrated support

There are a range of programmes aimed at helping people both in and out of work to gain the skills they need to progress in employment. The provision of basic literacy and numeracy training, the free entitlement to level 2 qualifications and employer-led programmes such as Train to Gain have all helped to raise the level of skills in the UK workforce.

However, the employment impact of this improvement has been constrained by the lack of alignment with welfare to work services and the actual job market. There has been little co-

commissioning of employment and skills provision. This has resulted in significant pots of funding moving between different organisations and a lack of transparency for individuals who need joined up advice and services. In practice advisers in both the skills and employment arena cross-refer people between programmes, but there is a need to develop stronger alignment to maximise outcomes for individuals and efficiencies for the taxpayer.

Young people

One of the easiest ways we could start providing a truly integrated employment and skills system is for young people leaving education for the world of work. Every year thousands of young people leave education at 16 or 18 and enter the jobs market. These young people enter a range of careers, sometimes relatively low paid and low skilled, and lack the advice and ability to acquire new skills when in work.

Reed in Partnership recently published a report on youth unemployment based on a survey of over 1,200 unemployed young people and discussion groups with young people out of work in London, Liverpool and Glasgow.⁵ We found that many young people felt they had little support in trying to find work and lacked the experience relevant to employers. Another common issue regardless of educational background was the fact that young people had not received help with writing a CV, interview preparation and what to expect when actually starting work.

The Connexions Service currently provides a range of support for people up to the age of 19, covering issues such as money, education, relationships and careers. However, we lack a system that provides joined up support for young people during the early stages of their career. Developing a system which can guide and develop the skills and employability of young people will enable us to raise levels of youth unemployment and, importantly, enable this customer group to progress in work and successfully respond to the labour market.

We should look at developing an improved model to

provide young people with ad hoc careers and skills assistance from trained advisers who understand the local labour market and can advise and broker the necessary training courses. Young people could be referred to the service before leaving education with the expectation that they access the service to get ad hoc employment and skills support. By bringing employment and skills provision together we would enable young people to get independent advice on how to advance their careers resulting in significant long-term benefits.

Conclusion

There is already significant investment in employment and skills provision in the UK. With increased pressure on the public finances, the challenge is to ensure that this money has the maximum impact both for the individual and the taxpayer.

The current structure of employment services is that people can access support at specific points in their life such as when they are unemployed or facing the threat of redundancy. On the skills side, new entitlements and the expansion of free training has given people more opportunity to gain new qualifications but this is often not well connected to people's employment support or job goals. It also does not translate into a coherent and joined up customer journey.

The empowerment of individuals has to be about ensuring longer term interventions that build confidence and self-esteem so that people can progress in work and take more control over their career development. The approaches set out in this essay would help to shape an employment and skills system aimed at delivering this goal. Crucially, this would enable individuals to react quickly to changing circumstances and help employers find people with the skills they need.

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Notes

- 1 'Train to Gain goes from strength to strength' (London: Department for Business, Innovation and Skills, 25 Jun 2009), <http://nds.coi.gov.uk/clientmicrosite/content/detail.aspx?NewsAreaId=2&ReleaseID=404037&SubjectId=2&clientid=431> (accessed 18 Mar 2010).
- 2 UKCES, *Towards Ambition 2020: Skills, jobs, growth* (London: UK Commission for Employment and Skills, 2009).
- 3 P Gregg, *Realising Potential: A vision for personalised conditionality and support; an independent report to the Department for Work and Pensions* (London: The Stationery Office, 2008), www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/realising-potential/ (accessed 11 Mar 2010).
- 4 Leitch Review of Skills, *Prosperity for All in the Global Economy: World class skills*, final report (Norwich: HMSO, 2006).
- 5 Reed in Partnership, *False starts: Restoring hope, dignity and opportunity to young people* (London: Reed in Partnership, 2009).

Section 2

Power and control

5 Can self-directed support transform the welfare state?

Simon Duffy

Social care rarely receives the attention given to other parts of the welfare state, and it may be for this very reason that, ever so quietly, a revolutionary new system has been able to emerge without capturing widespread attention in mainstream policy debates. This system is called self-directed support. Its core components for users are:

- You are given a cash entitlement – your individual budget.
- You can spend that budget flexibly – as long as you meet the agreed outcomes.
- You can control the budget and change your mind if you see a better way of spending it.¹

This is a radical departure from the traditional social care model, where people do not know what they are entitled to, have no control over their budget and where choice over services is limited or non-existent. Moreover these early reforms have led to significant improvements in outcomes and efficiency; today many local authorities have embarked on redesigning their systems and these reforms are now moving to the heart of government policy.²

But while these innovations are exciting and positive they are poorly understood (within and without government) and their implications for the whole welfare state have yet to be explored.³ Often they are characterised (or even written off) as ‘market reforms’, but this is to radically misunderstand the basis of their success. Instead, at the heart of these reforms is a commitment to giving ordinary citizens real power. I want to argue that the underlying methodology of self-directed support is one that could be used progressively to redesign the whole welfare state.

Inside individual budgets

It is possible that the old ideological debates over markets, taxes and consumerism have made it very difficult for us to understand what is powerful and radical about an innovation like individual budgets. The natural tendency is to picture these reforms as just one more attempt to bring the benefits of increased market efficiency into the welfare state. But this is a mistake.

An individual budget is not a cash transfer (although it may lead to one), rather it is an up-front, transparent, funding allocation. All the early data suggests that it is this 'up-front transparency', rather than any subsequent market impact, which has been the key to its success.⁴ For when you tell someone that they are entitled to a budget which can be used flexibly:

- Many people target that funding more effectively by only purchasing services that really meet their needs – rather than using everything that they are 'given' just in case all of it is taken away.
- Many people pull in additional support from friends, family and their community – no longer worrying that any such additional support will lead to their budget being cut.⁵
- Some people identify new and innovative forms of support – no longer restricted to the narrow menu of services on offer.

In other words the efficiency of individual budgets lies primarily in the way it enables the individual to be an effective citizen, taking responsibility for their own life and integrating support into the framework of their own personal and community resources. Under the traditional system allocation only takes place after an extended process of assessment, care planning and service identification. This process then leads to the 'placement' of the individual in a service – a term that tells its own story. This elaborate process naturally leaves the final allocation and its rationale hidden, for it serves no purpose to tell people what their service costs when they cannot change it anyway.

However, in the new system of self-directed support, people can be told, up-front, what they are entitled to (constituting their individual budget) because of the development of a resource allocation system (RAS).⁶ The RAS is the key technological

innovation at the heart of self-directed support. It is the development of the RAS which makes up-front transparency possible.

In practice this means that, after filling in a questionnaire (and it seems to make little difference whether this is done by the individual or by a professional), the individual is told their indicative budget: the amount that they have to plan with. Using this budget the individual (with support from friends, family or professionals) can determine their own support plan. This support plan is then reviewed and agreed with the local authority. In a minority of cases changes may be necessary to the plan or the final budget – but largely people work effectively within their budget and sometimes even decide they do not need all the funding allocated in their indicative budget.

The role of the RAS is to replace rationing by the use of professional intuition with a clear set of rules that link levels of need to money. The RAS creates transparency for the citizen about ‘what’ they are entitled to and ‘why’ that budget is set. In practice the process of developing the RAS has shown that it is possible to radically simplify the initial part of the assessment process into a limited set of questions, despite the wide range of funding involved (from £0 to £60,000 per year and sometimes higher). The current best practice model published by In Control has only nine key questions and provides a clear ethical framework for setting budgets based on principles of fairness and impacts on outcomes:

Principles of fairness:

- prevention
- sufficiency
- equity
- contribution
- anti-poverty
- anti-dependency

Impact on outcomes:

- other funding streams
- market factors

- inflation and pay rates
- innovation
- technology
- regulations and infrastructure

The more the RAS is used the more empirical data is built up with which to refine its application further. This means that over time the process actually becomes even ‘smarter’.

Because it is a set of clear rules, the RAS enables:

- people to plan more effectively for themselves
- professionals to use transparent rules to make rationing decisions⁷
- society to reflect on the purpose and effectiveness of its own rationing

Moreover there is no reason to think that the underlying logic of this approach is restricted to the social care system. In the remainder of this essay I will set out the potential for extending self-directed support through four distinct steps.

How to extend self-directed support

Integrate social care funding

When self-directed support came to the attention of policy makers in late 2004 it was noticed almost immediately that this approach also offered the opportunity to integrate many of the diverse social care funding streams.⁸ For example, the government’s Individual Budget Pilot Programme aimed to demonstrate that the following funding streams could be effectively integrated:

- local authority funding – £19 billion on services for children and adults in England
- Supporting People (SP) – £1.69 billion on housing-related support
- the Independent Living Fund (ILF) – £0.22 billion on personal care
- the Disabled Facilities Grant (DFG) – £0.121 billion on housing adaptations

- Access to Work (AtW) – £0.06 billion on adaptations in the workplace
- the Integrated Community Equipment Service (ICES) – £0.052 billion on equipment

However, there was little practical success in achieving any meaningful integration between these funding streams, and it is important to understand the reasons for these difficulties, which are bureaucratic, rather than technical or economic:

- Competing legislative and regulatory frameworks – different funding streams were created at different times and are subject to different rules.
- Conflicting vested-interests – the professional and civil servant groups that manage each funding stream have a vested interest in maintaining their distinct identities.
- Limited media and public understanding – any changes in funding, whatever the obvious overall benefits, may lead to one group appearing to be disadvantaged.
- Poor strategic vision – integration involves important choices, in particular over the degree of local control desired, and these decisions must be guided by a coherent strategic vision for welfare reform. That vision is currently absent.

It is therefore not surprising to see calls for integration being deflected into extended periods of ‘piloting’ and ‘research’ that quickly, for lack of political will or understanding, lose momentum and achieve little.⁹ Nevertheless a real opportunity exists to bring about effective integration and to shift resources out of multiple and competing administrative systems and into the hands of citizens. At the very least this would cut out the expensive layers of duplicated administration.

Extend individual budgets to other services

The principles of self-directed support also have the potential to transform other aspects of the welfare state. There has already been success in applying these principles into education and

health care and some are now beginning to apply the same methodology for people who are homeless or subject to abuse. It is impossible to explore all the issues that this will raise within the confines of this essay, so instead I will just provide one powerful example where several of these innovations are coming together.

The transition into adulthood for children with special educational needs is infamous as one of the most incoherent, complex and distressing parts of the modern welfare state.¹⁰ Yet, finally, in Sheffield, there are signs that this system can be successfully redesigned. A partnership of Sheffield City Council, Talbot Special School, Sheffield Primary Care Trust and the Learning and Skills Council has designed a totally new process that finally puts the young person and their family at the centre of planning their own future. Instead of parallel processes, led by diverse professionals, the transition process starts with the presumption that planning for the future is something that the young person does, with their family. The school is now redesigning its whole curriculum and the different statutory bodies are defining the distinct budgets necessary (integrating individual budgets for social care, health and further education) and simplifying and clarifying their administration which underpins this process. Over the last two years this has led to dramatic improvements in reported satisfaction and quality of life – as well as enabling the Council to avoid expensive and damaging residential placements outside the city.

The extension of self-directed support and individual budgets into other services would create a flexible framework where anyone who needs extra support – not just money – to overcome their problems can receive an identifiable entitlement and can work with professionals and others to use that entitlement to overcome those problems. For an individual budget is, as I have argued elsewhere, best understood as a conditional resource entitlement, and is therefore an ideal tool for building a partnership between the state and the citizen to solve those problems where it is not adequate simply to adjust personal income or provide people with a predetermined service offer.¹¹

Integrate benefits into one system

The third development would be to apply the RAS methodology into the benefit system. There are currently 40 different benefits and a hundred different benefit rates.¹² An integrated system obviously does not mean that everyone would get the same amount of money: such a system could be as targeted or as universal as necessary.¹³ But it would have the potential to deliver:

- improved targeting – cutting out overlaps and gaps
- greater simplicity – being easier to understand and claim
- reduced bureaucracy – needing less administration

It is worth noting that this is also not an argument for integrating benefits into the system of individual budgets described above. Rather I would argue that we should have two distinct systems: one system of individual budgets, which would be properly conditional and delivered as part of a partnership model, and one system of personal allowances, which would be properly unconditional and delivered as a direct income adjustment (wholly replacing the current benefits system).

Integrate tax and means-testing

One further innovation that could be developed from self-directed support is the integration of means-testing into the RAS. This step has already been taken, in a minor way, by some local authorities who are defining both ‘entitlement’ and any ‘charges’ all at the same time.¹⁴ However, to locate means-testing for social care within local government does seem peculiar, particularly when we already have much more comprehensive systems of means-testing built into our tax and benefits systems.

In fact we could go further, and by integrating the diverse means-testing systems that are built into the tax, benefit and social care systems radically simplify the tax-benefit system.¹⁵ For it is incoherent to build multiple systems of taxation and benefit, systems which thereby become so opaque they are neither understood nor subject to rational scrutiny or empirical testing.

In effect the welfare state is in danger of functioning as complex ‘poverty net’ – a mesh of parallel benefits and taxes

within which it is almost impossible to assess the benefits of personal or family growth, earning, learning or saving.¹⁶ Note that this is not, on its own, an argument for a minimum income guarantee or any other substantive change in the rates of marginal taxation or benefit reduction; however, it is an argument that whatever rates of contribution we decide are fair should themselves be transparent.¹⁷ This is not only because, as citizens, we should want our duty to contribute to be clear. It is also because a transparent system is one that can actually be tested, challenged and supported. It is the very complexity and opacity of the current system that closes down any real debate on tax and benefit reform. Yet the experience of self-directed support shows that there is no technical reason to hold back from integration and transparency.

Conclusion

Even within adult social care there is a long way to go before these reforms are fully implemented and they are still highly contested.¹⁸ However, the steps set out above are feasible and they are also measures that could be developed incrementally. This would mean that an innovation that was developed for the million or so people using social care would result in radical improvements to the universal system of tax and benefits within which we all live and work.

These reforms also offer a tool to bring about the wider cultural reform of the welfare state, to one based on supporting citizenship. In particular self-directed support enables us to create a clear framework of rights and responsibilities within which citizens can create their own positive outcomes, using limited resources with increased flexibility and working in partnership with professionals.

The current economic crisis presents yet another opportunity for politicians and policy makers to act with greater courage and to take the legal, financial and policy opportunities of self-directed support seriously.

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Notes

- 1 Unusually this new model of service delivery was developed and implemented at the grass-roots level first. Central government interest in these ideas developed at a later stage. The fullest overview of self-directed support is provided in *In Control, A Report on In Control's First Phase: 2003-2005* (London: In Control Publications, 2006).
- 2 These different reports and the state of progress are well summarised in J Glasby and R Littlechild, *Direct Payments and Personal Budgets: Putting personalisation into practice* (Bristol: Policy Press, 2009). The In Control website hosts a series of reports on outcomes on costs. See www.in-control.org.uk.
- 3 See the discussion by S Duffy within *In Control, A Report on In Control's First Phase*.
- 4 In particular see S Duffy's *Economics of Self-Directed Support* and In Control's submission to the Independent Living Review (both available at www.in-control.org.uk). Overall it is worth noting that these reforms have not yet had enough time to have substantial market impact at any macro level. All the efficiency improvements have been at a micro level and these outcome improvements occur both for those who take a cash transfer and for those who do not.
- 5 These efficiencies are well described as 'pull economics'. See J Hagel and JS Brown, *From Push to Pull: Emerging models for mobilizing resources*, www.johnseelybrown.com/pushmepullyou4.72.pdf (accessed 10 Mar 2010).
- 6 See S Duffy, 'Individual budgets: transforming the allocation of resources for care', *Journal of Integrated Care* 13, no 1 (Feb 2005).
- 7 This has the further benefit of helping professionals to shift their role into one that is more facilitative and supportive. For they no longer have to behave as the rationer – instead rationing is done by objective rules.

- 8 In particular see Cabinet Office, *Improving the Life Chances of Disabled People*, www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/disability.pdf (accessed 10 Mar 2010) and Department for Work and Pensions, *Opportunity Age*, www.dwp.gov.uk/policy/ageing-society/strategy-and-publications/opportunity-age-first-report/ (accessed 17 Feb 2010). See also J Waters and S Duffy, *Individual Budget Integration* (London: In Control, for Department of Health, 2007).
- 9 See Social Policy Research Unit, *Evaluation of the Individual Budgets Pilot Programme: Final report* (York: Social Policy Research Unit, University of York, 2008). It is to be hoped that this will not be the fate of The Right to Control pilots recently launched by DWP.
- 10 See J Morris, *Hurting into a Void: Transition to adulthood for young people with complex health and support needs* (Brighton: Pavilion Publishing, 1999).
- 11 See S Duffy, J Glasby and J Waters, 'Personalisation and the social care "revolution": future options for the reform of public services' (Birmingham: Health Services Management Centre, University of Birmingham, Jan 2010).
- 12 The IFS lists 40 distinct benefits; however, many of the benefits listed fragment into further distinct benefits with different rates and different qualifying conditions. A count of the number of distinct benefits rates would take the figure to 100. See C O'Dea et al, *A Survey of the UK Benefit System* (London: Institute for Fiscal Studies, 2007).
- 13 Geoff Bantock (HMRC) has already mapped out some interesting structures for doing exactly this.
- 14 For example, Hartlepool and Cambridgeshire have both integrated 'charging' into their process for setting an individual budget. Note also how confusing the language of 'charging' becomes as we shift towards individual budgets – means-testing,

charging and taxing (at least for income) are all ways of asking exactly the same fundamental question in different ways.

- 15 Taxation for 2008/09 was forecast to generate £545 billion by at least 25 different forms of taxation. See S Adam and J Browne, *A Survey of the UK Tax System* (London: Institute for Fiscal Studies, 2009). In addition the benefit system has a range of other means-tests linked to different benefits.
- 16 For example, Mary's disability entitles her to local authority social care funding; this entitlement then means she can claim funding from the Independent Living Fund (and so the local authority can reduce their input in line with this entitlement). If Mary then goes to work she would also be able to claim Access to Work payment, which the local authority could also extract from their contribution. However, if they were to do so then the ILF would not be obliged to provide its £10,000 contribution – this potential loss creates an enormous poverty trap.
- 17 It is particularly important to see the impact of linkage here as often one benefit may be dependent on claiming another in such a way that the ability to increase one's income by a modest amount can have a dramatic impact on several different benefits. The linkage problem could be erased by the integration of benefits into one personal allowance. See National Audit Office, *Dealing with the Complexity of the Benefits System* (London: The Stationery Office, 2005).
- 18 For example, it is not yet clear whether the legal framework for social care funding and means testing will be reformed in ways that support the development of self-directed support. See Law Commission, *Adult Social Care Scoping Report* (London: Law Commission, 2008).
- 19 I would particularly like to thank Geoff Bantock, Graeme Cooke, Jon Glasby, John Waters and Julia Winter for their help in writing this essay. Of course they bear no responsibility for its flaws.

6 Changing the terms of debate: mental health and employment

Rachel Perkins and Miles Rinaldi

The large and increasing number of people with a mental health condition receiving welfare benefits has been widely documented, as have the health, social and economic costs of such worklessness to individuals, their families and society at large.¹ In recent years more active welfare to work policies have begun to reduce worklessness among disabled people generally. But the number of people with a mental health condition in receipt of an out of work disability benefit has continued to rise. They now constitute the largest group receiving these benefits – 43 per cent of the total. Despite this trend, government specialist disability programmes designed to support severely disabled people to get and keep work serve very few people with a mental health condition. Only 0.7 per cent of those receiving help from Access to Work and 8 per cent of those using the WORKSTEP programmes have a mental health condition as their prime impairment.²

This situation is a matter of particular concern because employment and mental health are intimately inter-related. Unemployment causes and exacerbates mental health problems. While quality employment enhances people's well-being and quality of life, it constitutes what might be described as active 'treatment' for those mental health problems. Mental health problems can also cause unemployment. In comparison with people who develop other health conditions, people who develop a mental health condition are twice as likely to lose their job.³

However, high levels of worklessness among people with mental health conditions are not inevitable. There are now 13 high quality randomised controlled trials demonstrating the effectiveness of an individual placement and support (IPS) approach and its superiority over traditional vocational

rehabilitation. These show that an average of 61 per cent of people with serious mental health conditions can successfully gain open competitive employment using IPS compared with 23 per cent in the best traditional vocational rehabilitation.⁴ There is strong evidence that this approach can be effectively implemented in regular practice in UK services.⁵

The core of the IPS concept is integrating employment support into clinical teams, providing treatment, social and employment support all in parallel (not in series), and helping anyone (irrespective of their diagnosis or severity of symptoms) who wants to get a job to do so in the open labour market as quickly as possible and then providing them and their employer with whatever support is necessary to make a success of their employment for as long as is necessary. A recent independent review into ways in which the appallingly high levels of worklessness among people with mental health conditions might be reduced, describes ways in which such an IPS approach might be implemented in a UK context and replace more traditional approaches that have proved relatively ineffective.⁶

Place and support, not train and place

The traditional model of vocational rehabilitation for people with mental health conditions is based on certain assumptions:

- Mental health conditions are ‘illnesses’ and, as with other illnesses, people should refrain from work – be ‘tucked up in bed’ – and receive treatment until they are better and ready for work again.
- Until people are ‘better’ they should receive ‘care’ and be relieved of responsibilities.
- Once better, work rehabilitation should be offered in a ‘train-then-place’ fashion: starting the journey back to work in a safe, sheltered or segregated setting to develop skills and confidence before moving on to open employment.

The welfare state has historically supported this ‘cure, care and then rehabilitate’ approach. Broadly, health services have

focused on treatment and cure, with health services work rehabilitation taking place in segregated, sheltered settings to build up people's skills and confidence. Social services have provided 'social care' for those for who failed to get fully better, while social security systems have sought to adjudge a person's capability to work. Those deemed capable received basic benefit levels while employment services supported their search for work. Those deemed incapable were relieved of obligations and provided with higher level benefits in recognition of incapacity.

The ineffectiveness of this approach is evident in its failure to stem the rising tide of worklessness among people with a mental health condition. Some have argued that the problem is a simple lack of resources, and more treatment, more social care and more vocational rehabilitation will stem the tide. But this claim is not consistent with evidence. The root of the problem lies in the fundamental premise on which the current model is based.

Individual placement and support is based on a different paradigm that enables significantly more people to achieve open employment. Evidence from IPS indicates that:

- Health treatment, social care and employment support should be integrated and provided in parallel.
- There are no grounds for selecting people on the basis of their 'work readiness' or 'employability': diagnosis, severity and longevity of symptoms are poor predictors of employment outcomes.
- The focus should be on open employment through job matching based on client skills and preferences, rapid job search and support for as long as necessary to enable people to remain and progress in employment.
- Benefit systems need to support the transition to open employment, in particular enabling people to build up work hours over time and move into and out of work without financial penalty.⁷

The IPS approach is no more costly than traditional vocational rehabilitation, and there may be savings. The national

spending on day and employment services by the Department of Health amounted to around £184 million in 2007/08.⁸ An indication of how resources could be better prioritised is that for one-third of this current spend on day and sheltered work services there could be an employment specialist in every adult mental health team in England.⁹

Despite this evidence, and government guidance to commissioners, IPS is rarely provided. Vested interests, entrenched attitudes and simple fear of change combine to make it politically challenging to withdraw a benefit or close a service even when there are more effective and less costly alternatives. These pressures mean the vast bulk of resource continues to be invested in locally commissioned, relatively ineffective vocational rehabilitation. Unpopular as it may be in a climate tending towards localism, if this waste of public money and talent is to end then clear central direction and effective monitoring are required to assist local implementation of evidence-based practice.

Fundamental change to boost the employment rate of people with mental health conditions

The remainder of this essay will discuss the kind of fundamental changes in the organisation and operation of health, welfare, social and employment services that are likely to be required to boost the employment rate of people with mental health conditions.

Embed a social model of disability, replacing an illness paradigm, across health and employment systems

This should be focused on providing the adjustments and support people need to exercise the rights and responsibilities of citizenship.

The current 'cure, care and rehabilitation' approach is based on an 'illness' perspective that is of limited utility. A social model of disability, already guiding practice in the broader disability arena, has far greater potential.¹⁰ Although treatment

to minimise distressing and disabling symptoms is important, this does not constitute an end in itself. Nor is it a necessary or sufficient condition for employment. For example, even if a person's symptoms can be permanently eliminated, that person remains disabled by the prejudice that surrounds someone who has a history of mental health problems. Also, if a person has episodic or ever present 'symptoms' this does not mean that they cannot work or enjoy other citizenship opportunities, but they may require support and assistance to do so.

A social model of disability draws attention to the specific employment challenges facing people with mental health conditions. Their cognitive and emotional impairments often fluctuate, requiring adjustments and support to vary flexibly to accommodate need. They also present challenges in negotiating the social (as opposed to the physical) world. Fluctuating conditions can also attract fear because of myths of incompetence and/or danger that abound among employers, employees and those agencies that support them.

Fluctuating cognitive and emotional impairments are often 'hidden'. Many people choose not to disclose their condition for fear of negative impact on their employment prospects. This means that the hundreds of thousands of people working successfully remain invisible, thereby removing the opportunity for others to see that people with mental health conditions can succeed. To challenge prejudice requires reduced fear among employers (about employing people with mental health conditions) and in employees (about disclosing their problems).

Compared with adjustments needed by people with sensory and mobility impairments, adjustments to the social environment of work are less obvious or well understood. This presents a particular challenge to the employment relationship, because both employers and employees tend to be focused on minimising risk. Employers must minimise risk to ensure business success; employing someone with a mental health condition can be seen as risky. Similarly, employees seek to maximise their own security and minimise risks to well-being. Fear of being unable to cope at work and fear that adequate support will be unavailable often

feeds reluctance to leave the security of current health, social services and welfare benefits.

To minimise such perceived risks and fears, assistance needs to be tailored flexibly to supporting the employment relationship. This should include:

- giving support to return to work as quickly as possible, including periods of absence if necessary
- giving assistance in negotiating temporary adjustments in work expectations where these are necessary to enable someone to remain in work
- providing easy access to more intensive mental health treatment and social support outside work for a period of time
- providing financial security for employers and employees during periods when someone is unable to work, including softening the divide between work and benefits, allowing a person to move flexibly between the two as a condition fluctuates, and compensating the employer for temporary cover during periods of impairment related absence

Replace assessments of work capability with assessments of what it would take to enable someone to work

No one with a mental health condition is intrinsically unemployable; all could work if they were given all the support and adjustments necessary to do so.

Research evidence indicates that clinical characteristics (like diagnosis, severity and duration of problems) are poor predictors of employment outcomes provided a person is provided with the support and adjustments they need to work effectively.¹¹ This suggests that there is no justification for dividing those people with mental health conditions who are capable of working from those who are not (there could also be a case for considering this for all disabled people or those with health conditions). Instead the relevant questions are ‘what would it take to enable the person to work?’ and ‘what support and adjustments would the person need?’

A minority of people will require extensive support, for instance someone (or more than one person) with them to enable them to do their job safely and effectively, or major adjustments in their work setting. Many others require no support or adjustments, simply access to effective treatments. Some require episodic support and relief from some responsibilities during some periods of time. So if the question is ‘what would it take to enable the person to work?’ and the focus of the assessment is ‘what support and adjustments would the person need?’ then maybe what is needed is not a medical service but an occupational service whose focus is that of support and adjustments. With limited resources, decisions are necessary on costs and benefits, and the amount the state is willing to pay to enable someone to work. Such judgements need to be transparent, not masked behind arbitrary assumptions about work capability.

Integrate mental health, welfare benefits, social care and employment support

Individuals’ needs rarely break down neatly around traditional service boundaries, particularly between employment, health and social support. For example, if employment reduces mental health problems then maybe employment is a health treatment? If relief from some responsibilities at home enables a person to meet the demands of employment is the provision of help at home employment or social support?

For as long as these services operate in separate silos working to divergent aims, effective coordination is impossible and service gaps, duplication and conflicting messages are almost inevitable. It is not uncommon for a person to be simultaneously seeing numerous different professionals from different sectors, and to be told by some that work would be detrimental to their health and by others that it would be good for them – or to have a health or social care plan and a jobseeker’s action plan that conflict.

The seeds of a different approach can be seen in innovations such as the strategy Right to Control, which aim to

bring different income streams together as part of a single unified support plan. However, to date integration is partial: the right to control does not include health, welfare benefits or the full range of employment support. Integration also needs to be driven within government, perhaps by bringing health, social services and work and welfare benefits systems together into a single government department creating a department for health, work and welfare.

Conclusion

In conclusion, over a decade of active welfare to work initiatives and improvements in mental health and social services have had little impact on the high and rising level of worklessness among people with mental health conditions. Although further modifications to existing ways of doing things could undoubtedly achieve modest improvements, a more fundamental rethinking and restructuring of the aims and organisation of health and welfare services is likely to be required for more substantial improvement.

Polarised characterisations of people with mental health conditions as either 'social security scroungers' or 'poor unfortunates who are incapable of work' are destructive. A more productive starting point is the principle that everyone with a mental health condition can work at least some of the time if provided with integrated and personalised health, social, employment and financial support. Employers have a responsibility to enable this, in so far as the constraints of their business allow. Employees have a responsibility to manage their condition as well as possible and contribute their talents in so far as they are able. Both have a right to support from the state to assist them in exercising these responsibilities. The state has a responsibility to make optimal use of resources across the traditional divides of health, welfare benefits, social and employment support in order to achieve this end.

It is always easy to argue that more resources are required, but the real challenge is to use existing resources to maximum effect. This requires a fundamental shift in the

paradigm for supporting people with mental health conditions to work.

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Notes

- 1 SCMH, *The Economic and Social Costs of Mental Illness* (London: Sainsbury Centre for Mental Health, 2003); and Royal College of Psychiatrists, *Employment Opportunities and Psychiatric Disability* (London: Royal College of Psychiatrists, 2002).
- 2 DWP figures.
- 3 T Burchardt, *Employment Retention and the Onset of Sickness or Disability: Evidence from the Labour Force Survey longitudinal datasets* (London: Department for Work and Pensions, 2003).
- 4 SCMH, *Doing What Works: Individual placement and support in employment* (London: Sainsbury Centre for Mental Health, 2009); G Bond, 'Supported employment: evidence for an evidence-based practice', *Psychiatric Rehabilitation Journal* 27 (2004); G Bond, RE Drake and DR Becker, 'An update on randomised controlled trials of evidence-based supported employment', *Psychiatric Rehabilitation Journal* 31, 4 (2008).
- 5 M Rinaldi and R Perkins, 'Implementing evidence based supported employment', *Psychiatric Bulletin* 31 (2007).
- 6 R Perkins, P Farmer and P Litchfield, P, *Realising Ambitions: Better employment support for people with a mental health condition*, Cm 7742 (London: Department of Work and Pensions, 2009).

- 7 G Bond, 'Supported employment: evidence for an evidence-based practice', *Psychiatric Rehabilitation Journal* 27 (2004).
- 8 *The 2007-08 National Survey of Investment in Adult Mental Health Services* (London: Department of Health, 2009), www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_o88700.pdf (accessed 10 Mar 2010).
- 9 SCMh, *Commissioning What Works: The economic and financial case for supported employment* (London: Sainsbury Centre for Mental Health, 2009).
- 10 It should be noted that fluctuating impairment and difficulties in negotiating the social world are characteristic not only of those mental health conditions that have been considered 'severe' (eg schizophrenia and bipolar disorder or manic depression) but also of those described as 'common' or 'mild to moderate' (eg depression and anxiety-based problems).
- 11 Bond, 'Supported employment'; and Rinaldi and Perkins, 'Implementing evidence based supported employment'.

7 Putting people in control: reforming the system of support for disabled people

Eddie Bartnik

This essay is written from the perspective of my strong and passionate belief in the principles of personalisation and coproduction and 20 years of direct experience of implementing these ideas in disability services in Western Australia. My aim is to present a brief case study to demonstrate the potential for radical reform, which I hope will be of use to those considering the next phase of welfare reform in the UK. It is particularly relevant to current plans to reform social care services and introduce the Right to Control for disabled people – and the principles of choice and control. Information is presented in a way that recognises the differing contexts for service delivery, but also emphasises the more fundamental or universal principles that underpin the way of working I have been involved in developing.

Back in the late 1980s, Western Australia had a strong focus on specialist disability services provided through a range of government and non-government organisations. Funding was allocated to service providers; people with disabilities were assessed, prioritised and then matched to a service. For some people, this worked quite well, but for many the limited menu of services available did not meet their particular needs (many were ‘group’ oriented) or required them to leave their families or local communities to go to where services were provided. A new approach was therefore required, one that changed the focus and balance of power towards the individual, with a strong focus on building more personalised support and services around each person, one person at a time, in the context of their own family, friends, culture and local community. Instead of funding being directed to service providers for ‘block’ services, a new system was developed whereby funds were allocated to individual

people, who could then choose a service provider or manage the funding themselves directly.

The essence of the reform was to make disability services and supports more personal, local and accountable, and thereby to build and strengthen informal support and community self-sufficiency. Consistent with the values of coproduction, the reform was built on an assumption that people with disabilities are not just passive recipients of services. Along with their families, friends and local communities, they have expertise, natural authority and assets that can maximise the impact of resources and improve outcomes. The reform also emphasises the transformative effects of shifting power, resources and accountability for outcomes to a partnership between government and people, where together problems are defined and solutions designed and implemented.

The specific target of the reform in Western Australia was to change the entry point, or 'front end', of the disability support system – the place where relationships are formed and expectations set for the pathways and partnerships that follow. In 1988 a new system was developed called Local Area Coordination, replacing the traditional system of formal assessment and service planning (with its increasing levels of rationing). Local area coordinators in Western Australia are employed by the Disability Services Commission, a state level body. They are based in local communities and each provides preventative support to between 50 and 65 people of a variety of ages and types of disability (for example intellectual, physical, sensory, cognitive and neurological) and degrees of impairment (from moderate to severe and profound). The focus is on an ongoing relationship and a community response built around each person, at the local level, rather than a generic specialist disability service system response. In essence, the Local Area Coordination approach turns the traditional system on its head and changes the power balance. Rather than fitting people into a predetermined menu of services, support is built one person at a time, in the context of their family, friends and community. The focus is on choice and control for individuals in decision making and a graduated system of funding allocations.

The thinking and theory behind Local Area Coordination is conceptually quite simple. At a systems level, Bartnik and Chalmers identified a set of fundamental ideas that underpin this new way of working:¹

- Get to know people well over time and develop effective relationships.
- Staff are based locally so they are well connected with the community.
- There are positive values and assumptions about individuals, families and communities, shifting focus and resources towards their strengths and problem prevention.
- Build capacity to enable self-determination and self-sufficiency rather than just providing a service to fix a problem.
- Ask the right questions, such as ‘what’s a good life?’ rather than ‘what services do people need?’, or ‘which friends should be included?’ rather than ‘what respite is required?’

Every disability service can be analysed through the lens of the theoretical underpinnings that led to its design and implementation. The Local Area Coordination framework² is based on the simple proposition that the essence of a good life for a person with a disability is the same as the essence of a good life for any other person. When asked, people with disabilities and their families throughout Western Australia expressed the view that a good life in the local community requires opportunities for valued relationships, security for the future, choices, contribution and challenge. Asking the right question brings the contribution and limitations of formal services and funding more sharply into focus (for example, a person can have a lot of funding and services but few friends and no valued role in their community). This underlines the crucial role of social context and personal networks.

The Local Area Coordination charter is to ‘develop partnerships with individuals and families as they build and pursue their goals and dreams for a good life, and with local communities to strengthen their capacity to include people with disabilities as valued citizens’ (P3). Put simply, local area coordinators stand

alongside individuals and their families, initially to gain an understanding of their particular vision for a good life, and then to contribute to the realisation of this vision.

The role of local area coordinators consists of an eclectic combination of strategies, delivered in a unique and connected sequence as follows:

- Build and maintain effective working relationships with individuals, families and their communities.
- Assist individuals, families and communities to access accurate and timely information through a variety of means.
- Provide individuals and families with support and practical assistance to clarify their goals, strengths and needs.
- Promote self-advocacy; provide advocacy support and access to independent advocacy when required.
- Contribute to building inclusive communities through collaboration with individuals and families, local organisations and the broader community.
- Assist individuals and families to use personal and local networks to develop practical solutions to meet their goals and needs.
- Help individuals and families to access the support and services they need to pursue their identified goals and needs.

A core component of the Local Area Coordination approach is the use of direct funding allocated to the person or their family to be used for agreed outcomes. This is structured in a graduated way, starting with small amounts of untied or discretionary funding, moving on to small packages of flexible family support, and then larger amounts for community access, intensive family support or accommodation needs. Consistent with the theory that underpins Local Area Coordination, direct funding is viewed as an adjunct to family and community-based support rather than as the primary solution to meeting needs. Local area coordinators are able to allocate small amounts of discretionary funding directly; otherwise they assist people to plan and develop proposals for funding that are then considered by independent panels.

A brief snapshot of Local Area Coordination in Western Australia in 2008 is provided by Bartnik who found that each local area coordinator supported an average of 60 people with a wide range of ages and disabilities in their local community.³ Statewide, over 8,000 people were supported, as well as 2,500 information and advocacy contacts over the 12-month period. The operational budget was approximately AU\$20 million with a further AU\$10 million disbursed through direct funding. There was a statewide network of 50 local offices and a total of 150 local area coordinators. Users see them as the gateway to local community support and a range of generic and specialist services.

Although safeguarding quality is an ongoing challenge, there is a strong evidence from more than 20 reviews and studies that the model is both highly effective for individuals and represents value for money.⁴ Evaluations have found that individuals and families value the support highly, in particular the relationship aspect, positive values, practical focus and the role local area coordinators play as catalysts for change in local communities. Small amounts of resources have been shown to have significant preventative effects, for example in strengthening family and community resilience. The 2007 Disability Services Sector Health Check found that there was greater service reach, lower spend on administration and higher levels of transparency and accountability in Western Australia compared with other states that had not developed a Local Area Coordination approach. However, an increasing number of other states and territories are now doing so⁵ as are overseas jurisdictions.⁶

The experience of Western Australia is that Local Area Coordination is a catalyst for system wide reform delivering a high level of value for money for the relative investment. The introduction of Local Area Coordination was not about simply adding another layer of structure: the previous system was reshaped, which stripped out a layer of process and bureaucracy. Block funding and fixed service models have also been redefined and more resources shifted closer to people and their local communities.

A critical factor in the success of this reform was staff with the right values, skills and experience to manage the entry point or front end of the disability service system. The previous system had a heavy focus on needs assessment and coordination of specialist services, with the emphasis on staff with a narrow range of professional qualifications and formal service experience. In contrast, Local area coordinators are drawn from a wide range of backgrounds and professions, including social work, psychology, education, therapy, nursing and community work. The ability to build relationships and work according to the values of the Local Area Coordination approach are as important as having the functional skills in areas such as planning, advocacy, community development and organisation. Wherever possible, local area coordinators are recruited from their local communities. A key finding from the various evaluations of Local Area Coordination is that the programme is only as good as the individual local area coordinator that each person has. Therefore clear role specification, careful staff selection (involving people with disabilities and their families), training, supervision, feedback and evaluation are all essential elements in maintaining quality.

I want to conclude with some personal reflections on the lessons from implementing this major service transformation, focusing in particular on the pivotal role of the practitioners who have made it a success. In the initial period, staff found it difficult to leave behind their previous professional orientation and culture. New local area coordinators required dedicated training, supervision and support to operate effectively and be socialised into a new working culture. There was a gradual transition from old to new roles, giving staff a range of different career choices. From the perspective of a regional service director at the time, I recall the tipping point where service reach increased dramatically, planning became longer term and community resources were maximised. As well as leading to better outcomes and higher satisfaction among individuals and families, staff enjoyed more challenging and satisfying roles. What may have originally been seen as a loss of status or power by some staff, quickly turned for many into a bright and productive new career.

In the final analysis, the strongest advocates for Local Area Coordination have always been people with disabilities and their families, who have valued the more personal and practical aspects of this partnership approach – as well as the emphasis on capacity building rather than dependency. Local Area Coordination gives a strong positive message that individuals are not passive recipients but people in control of planning and shaping their own lives and the support they need to live it. The central lessons for policy makers are that Local Area Coordination has a solid theoretical and evidence base and offers a cost-effective alternative to traditional models of support. At the heart of the reform is a shift of power back to people with disabilities, their families and communities and a partnership approach, which works alongside people in their local communities.

As Needham and Carr stated, ‘If co-production is to improve outcomes in social care, it will be at the transformative level, avoiding versions of co-production that simply cut costs, demand compliance or reproduce existing power relations’.⁷

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With thanks to Dr Ron Chalmers, Jamie Bartlett and Graeme Cooke for helpful suggestions on earlier drafts of this essay.

Notes

- 1 E Bartnik and R Chalmers, R, ‘It’s about more than the money: local area coordination supporting people with disabilities’ in S Hunter and P Ritchie (eds) *Co-Production and Personalization in Social Care: Changing relationships in the provision of social care* (London: Jessica Kingsley, 2007).
- 2 See Disability Services Commission, *Local Area Coordination: Family, friends and community* (West Perth: Government of Western Australia, 2004).

- 3 E Bartnik, Local Area Coordination seminar presentation notes, Cumbria, 2009.
- 4 See Government of Western Australia, *Review of the Local Area Coordination program* (Perth: Government of Western Australia, 2003); Bartnik and Chalmers, 'It's about more than the money'; E Bartnik and S Psaila-Savona, 'Value for money', paper for the Local Area Coordination Review Steering Committee, Western Australia, 2002.
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- 6 For the national evaluation of Local Area Coordination in Scotland see K Stalker et al, *Evaluation of the Implementation of Local Area Coordination in Scotland* (Edinburgh: Scottish Executive, 2007).
- 7 Needham, C and Carr, S, *Co-production: An emerging evidence base for adult social care transformation*, Social Care Institute for Excellence Research briefing 31, 2009, p18.

8 ‘Animation’: navigating between centralisation and personalisation

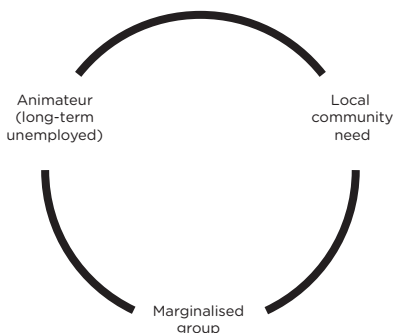
Maff Potts

In Westminster there was a group of entrenched rough sleepers and street drinkers who would not take help from anyone. Despite their desire to live outside the system they still managed to be a burden on public services, particularly the police who responded nightly to complaints from disgruntled other members of the local community. Those in the street outreach team tasked with engaging them were exasperated. Then one day an outreach worker approached the group and asked if they’d help raise money for HIV orphans in Africa. There was to be a jumble sale at a local church around the corner and help was needed to make then sell products.

The group of homeless people agreed to help. And the street team saw a marked change in their behaviour. They drank less and started to talk about their situation. They looked forward to helping at further sales throughout the year. Many finally took up offers of hostel accommodation and started to access services that they had previously snubbed. When the street team analysed the times this group engaged with services they saw a sharp increase during the weeks that the jumble sales took place. When asked to help others they began to help themselves.

An effective welfare state needs people to buy into it. If it wants to replace dependency with empowerment, and also save on public spending, then it will have to stop trying to buy motivation with cash incentives. We need to think about how support is delivered, not just paid for. Sometimes motivating people to take control of their lives and engage with support you have to also ask *them* for help. This is the basis for two-way, empowering relationships. This is precisely the philosophy behind ‘animation’.

Figure 1 **The circle of contribution**



'Animation' is an approach that the Salvation Army is beginning to adopt in all its residential homeless centres to engage with some of the most socially excluded people in society and support them to move on with their lives. It also has potential to prevent homelessness in the first place. It is not a centralised, identikit solution, nor a personalised budget with all the control held by the individual. It is a middle way where an 'animateur' creates a positive opportunity for people to help others and then asks that individual to make a choice. Shifting the primary focus to others can give people the space to work through their problems without losing their dignity. It works on a circle of contribution (figure 1).

The animateur

The underlying premise of this approach is that there are 'win-wins' for every member in the circle of contribution, but the catalyst is the animateur, who is employed to breathe life into a situation and make something happen. We see them as bringing people together and using their dynamism to drive community action. Our animateurs are being paid for by the Future Jobs Fund, a new initiative led by the Department for Work and

Pensions that guarantees a job for 6 months for 18–24-year-olds at risk of long-term unemployment. The young people are paid to work 25 hours a week and the employer is paid to administer the programme. The ‘marginalised group’ pictured in the cycle of contribution is, in our case, the homeless people living in our hostels. It could work for any socially excluded group currently trapped within the welfare state.

Animateurs’ core goal will be to engage with the people living in our hostels, which can easily become dead places of inactivity, boredom and isolation. Initially the animateur will create opportunities to have fun – a music night, a football competition or day trips. Aside from relieving the grinding despair of their situation, fun also plants the seed for developing a sense of purpose and building positive relationships, which are essential in solving social exclusion. Relationship breakdown is the single biggest cause of homelessness,¹ including not just failed adult partnered relationships, but also the severing of ties with wider family and friends.

Once the fun activities have shown success the animateur will make a link with people in the community and find a project that they can work on, such as building a garden for a hospice or fundraising for a local youth project. In turn the community will support the hostel and the animateur. During this time permanent Salvation Army staff will work with animateurs to prepare them for work after their time with us. The aim is to re-energise those who have stayed on benefits for long periods and re-introduce them to the job market and, through this, increase the number of hostel residents engaging with their issues and improving their lives. There should also be tangible benefits for the local community and improved understanding between its members and socially excluded groups. This doesn’t just lead to social integration but also widens the network for job opportunities for both the animateurs and the marginalised group working on the community project – a community that sees such effective work may well consider recruiting this ‘unlikely’ group.

Looking ahead, animateurs could replace the role of general support workers in our and potentially other public

Figure 2 The work progression of animateurs



services. Good support workers do already offer activities to encourage personal growth, though the community project aspect is not commonplace. However, homelessness support workers are stymied by a sector and a funding model that thinks we are in the *housing* business and nothing more. Rigid local interpretations of the Supporting People programme funding – the principal revenue for homeless centres – focus solely on residents seeking to move on to alternative accommodation as fast as possible. Many local authorities see cutting the time in hostels to three months as solving the problem more quickly. This has restricted agencies from looking at skill development, employment preparation and personal growth as part of the package. If socially excluded people's underlying challenges are not met they end up back at the hostel door again. The work progression of animateurs is demonstrated in figure 2.

In our homeless centre in Warrington, James Lee House, we already have a 'meaningful occupation worker'. Over the course of one year a hostel that had previously struggled to get any sort of buy-in from residents now has 94 per cent of residents engaged in an activity of some sort, 63 per cent with formal qualifications and 54 per cent engaged in work-like activities (such as volunteering or work placements). Most hostels fight to get their positive move-on rate above 50 per cent because of the complex nature of the client group. James Lee House has a rate of close to 80 per cent.

This kind of support vastly improves residents' chances of finding work and sustaining a tenancy because the person moves on with skills, qualifications, self-confidence, friends and something on their CV other than a history of dependency. What

looks like a ‘housing pathway’ could easily be called an employment pathway. It is all vital pre-employment work for thousands of people whom the state currently sees as unemployable; it seems that the state has resigned itself to recycling them expensively around the system from one ineffective institution to the next. The numbers of chronically socially excluded people may seem small yet their cost to the state is huge.

The navigator

If you are not homeless yet but your life is starting to unravel, where do you go? Recent research found that among 10,000 people within a short walk of the average town centre in the UK there were likely to be:

- 2,800 victims of crime
- 1,700 on low incomes
- 1,500 who talk to their neighbours less than once a week
- 1,280 caring for someone who is sick
- 1,200 people living alone
- 1,100 with a mental disorder
- 375 single parents
- 250 unemployed
- 150 contemplated abortions
- 60 in a care home
- 40 homeless people
- 18 pregnant teenagers²

Some of these people will be in contact with support services but some are just lonely, struggling and close to breaking point. What role could an amateur approach have in helping these people to help themselves? The first challenge is deciding how to make connections with them. Unlike homeless people in hostels many of the groups above are hidden from sight. So amateurs need to become ‘navigators’: available to potentially excluded groups of the future and helping them point their lives in a positive direction.

Everyone needs to alleviate their burdens from time to time and the most common way of doing that in the UK is to 'put the kettle on'. A cup of tea has been an iconic part of the Salvation Army's mission for over a century, whether in times of disaster or times of war. With the huge popularity of commercial cafés in the high street we are opening up a place for 'tea and toast' where you can also get help when the early signs of trouble appear in your life. Imagine mixing Starbucks, the Samaritans and the Citizens Advice Bureau.

All too often 'support services' are underused because the public don't want to walk through a door that immediately categorises them as having a problem. So navigators must provide a mainstream café-style environment. Some people are sceptical about building-based solutions, but there is no online, virtual substitute for a place of sanctuary when times are hard. The Salvation Army is setting up the first of these sanctuaries in a council building that has been empty for five years. As well as providing it rent free for three years, the council is also offering us some revenue for staff. It happens to be perfectly placed between the affluent and deprived parts of town.

The point of navigators is not to interfere or get in people's way. But they should be on hand if someone wants to talk, and they will have the knowledge of a cabbie but for services not streets. Navigators will open people's eyes to the help that is available (often for free) to those with problems related to debt, relationships, addiction, childcare and so on. They can also hold on-site drop-in sessions on particular topics of common interest and take referrals from GPs and health visitors, as people often hide their personal and emotional needs from these professionals. It is difficult to discuss them fully during a short GP consultation or when a health visitor makes an infrequent visit. First and foremost, however, these centres are places to take a pause, where help is on hand, not pushed.

Once someone has engaged, the navigator will ask them to help others as well, as part of the circle of contribution. This could operate like a 'time bank' where help or services required by others in the community are displayed and anyone entering the premises can see if their skills match what is needed: fixing a

bike, doing laundry, walking the dog, visiting someone in a hospice. As with the circle of contribution for amateurs, this model requires the navigator to benefit too. So we hope to recruit navigators from the homeless residents in our centres. To begin with they will not be paid, so their benefits will not be affected, but they will profit from the work experience; however, the intention is that navigators will gradually progress to full-time paid employment. If a member of the general public needs advice to get through hard times, whom better to turn to than the most highly qualified in the subject?

The roles of amateurs and navigators rest on the principle ‘invest to save’. Amateurs and navigators can contribute to multiple government objectives: reducing anti-social behaviour and crime, building skills and work experience, reducing hospital intakes, and improving community involvement. These roles are likely to meet the requirements of local authorities to be recipients of area-based grants to fund local priorities, based on 35 indicators chosen from a menu of 200 supplied by central government. Any scheme that can achieve multiple outcomes – and therefore cut across multiple indicators – will be in a strong position.

Conclusion

There is a popular movement within behavioural economics that talks about ‘choice architecture’. This is based on the notion that it is legitimate for us to try to influence people’s behaviour in order to make their lives longer, healthier and better.³ Animation is a similar principle and therefore lies between centralised and personalised approaches to delivering welfare. Animation acts on the principle that people engage better when they are asked to be contributors not just passive recipients. Amateurs and navigators assume the role of supporting people to make good choices.

William Beveridge, who constructed the welfare state after the war, was influenced by a book written 50 years earlier by William Booth, founder of the Salvation Army, *In Darkest England and the Way Out*. In it Booth wrote:

*I do not wish to have a hand in a new centre for demoralization; I do not want my customers to be pauperized by anything that they do not earn. To develop self-respect is vitally important.*⁴

The circle of contribution creates a new society of mutual support. It could be the breakthrough we need for the long-term unemployed and socially excluded. Both have a dependency on welfare that burns a whole in the pockets of the tax payer and at some point a pragmatic solution has to be found. We should extend the Future Jobs Fund's work and engage the long-term unemployed in 'animation', and take a look at any service dealing with socially excluded people and refocus the support workers to become animateurs. This way we can fundamentally change the dynamic from dependency to contribution.

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Special thanks to Helen Robinson, deputy director of Employment Plus for the Salvation Army for seeing what we wanted to do and uttering the strange word 'animateur' to us for the first time. And thanks to the Future Jobs Fund for getting us under way.

Notes

- 1 G Lemos, with G Goodby, *A Future Foretold* (London: Crisis, 1999); Salvation Army, 'The seeds of exclusion', www.salvationarmy.org.uk/seeds (accessed 10 Mar 2010).
- 2 Social Trends 33 (HMSO, 2003), quoted in T Chester, *Good News to the Poor* (Nottingham: Inter-Varsity Press, 2004), p 133.
- 3 RH Thaler and CR Sunstein, *Nudge* (London: Penguin, 2009).
- 4 W Booth, *In Darkest England and the Way Out* (London: Salvation Army, [1890]).

9 Now it's personal: personalising welfare to work through personal budgets

Dalia Ben-Galim and Clare McNeil

Many changes have consumed the welfare system over the past decade, but one important goal remains frustratingly elusive: effective, personal support for all unemployed claimants to help them secure work. Even before the recession the need for this was clear. Job-entry rates from New Deal programmes have been stable or declining in recent years and despite increases in employment rates for lone parents, other groups such as the low skilled have seen no similar improvement.

The ineffectiveness of welfare to work for a significant minority of the unemployed is one of the most serious challenges facing the welfare system, but it also reflects a wider problem of claimants not receiving specific or relevant support resulting in missed opportunities to help them into work sooner.¹ Creating more personalised services in welfare to work is critical to improving effectiveness and tackling the higher levels of unemployment that Britain is currently experiencing.

Attempts have been made by the Department for Work and Pensions to make progress against this goal, including through streamlining and modernising job search assistance (with limited impact) and by creating a mixed market of provision for the long-term unemployed through the Flexible New Deal. But as it is unclear how effective this new system will be in assisting those groups previously left behind, we must continue to search for more radical alternatives to personalise support.

The concept of personal budgets, which has revolutionised social care,² provides an opportunity to fundamentally rethink the structures in which welfare support is provided. With its central principle of money following the individual, this

approach provides an exciting opportunity to tailor services to need more effectively while improving their cost-effectiveness.

As greater efficiency, funding cuts and local devolution are set to become the key influences shaping public services over the next five years, we argue that extending personal budgets into the welfare system could help address previous failures to personalise welfare to work and ultimately improve sustainable job outcomes.

We also suggest that the conditional nature of the welfare system provides a complementary framework for personal budgets, which would enable rather than inhibit this growth. Finally, we propose that the wider introduction of this approach could not just personalise welfare to work but also provide a more effective way to integrate employment and skills and drive up the quality of provision.

Proposals for breakthrough: what would personal budgets mean for welfare claimants?

For some in the welfare system, employment support is not only impersonal but also ineffectual. We recently showed that this applied particularly in relation to training and skills needs. Through our qualitative research, we found that welfare claimants wanted more support to 'up-skill' to find a job in a specific sector as opposed to being encouraged to take any job, irrespective of their previous work history or interests. More broadly, people did not understand what support they were entitled to or what rights they had.³

Despite efforts to integrate employment and skills support more closely, early indications are that needs are still frequently going unidentified⁴ while the complex array of training and skills provision on offer has led to calls for the simplification and rationalisation of funding streams.⁵ Giving the long-term unemployed control over a budget could be a far more effective powerful tool in both personalising support and achieving the much-needed integration of employment and skills than a centrally driven approach.

In practice this would mean allocating resources from existing funding streams in order to meet certain agreed outcomes relating to improving skills and securing employment. The conditional requirements on claimants would not change, but a focus on outcomes attached to budget provision would give both claimant and adviser a greater incentive to find the most relevant intervention or support.

This would mean that welfare claimants had a far stronger say in the support they receive and greater ownership of the process. Evidence from social care also suggests that shifting the focus to outcomes ‘upfront’ acts as a lever to encourage greater involvement and innovation. This in turn improves outcomes and gives people a greater sense of control over their lives.⁶

Personal budgets would also be a mechanism for unifying funding streams around individuals, making the system easier for claimants and advisers to navigate. And although it would not initially improve or extend the range of support on offer, over time provision would become more ‘user-led’, which could drive up performance through people exiting schemes that are failing to deliver. Similar schemes in social care have led to a more vibrant market and have increased the range and flexibility of provision.⁷

Under such a model, the role of the personal adviser is central, in effectively brokering support and ensuring a reasonable match between training and support undertaken and the realities of the local labour market. However, putting claimants in control of the money spent on their behalf would also create a more even balance of power between individuals and frontline professionals. This is likely to come closer to the ideal of coproduction outlined in the Gregg review than the present system will achieve.⁸

The government has already taken steps in this direction with the creation of the Department for Work and Pension’s initiative Right to Control. This will lead to disabled people being given the right to decide how to use the different social care and employment support funding streams they are entitled to through an individual budget.⁹ Scheduled to go live in October 2010, the initiative will provide an important

opportunity to see whether this approach should be introduced for other client groups in the welfare system.¹⁰ In working towards such a reform, there are a number of challenges and opportunities that need to be taken seriously to ensure success.

Opportunities and challenges

The experience of social care shows that managing risk is key. The burden for this frequently falls to frontline staff and managers, so intensive staff support and extensive training are vital.¹¹ Staff must also be able to provide individuals with well-informed advice to support during the decision-making process.

Another challenge is that evidence so far indicates that outcomes for personal budgets are not equal across client groups. Experiences have been more positive for mental health service users and adults with physical and learning disabilities than for older people.¹² We therefore need a better understanding of how personal budgets can be presented to this group and how the model can be adapted and delivered to address this.

Introducing this approach for employment and skills provision also extends the affected client group beyond those with severe or complex needs, which it has been suggested is a safeguard against the abuse of funds.¹³ Although this is a legitimate concern it must not restrict innovation. Concerns about the use of public funds must be addressed through building on previous experiences in the UK and internationally for robust policy design and implementation.

There are also some challenges which are particular to the nature of the welfare system as distinct from other public services. A defining feature of personal budgets is that the relationship between the professional and service user changes towards empowering the individual. The role of the 'professional' moves from one where support is 'awarded' to the individual based on an assessment of their need, to one where the professional supports and facilitates the decision-making process.¹⁴

In welfare to work, however, there is an uneven balance of power between frontline workers and claimants in a way that

does not exist, for example, between social care worker and social care user. This is due to the conditional nature of employment support where the frontline worker is also responsible for monitoring a service user's compliance with benefit conditions and applying sanctions if breached.

But the extent to which this should be a barrier to the introduction of personal budgets in welfare to work is questionable. Recent reforms to the welfare system have placed a greater emphasis on personal responsibility and rights, with requirements for individuals to carry out certain activities in return for more active support to return to work.¹⁵

Personal budgets fit comfortably into this framework. Indeed, one of the core principles of self-directed support is that resources are allocated to an individual within a conditional framework (with agreed outcomes). In the experience of social care, for example, the breach of conditions of an individual budget can result in the budget being limited, withdrawn or managed in a different way.

Awarding financial support on the basis of meeting agreed outcomes is not a new concept for frontline workers in the welfare to work system. Personal job accounts in employment zones and the Adviser Discretion Fund in Jobcentre Plus demonstrate that this approach can and does work. In summary, the conditional nature of welfare support need not be a preventative factor, but one that instead will require empathy and sensitivity on the part of the 'gatekeeping' professional.

Closing thoughts

The proposals outlined here have the potential to create a new contract between citizen and frontline worker in the welfare system, liberating them from some of the most restrictive tendencies of standardised welfare provision. This is not without risks in determining the parameters of what people can spend and how, but it does represent an approach that provides people with support and resources to make decisions that are right for them and their families. All the major political parties have talked about achieving a fairer contract between citizen and

state. Whichever party wins power in 2010, taking up the approach proposed here would be one way of showing they are serious about achieving it.

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Notes

- 1 McNeil, *Now It's Personal*; L Adams and K Carter, *Focus Groups with New Deal and Employment Zone Customers: Research to inform flexible new deal* (London: HSMO, 2008).
- 2 Personal budgets aim to change the relationship between citizen and state by shifting control from civil servants and professionals to the individual service user. Personal budgets are part of a wider approach known as self-directed support. Although there is a range of definitions and interpretations of what self-directed support entails, there is consensus around the core purpose: self-directed support aims to empower the individual to make choices that shape the services they receive. In practice this means allocating a personal budget to an individual assessed as needing support, which can be spent however they see fit in order to achieve certain agreed outcomes.
- 3 McNeil, *Now It's Personal*.
- 4 A Bellis, J Aston and S Dewson, *Jobseekers Regime Test Site Evaluation: Qualitative research* (London: HMSO, 2009).
- 5 This featured as a key theme of an ippr seminar 'Personal advisers: the emerging role in employment and skills', held in June 2009. See www.ippr.org.uk/uploadedFiles/events/now_its_personal_seminar_summary.doc (accessed 10 Mar 2010).
- 6 S Duffy, J Glasby and J Waters, 'Personalisation and the social care "revolution": future options for the reform of public

- services' (Birmingham: Health Services Management Centre, University of Birmingham, Jan 2010).
- 7 ADASS/LGA, *Putting People First: Measuring progress* (London: Association of Directors of Adult Social Services and Local Government Association, 2009).
 - 8 P Gregg, *Realising Potential: A vision for personalised conditionality and support; an independent report to the Department for Work and Pensions* (London: The Stationery Office, 2008), www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/realising-potential/ (accessed 11 Mar 2010).
 - 9 DWP, *Raising Expectations and Increasing Support*.
 - 10 Self-directed support has support across the political spectrum and is becoming more widely used across policy areas. For example, the NHS is shortly to begin piloting personal health budgets and the Department for Children, Schools and Families and the Department of Health are shortly to begin piloting individual budgets in support of disabled children.
 - 11 J Manthorpe et al, 'Individual budget pilots come under the microscope', *Mental Health Today* (Dec 2008/Jan 2009).
 - 12 C Glendinning et al, *Evaluation of the Individual Budgets Pilot Programme: Summary report* (York: University of York, Social Policy Research Unit, 2008).
 - 13 See Duffy et al, 'Personalisation and the social care "revolution"'.
14 Ibid.
 - 15 Department for Work and Pensions, *In Work, Better off: Next steps to full employment; impact assessment* (London: HMSO, 2007); DWP, *Raising Expectations and Increasing Support*.

10 Tackling addiction and dependence in the welfare state

Sarah Biggerstaff

A major area of debate within the welfare system centres on the fact that claimants of disability benefits are all handled in the same way: they receive the same support opportunities and receive their benefits subject to the same requirements. This means a drug addict or alcoholic falls into the same group as those who suffer from conditions such as arthritis and multiple sclerosis. The question is, should this be the case, or should this claimant group be mandated onto a separate benefit programme focused on tackling their addiction?

Currently, more than 100,000 people claim benefits for drug addiction or alcoholism. Many are stuck in the benefits system, continually bouncing between job-seeking and disability benefits. This suggests that they are not receiving appropriate support and to understand why, we need to look at the support system currently in place. All disability claimants follow the same support process, designed ultimately to facilitate their return to long-term employment. They enrol on the Pathways to Work programme where they attend five mandatory work-focused interviews with an employment adviser, with the option to attend voluntary appointments where they can receive additional specialised support. The adviser creates an action plan that seeks to address their barriers to work and develop realistic solutions. The reality for drug addicts and alcoholics is that they are unlikely to sustain long-term employment while harbouring their addiction. The system should treat the disability first, not try to work around it, in order to move these individuals back into sustainable employment.

This is where the current system has flaws. It provides effective support for a whole range of disabilities, but is not designed specifically for addiction recovery. At the moment, an adviser would probably suggest a referral to a specialist support

group or addiction counselling. But the waiting lists for these are often measured in months rather than weeks, meaning people wanting to improve their lives are not given the help to do so. At the other end of the scale, the system provides very little incentive for claimants who have no interest in accessing treatment to change their behaviour. They are not currently obliged to seek treatment as a condition of receiving their benefit, though plans in the government's Welfare Reform Bill aim to change this.

The goal of the Gregg report was for benefit claimants to be encouraged and enabled to take co-ownership of their journey back to work, with support and conditions tailored to their circumstances.¹ One way to achieve this is for drug addicts and alcoholics to be classified as an individual claimant group, distinct from those with non-elective disabilities. They could be mandated onto a separate, treatment-focused programme, receiving specialist addiction support (and potentially a separate benefit, such as a treatment allowance). The emphasis would be on empowering individuals to help themselves. Ensuring they receive quality, tailored treatment is the best way to help them build the confidence, independence and sense of personal responsibility to want, and be able, to break free from the benefits system.

Under such a reformed system, instead of attending appointments with an employment adviser, a drug addict or alcoholic would meet a specially trained addiction worker, who would create a realistic action plan focused on tackling the addiction, and would have the means to provide appropriate referrals without lengthy waiting lists.

Such a service could be run either by a single provider or through a coherent and well-planned mobilisation of the many support groups that already exist throughout the UK. On a local level, local authorities have drug referral teams that look at underlying issues related to an individual's drug use and can, for example, facilitate referrals to psychologists. Many voluntary organisations also provide specialist support to addicts. This includes running 'life skills' workshops, which look at helping people to establish a healthy routine, creating positive support

networks and looking at alternative coping strategies. There are also residential detox programmes for addicts who have exhausted all other options within the community, although the waiting lists for these programmes are long. To make the system work there would need to be this kind of variety of services available so claimants could engage in the service most likely to work for them.

Claimants with alcohol and drug addictions need early intervention to give them the highest chance of recovery. For the system proposed here to work participation would need to be mandated in the same way that attendance at a work focused interview is for those on current disability benefits. Attendance at appointments would need to be in line with this proposal, with incentives in place to encourage behavioural change.

There would be a number of advantages to the system being suggested here. It would be more streamlined – claimants would no longer jump between different services, but instead receive comprehensive, specialised support through one programme. This would prevent duplication of information and wasted resources, and it does not help claimants to be told the same thing by five different people. This could provide claimants with a single point of contact, offering a clear and coherently laid-out path to recovery, one in which they can take co-ownership of the process. Claimants would be treated as individuals, encouraged to do the right thing, and empowered to steer their own route back to work and reclaim their independence.

New consequences for refusing treatment would also promote greater self-reliance in this group. At the moment addicts are dependent on their benefit payment but have to do relatively little to obtain it. It is often the easy option to continue in the security of the lifestyle that they know. The hard option is to seek treatment. With new external factors to motivate them, such as ‘top-up’ incentives or sanctions, they are far more likely to accept the road towards greater independence.

So how will we know if this has worked? If quality treatment replaces lengthy and sporadic support then the number of people claiming benefits for addiction problems is most likely to fall. If claimants receive tailored treatment

promptly, with waiting lists kept short, then the average amount of time spent on this kind of benefit will be reduced. If the system doesn't change then this vulnerable claimant group will continue to be trapped in the benefits system, never receiving the appropriate support and ultimately never taking positive steps forward to improve their quality of life.

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Notes

- 1 P Gregg, *Realising Potential: A vision for personalised conditionality and support; an independent report to the Department for Work and Pensions* (London: The Stationery Office, 2008), www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/realising-potential/ (accessed 11 Mar 2010).

11 Liberating family services

Mary MacLeod

The problem

Now more than ever family is central to the grammar of contemporary political argument. The Labour and Conservative parties are drafting competing green papers on family policy. Both will focus on family services. But both will struggle to find policies that can accommodate modernity, the diversity of family life, cuts in services, and the conflicts of interest between individual, family and community. And no wonder.

Family services are complex. A huge variety of providers from different professional backgrounds, working in separate organisations, all managed and budgeted separately, offer services to families. They cover everything from housing, budgeting, employment advice, ante and post natal care, parenting and relationship support, through to services for children in need, carers and families going through bereavement or separation. They deal with problems of addiction, mental and physical ill health, family violence, abuse and anti-social behaviour. This list conveys the challenge: services are designed for problems, not families.

Families are systems; problems for one family member impact profoundly on others. Maternal post-natal depression, for example, is linked with cognitive development problems in children, especially boys. Treating the depression is essential for the mother but insufficient to improve children's outcomes without intervention focused on the mother-child relationship. Whether treating adult mental health, children's unhappiness or learning delay, addressing one symptom of family distress is wasteful because it is not enough. More is less. Investment does save.

Yet packages of care are complicated to put together across service barriers. Each service deals with its 'own' issue, defining

the threshold that allows people to ‘get at’ their offer; and they differ. Budget battles end up in territorial disputes about responsibility. There is a gap (sometimes a chasm) between adults’ and children’s services. Families have to get through complicated assessment processes where professionals decide what they need and for how long. Services are rationed and practitioners tend to look up to bureaucracy not out to the public.

This complexity is only enhanced by contradictory policy directions from the centre, blizzards of targets and new initiatives, and wasteful regimes of short-term funding. Families on the receiving end often lose heart trying to find the right place, unless they are very determined or very desperate, or they do something very desperate. That is, of course, unless they can pay – for private clinics or expensive therapists.

This landscape does not make user involvement in service design straightforward. Even so, its absence is staggering. Term dates change without recourse to parents. Services for young people are developed that specifically avoid those who run them having contact with their parents. A child database is established against parents’ wishes. Meals on wheels for the elderly are abandoned, without consultation, replaced by micro-waveable frozen food.

Meantime, whatever our imperfections, it is generally relatives who stand up for their loved ones, and parents who push for the best care for their children. Not always, but mostly, they are on children’s side. Too often services and practitioners see parents as thorns in their side rather than allies in doing our collective best for children. When it comes to services for families with complex needs, nomenclature is a major problem. The talk is of ‘hard to reach’, ‘dysfunctional’ or ‘vulnerable’ families. This ‘othering’ of service users is a great barrier to even imagining how services might give families the tools to take control of their lives.

Imagined solutions

Imagine a service landscape brought together into a coherent accessible network through smart linkages, where the range of help that families need could be reached through many

gateways, virtual and actual. Imagine families with personal budgets and service accounts, managed through a credit card system, with a family-held record and a clear set of entitlements to support. Imagine families being able to draw provision as they need it, choosing the services that would work for them from a range of providers. Imagine the current resource-consuming system of rationing being reconfigured into open access so people could arrive as buyers not as supplicants. As individuals struggle to find their way around the current maze, this is an immensely appealing vision.

Reality strikes back

In recent years there has been an increasing focus on how the role of the state can be used to improve outcomes for children and families. Encouraged by public anxiety about the state of the family, this has driven an exponential growth in initiatives, scrutiny, target-setting, performance management, rationing and structural change. This has emphasised central rather than user control.

However, people remain deeply ambivalent about the involvement of the state in family life. The Broken Britain narrative has such a pull on the collective mind that 54 per cent of respondents to a Family and Parenting and YouGov survey agreed that UK families are in crisis.¹ Interestingly only 5 per cent declared that their own family life was unhappy. People saw ‘poor parenting’ as a cause of public disorder but found it difficult to set a clear boundary for state intervention; they struggled to see how it could be defined and began to see it as a consequence as well as a cause of the problems.²

Of course there are conflicts of interest within families, too, between mothers, fathers, children, the cared for and the caring. Parents can be the greatest help or the greatest hindrance to their children. Their ambitions may enthuse or crush children, while fathers and mothers can lose sight of the needs of their children in fighting each other.

The Baby Peter tragedy has left local services reeling, leading to a huge increase in legal proceedings to take children

into care. Each terrible tragedy highlights that safeguarding children requires strong interventions. The conundrum is how to design family services across a continuum from the worried well through the walking wounded to the critical and dangerous.

What can we do?

There are no easy ways of charting a way forward. Looking at what works well is a good place to start, for example, the concept of lead professionals, common assessments, direct budgets, care plans and the idea of the 'team around the child'. Though the family is not always envisaged as part of the team around the child, and providers and professionals are still dominant in deciding who requires what, we could change that practice.

Family group conferencing and family mediation offer ways to bring families together to discuss their difficulties and draw up plans to tackle them, with facilitation and support. But their use is patchy at best. We desperately need to test the costs and benefits of open access as opposed to rationed provision, and how this can ensure that those with the greatest needs are well served.

The quality of family relationships is the most important factor in promoting the stable, loving contexts that children need. Regular child development checks could be developed into something more user friendly and broad where parents can discuss children's health and development and family relationships; this would be a brief encounter that promoted public health and picked up problems early, thus saving later costs. There is growing evidence that receiving therapy for relationship problems not only improves those relationships but also reduces other symptoms and therefore health care use.³

Families could be given an entitlement to parenting and relationship services. Using the Child Trust Fund as a model, the entitlement could be to a number of sessions of individual, couple or family therapy to be used when it is needed. The registration of a child's birth is the first formal encounter between parents and the state. Registrars could act as a conduit for quality advice. At registration, parents could be given vouchers or a service account for relationship support.

There is a range of institutions in our communities that could act as outlets for drop-in or more intensive therapeutic interventions: GP surgeries, health clinics, schools, hospitals, children's centres, nurseries, even libraries and supermarkets. Counsellors and therapists could be encouraged to undertake pro-bono or public-clinic work through a practitioner licensing system (similar to doctors).

Since most clinicians operate within the big urban centres, mobile services would be necessary alongside telephone and the internet, where research is building up on their effectiveness.⁴ In the hands of skilled therapists, they are as good as the conventional therapies for many problems and are more cost-effective. Training institutions should encourage practitioners to train in their use.

Happily, not everyone wants services: 66 per cent of respondents in the Family and Parenting Institute and YouGov survey had not used family services in the past two years.⁵ Most people get on with life, finding all they need from friends and family, from observing others, and from print and internet advice. Most of those who had used services needed help related to unemployment, tax and benefits, and mental health. This tells us about priorities and focus.

Limits of liberation

A liberated family welfare system – which puts parents in control and promotes their autonomy – should be our goal for the vast majority of families. However, a wholly demand-led approach is not enough on its own. For example, although risk-taking behaviour is a feature of all teenage life, those risks are amplified for those who have been through loss, misery and abuse. Freedom and choice need sometimes to be tempered with authority.

Trust is the basis of good services, usually seen as the user's trust in the professional. Liberated welfare would require trust to go the other way, too: providers and professionals trusting people to decide for themselves. But this just does not do the business when dealing with families that pose a risk to themselves and others (especially children).

Family intervention pilots for chaotic or disruptive families have shown how productively authority and support can work together.⁶ Family Action's Bridge Project works intensively with families with mental health problems at low cost – £5,000 per family.⁷ We could also test the possibilities of an adaptation of the Scottish Children's Hearing system into local family hearings where community, professionals and family members agree a programme that enables seriously troubled families to be more in charge of changing their lives, while ensuring safety.

In the end, the complexity of people's lives means there can be no perfect policy to support them. Devolution to the individual will involve contradictory outcomes. Isaiah Berlin said: 'Everything is what it is: liberty is liberty, not equality or fairness or justice or culture, or human happiness or a quiet conscience.'⁸ Trying to establish a welfare system that builds people's autonomy, protects against the greatest risks and responds to difference is a tough ask, especially with cuts on the horizon. But giving high-need families more control over their own destinies might just be the good that comes out of that particular ill wind.

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Section 3

Assets and financial security

12 The future of asset building in social policy

Michael Sherraden

Social policies that were put in place during the twentieth century are today facing a period of strain, questioning and revision. In the twenty-first century, we live in a world where labour markets require greater skills, jobs are less stable, income inequality is growing, and more than one job is often required to support a middle class lifestyle. In the USA, employment-based social benefits and government programmes have eroded, and risks have shifted from collective intermediaries – governments, employers and insurance pools – to individuals and families.¹ We are perhaps witnessing a major revision in the social contract that was worked out for the industrial era.

Although usually discussed in terms of values and politics, the underlying dynamics of change are operating on the larger stage of technology and history. Industrial-era policies are being questioned, and new policy directions are being considered and explored in many countries. Although much of the analysis that follows discusses developments in the USA, the trends and policy implications pertain across much of the industrialised world. I therefore hope that my reflections will be of interest and use to those grappling with similar challenges in the UK.

Asset-based policies and low-income households

An active discussion of asset inequality and asset-based policy arose in the USA in the 1990s,² and this has led to a growing body of theory, research and policy innovation, which has been taken up actively in the UK.

Asset-based policies should be considered in light of the overall distribution of wealth in the society. Data from the US Survey of Consumer Finances indicate that the top 10 per cent of American households (ranked by income) earn 42 per cent of the

nation's income, but hold 67 per cent of household net worth, while the bottom 60 per cent earn 18 per cent of the income and hold less than 10 per cent of the net worth.³

Studies have found that the rate of asset poverty is extremely high, for example reaching 37 per cent for the whole population and 61 per cent for Blacks and Hispanics, when the asset poverty measure is the equivalent of three months of income at the poverty line.⁴ These figures indicate that many US families have little financial cushion to sustain them in the event of a job loss, illness or other income disruption. Also, the prospects for these families may be truncated through lack of resources to invest in education, leisure, home, business and other key assets.⁵ Moreover, patterns of asset holding define and perpetuate racial and class divisions.⁶ Asset poverty (low stocks of economic resources) may leave people vulnerable to unexpected economic events and unable to take advantage of opportunities offered by a prosperous society.

In simple terms, asset-based policy suggests that the well-being (or 'welfare') of individuals, households and communities is derived not solely from their current level of income and consumption, but also from their capacity to invest in life goals, enhance long-term economic stability, and provide social protections. In addition to greater financial stability, assets may yield positive psychological, social and political effects.

Asset-based policy is not new. The USA and many other countries including the UK already have large asset-based policies. In most cases, these operate through the tax and employer-based systems, so that public transfers occur via tax benefits.

Examples from the USA would include tax deferrals for a variety of retirement accounts and tax benefits for college savings plans. These asset-based policies have grown rapidly in recent years and today are approaching US\$400 billion per year in tax expenditures in the USA, representing the bulk of federal tax subsidies to individuals, and at least 25 per cent of all 'welfare state' expenditures. A fundamental point about these policies is that they are highly regressive. Nearly all of the public subsidies go to the non-poor.⁷

Building assets is a concept that applies to the rich and poor alike. Every household requires some savings to smooth consumption and enable them to respond to emergencies, building assets for security and development. But low-income individuals and families typically do not participate in existing asset-based mechanisms. The poor are less likely to own homes, investments and retirement accounts, where most asset-based policies are targeted. The poor have few or no tax incentives, or other incentives, for asset accumulation. And asset limits in means-tested transfer policies may discourage saving by the low-income population. Altogether, the American poor face a very different – and inferior – asset-based policy structure.

Policy innovation and testing: the role of individual development accounts

During the past two decades there has been an increase in the awareness of the role of assets in the well-being and development of families and communities in the USA and around the world. One policy innovation has been the introduction of individual development accounts (IDAs), which in some respects have come to symbolise inclusive asset building. As originally proposed, IDAs would be available to everyone, provide greater support for the poor, begin as early as birth, and be used for key development and social protection goals across the lifespan such as education, home ownership, business capitalisation and retirement security in later life.⁸

As with most policy proposals for the poor, IDAs have not been adopted in the USA as a large policy, but instead have been implemented as short-term ‘demonstration’ programmes targeted toward the poor. We can compare this to the adoption of 401K retirement plans, which today cost approximately US\$100 billion in tax expenditures for the non-poor, but did not go through any demonstration and research phase. This common pattern of policy formation – large-scale policies for the non-poor but demonstrations for the poor – is another part of class structure, often overlooked by social researchers (after all, this is how we earn our living).

As a result of the extended demonstration period, IDA innovations and research have been widespread across the USA. We have evidence that IDA participants can save; features of IDA accounts (beyond the matching incentive) are positively associated with savings outcomes; and assets can accumulate for IDA participants, particularly in the form of home ownership.⁹ A fourth wave of a randomised IDA experiment ('American Dream demonstration') is now under way with the important mission of asking what has happened to IDA participants and similar non-participants during the subprime lending meltdown in the USA. At the time of writing, preliminary analysis shows that, after ten years, IDAs still have positive impacts on homeownership, despite the subprime mortgage meltdown.

Since asset building and IDAs were first proposed in the USA, there has been modest policy progress. One noteworthy effect has been increases in welfare asset limits in nearly all states in the 1990s and 2000s, influenced in part by the discussion of assets and public policy. Bills to extend IDAs are regularly before the US Congress¹⁰ and over 40 US states have adopted some type of IDA policy.¹¹ This may appear to be a lot of policy activity, but none of these efforts is comprehensive. Together, IDA policy development represents a major change in thinking and widespread innovation, but not yet a large-scale change in policy.

However, progress has been greater in other countries. Research on IDAs has influenced asset-based policy developments in the UK, including the Saving Gateway and Child Trust Fund,¹² family development accounts in Taipei,¹³ IDAs and the Learn\$ave demonstration in Canada,¹⁴ child development accounts in Korea,¹⁵ and asset-building demonstration projects in Australia, China, Hungary, Peru, Uganda and elsewhere. In her 2008 presidential campaigns, Hilary Clinton proposed matching savings in 401K plans of middle- and low-income workers. As president, Barak Obama has proposed an 'auto IRA' (individual retirement account), which would be available to workers not covered by an employer pension plan; the auto IRA would provide a match (in the form of a refundable tax credit) of up to US\$1,000 annually to households earning up to US\$65,000.

Looking forward, it seems likely that after the current financial and economic crisis there will be a little less emphasis on credit and a little more emphasis on saving. In this policy environment, IDAs and other strategies for inclusive savings may play a larger role.

A pathway to inclusion: universal child development accounts

Stimulated by IDA research in the USA, a serious discussion of asset-based policy began in the UK in 2000 leading to the introduction of the Child Trust Fund.¹⁶ In the USA, universal and progressive accounts for children at birth have been proposed for some time.¹⁷ Policy discussion is bipartisan and continues to be active, with at least five different bills introduced in the Congress in recent years.¹⁸ Although child development accounts (CDAs) are not currently on the front burner for the Obama administration, some congressional leaders strongly support this idea and legislation will continue to be introduced.

Looking at the larger picture, CDAs may be a promising long-term strategy for inclusive asset building in the USA. As one perspective on this, the USA is one of the few economically advanced nations without a children's allowance (monthly cash payment to all families with children). The average children's allowance in Western Europe is 1.8 per cent of GDP. For ideological and political reasons, the USA is unlikely to adopt a children's allowance, but much more likely to introduce CDAs. Even 0.1 per cent of US GDP would be enough for US\$3,000 in a start in life account for every newborn.¹⁹

In applied research, the Ford Foundation and several other foundations are supporting a large demonstration of CDAs in the form of the SEED (Saving for Education, Entrepreneurship, and Downpayment) initiative. The goal of SEED is to model, test and inform a universal and progressive CDA policy for the USA. In this regard, SEED for Oklahoma Kids (SEED OK) began in 2008 as a large experiment to test this concept. Social experiments in a total population (without selection) are uncommon, and therefore this project will be of interest to policy

scholars, and research results will directly inform the potential of a universal policy of CDAs in the USA. We hypothesise that there will be positive impacts of SEED OK on numbers of savings accounts and savings in these accounts, as well as eventual positive impacts on parental attitudes and behaviours related to education, cognitive and educational development of children, and children's early educational achievement. The current plan is to follow the respondents for seven years, but other researchers may follow later. Ideally, researchers will re-survey this group when they are older, perhaps at ages 12, 18 and 24. With effective data collection at wave one, SEED OK will be set up as a long-term 'public good' that can continue to generate useful knowledge over an extended period of time.

Directions for policy and financial services

Although income support strategies remain primary in anti-poverty discussions, policy makers across the political spectrum now seriously consider the 'assets perspective' when focusing on the long-term social and economic development of individuals, families and communities.

If inclusive (universal and progressive) asset accumulation is the goal, structured saving plans are likely to be an effective policy package.²⁰ Current savings plans in the USA – all of which are created by public policy with assets held in the private sector – include 401K plans in the private sector, 403(b) plans in the non-profit sector, the thrift savings plan for federal employees, and state-run 529 plans for post-secondary education. Although none of these plans reach the entire population, the plans have potential to deliver bundles of services and institutional supports that can lead to greater inclusion. The bundles could include:

- greater access through availability to all, outreach and ease of registration
- greater incentives at the bottom through progressive matching and elimination of fees on small savings
- greater information through financial education

- greater expectations though higher match limits and target savings amounts
- greater facilitation through automatic enrollment and direct deposits²¹

Inclusive and integrated asset-based policy would have several characteristics. It could:

- provide the means to reach a large number of people, perhaps even all people
- occur throughout life and be flexible enough to adjust to changes in an individual's life course
- consider assets needed over the life course in an integrated fashion – from a bank account to a home or business, through retirement
- offer greater subsidies to people with fewer resources and greater need
- provide incentives for building assets to low-income families (not just high-income families) and minimise disincentives – such as asset limits in means-tested public-assistance programmes
- be large enough to support adequate levels of accumulation in a meaningful way²²

If inclusive and integrated asset-based policy is useful as a social policy framework, policy makers may want to explore policy options that support asset building in a manner that is more universal, lifelong, flexible, progressive and adequate. In the UK, the Child Trust Fund provides the foundation to do just this.

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This essay is a reduced and revised version of a chapter with a similar title in a forthcoming book by scholars at the University of Washington (in Seattle), entitled Old Assumptions, New Realities.

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13 The potential for a flexible lifetime savings account

Paul Gregg

The Beveridge welfare system was primarily based on an insurance system into which everyone paid when working and from which they received payments when unable to work through unemployment, poor health or retirement. Indeed in much of Europe this form of support still dominates. However, from 1979 the UK shifted to a residualised means-tested social assistance model when families have no work. For those with a working partner or significant savings the state offers only short-term, low level support. More recently support for children and pensioners has been extended through tax credits and these are available for those with modest incomes, not just the poorest. However, it remains the case that many who have paid National Insurance (NI) contributions for years and/or have saved themselves for the proverbial rainy day receive little support from the state when they lose work. The recession is bringing this home to many families right now.

The natural reaction to the risks of unemployment, poor health or old age is to put something by for these times of low or no earnings. But there are two main problems with personal saving as a form of protection against such risks. First, these events are rare for most people (except old age, where the risk just seems a long way away) and so people are reluctant to lock away large amounts of money in case they occur. Second, the balance of risks and the ability to save are profoundly at odds. Most obviously, higher earners are far less likely to experience unemployment and ill health than the poor, but have a far greater capacity to save. Furthermore, for those most likely to need access to means-tested benefits or the pension credit, savings lead to reduced state support. So it is thus no surprise that saving among low income people is so rare, and inadequate to offer protection for the risks people face.

A compulsory national insurance system offers a way of pooling the risks. Furthermore, and unlike say car insurance, it redistributes from those with low risks, who still pay in, to those with higher risks who will claim more often. However, the direction of social security policy over the past three decades has moved away from this approach (largely for cost and targeting reasons), though it is still embodied in the NHS.

This essay proposes a way of incentivising saving to increase people's resilience against financial insecurity, but in a way that overcomes the problems of differential risk and disincentives in the welfare system. The cornerstone of this approach is state support for saving across the lifecycle, with a strong redistributive element toward those with higher risks and lower earnings. The idea of a lifetime investment savings account or LISA is to create a self-protection vehicle, which addresses two of the major problems with the post-Turner pensions settlement, as well as creating a security buffer against unemployment and ill health and other long-term savings needs. The plan is designed for low- to middle-income people for whom current savings incentives are weak and current welfare support is of very low value compared with normal earnings. The very poorest will struggle to save under any circumstances and the proposals here are in no way an alternative to a welfare safety net.

Government support for saving today mainly comes in the form of tax reliefs on interest received (in ISAs for instance) or on pension contributions made. This tax relief overwhelmingly benefits well off individuals for whom there are not savings incentive problems. HMRC estimates that 60 per cent of pension and savings tax reliefs go to top rate tax payers and at least a quarter to the richest 1 per cent.¹ Overall, some £37 billion a year goes to support pension saving through tax reliefs.

This was not a major issue where most saving for pensions was undertaken through defined benefit occupational pension schemes. In these schemes a large amount of the tax relief just flowed into pooled company pension plans rather than to the individual contributor, so the benefits were shared. However, the increasing move to defined contribution schemes means that this tax relief is providing a direct and disproportionate subsidy to

wealthy individuals. Changes to the tax reliefs at the last budget will reduce the relief to these very high earners to some £5 billion. However, the state will still be paying out £17 billion a year in tax relief for higher rate tax payers.

At the heart of the pensions problem in this country is inadequate saving among low–middle income groups. The very poorest will probably never be able to save enough to avoid reliance on additional state support in retirement. The pension credit aims to plug this gap, and has helped lift 900,000 pensioners out of poverty over the last decade. However, its means-tested structure weakens incentives for self-protection among low earners. There are huge incentives for the wealthy to save, while for lower earners weaker incentives are counteracted by means-tested benefits, so that the alignment of incentives to save are way off line with government objectives.

The other structural weakness in our major lifetime savings vehicle – pensions – is the heavy restrictions in when and how people can access its resources. In particular, that it can only be accessed on retirement not in other times of need. For instance, in Singapore savings pots supported by the government can be used for education, house purchase and in response to the face of ill health, as well as old age.

What can be done?

To overcome the inadequate protection against risks among a significant proportion of the population, the government should create a flexible personal savings pot which operates on top of – and independently from – the low value, means-tested social assistance of the UK welfare system. Self-protection from saving overcomes many of the incentive problems often at the heart of welfare policy because people draw on their own money rather than receiving state support. So choosing to stay out of work longer only depletes someone's own savings pot.

Withdrawals from the pot in the event of job loss or ill health would be entirely voluntary and people could choose whether to get by on the low value means-tested benefits or top them up by withdrawals from their savings. Hence, withdrawals

from these savings pots in times of need would not reduce the value of the means-tested benefit. The exception would be pensions credit where the proposed matching contribution from the state already offsets disincentives to save.

Contributions into the LISA account would be encouraged through matching tax rebate contributions from the state as in the Savings Gateway. These would be generous for initial contributions but diminish rapidly as more money is saved in any year. This would focus public resources on support for the many who can put a little away each week rather than the few with large amounts of their own money to save.

Therefore the overall objectives of reform are:

- to improve incentives to save for low-middle income people
- to at least partly mitigate the imbalance of risk and savings capability across the population
- to create a system of greater security and resilience against shocks like the current recession for ordinary hard working people

The remainder of this essay discusses how a more responsive system of saving, income replacement and self-protection which delivers on these objectives can be created.

The radical vision

The goal is to transform the relative incentives to save though creating a savings pot to top up welfare benefits, without disincentive side-effects. Given the scale of the budget deficit, this needs to be done in a way that does not require significant amounts of additional public resources. Outlined below are the core elements of a reform agenda to deliver this goal.

The first task is to ensure that incentives to save, and public resources to support this, are progressive. So, tax relief on savings into the LISA should be made at a fixed proportion of the contribution rather than at the marginal tax rate. For example, a contribution of £10 (after tax) would receive a matching contribution from the state irrespective of a person's

tax bracket. Employer contributions could be structured in the same way. To lock in these improved incentives and better targeting of public resources, a higher matching rate should be offered for the first contributions, diminishing as they rise. For example, pound for pound matching up to £500 of contributions a year, then 50p for every £1 for the next £500 and 25p for every £1 thereafter up to an overall limit.

Note that this is based on post-tax contributions, so £10 represents £12.40 of gross earnings for basic rate tax payers and nearly £15 for those on the higher rate. To ensure the benefit of this public support is not colonised by higher earners able to make significant personal contributions, there would be a limit on the total annual amount on which matching can apply. The system would need to prevent people from claiming the high initial matching rate on lots of accounts simultaneously, which may mean that people can only have one LISA.

These incentive reforms now need a more flexible savings vehicle. Lifetime investment savings accounts would be akin to stakeholder pensions but with the ability for savings to be drawn down for wider uses than just old age, for example for unemployment, ill health, continuing education, maternity or paternity leave, perhaps even for a house deposit. To prevent disincentive effects, income released from such deposits should not affect benefit entitlement (as with pension saving pots but not other savings currently). Pension credit entitlement would not be affected except if savings are used for long-term care needs, not pensions. Fund managers would only be able to charge very small amounts for this draw down.

Anything the person does not use during their working life rolls into either pension or care needs in retirement. Draw down would be entirely voluntary but restricted to these defined needs, around income replacement, education and housing.

This leaves three remaining big questions: the degree to which this is a voluntary scheme; its relationship with pensions saving and existing savings vehicles; and how the funds should be managed.

One option is to develop LISAs as a purely voluntary, free standing scheme with no state contribution other than matching.

This would be akin to ISAs but structured as a long-term savings plan with limits on what savings can be used for. This is less attractive but more limited in cost. An alternative would be for a flat contribution to be paid into the fund for all those making NI contributions. So, for example, a set amount could be credited to the fund for any week a person pays NI. This initial contribution would be compulsory but come from the state out of NI contributions. Extra contributions would of course be welcome and matched as discussed above.

The LISA funds could be run by the government or a limited set of private fund managers charging very low management fees. However, an interesting variant would be to bring in mutuals whose origins were exactly for this purpose. Withdrawals from the fund would be limited to a set of circumstances. In the event of unemployment or ill health a benefit claim (including a 'credits only' claim that does not lead to benefit pay outs because of savings rules) would allow for withdrawals, as would house purchase and education fees. The amount of any withdrawal could be capped as a percentage of the fund. Any funds left on retirement would be annuitised into a pension stream or put towards insurance for long-term care needs (as proposed by the government).

This raises the question of how LISAs would link to pension saving and provision. Following the recommendations of the Turner Commission, the government is introducing a low cost occupational pension vehicle, personal accounts, which employees will be automatically enrolled into, with compulsory employer contributions. Personal accounts do not have any system of early withdrawals, the matching as proposed here, or the capping of tax reliefs. However, with some modifications to make incentives more progressive and give people greater control over their money, they could be shaped into the LISA approach proposed here.

The other schemes that LISA resembles are ISAs and the Child Trust Fund. Given the considerable overlaps between ISAs and LISAs there is an argument for combining the two. However, the crucial difference is that there are no restrictions on withdrawals from ISAs, which risk people gaming the system to

maximise the benefit of progressive matching without getting the long-term self-protection benefits. People could put money in, get the matched funds, then quickly withdraw their own part. Therefore it is probably sensible to retain a separate savings vehicle for people who want to be able to access their savings at any time for any reason, but restrict the tax advantages. The Child Trust Fund has similar goals to the LISA, but for children. Therefore it would make sense to encourage people to roll one into the other at age 18.

So how could this new, progressive, lifetime savings vehicle be funded, given the state of the public finances? There are a number of potential sources, particularly from shifting the focus on current tax relief on savings. Restricting tax relief on pension contributions to the basic rate would save an extra £4.1 billion a year, in addition to the recent changes made by the government.² The government should also consider a minimum tax take rule whereby higher earners (for example those earning over £150,000pa) would have to make a minimum percentage of their income in tax. This does not change tax rates but limits the potential for avoidance. There are billions available from such a sensible tax shift. After a lead-in period to allow for funds to develop there would also be the opportunity to limit the length of contributory benefits in the working age system (but not pensions).

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14 Communities in top condition

Ian Forde

Conditional cash transfer schemes have attracted policy attention in this country and internationally. They began in Latin America in the late 1990s by rewarding disadvantaged families with sums of cash if they complied with certain conditions, such as mothers' attendance at parenting seminars or infants' attendance at health checkups. They have an appeal across the political spectrum for several reasons. First and foremost, the cash acts as an incentive to help marginalised families overcome some of the financial, informational and cultural barriers that prevent them from participating fully in society. Simply put, the schemes enable people to do more for themselves, rather than be done to. This co-productive relationship between state and citizens includes a greater awareness of entitlements. Chile's Puente scheme, for example, specifies that all disabled family members be formally registered and receive appropriate benefits.

As well as easing families' immediate cash-flow, the transfers also build long-term capabilities by focusing attention on children's early health and education. Ten years' worth of evidence shows that schemes meet their objectives¹ and – critically – do not create dependency but stimulate enterprise and productivity (although we must be cautious in transferring such evidence to high income settings).²

Variants of this principle are at the leading edge of policy making in the UK. NHS Tayside's offer of £12.50 a week to cigarette quitters received extensive media coverage;³ Manchester's points4life scheme and the Young Foundation's Healthy Incentives programme⁴ are other well-known examples. All of these target individuals or families and coincide with other drives to devolve power and resources as far as possible, such as individual budgets.

One weakness of these schemes is that they are often designed and delivered without reference to social contexts, despite their evident importance. Even an apparently highly individual problem such as obesity has been shown to ‘spread’ through social ties.⁵ Strengthening communities has become something of a dormant policy area, perhaps because flagship initiatives such as health action zones, Sure Start or the New Deal for Communities have shown only modest benefits. An intriguing question thus presents itself: can we extend the idea of conditional cash transfers to incentivise groups, such as streets, estates or neighbourhoods?

One approach would be to reframe familiar policy targets and aspirations at the community level. So a community might aim to demonstrate an increase in exercise or levels of recycling. A street might aim to lose one or two kilograms on average per resident or increase participation in elections. Relevant local agencies would play their role in facilitating change (Liverpool’s Challenge provides an excellent example of this⁶), but crucially any cash rewards would be disbursed to individuals and families once community targets were met. The experience from existing schemes such as points4life would help in fixing the incentive at an appropriate value. Health and environmental problems offer fertile ground for the idea, since individuals and community are equally implicated in their solution.

The rationale for such an approach is compelling. Despite the central importance of community in addressing both personal and social welfare issues, a sufficiently strong incentive for citizens to engage in community initiatives is lacking, particularly for complex issues such as prevalent ill health or low social capital. This is probably because initiatives invariably view disadvantaged groups as consumers of services rather than producers of their own welfare, despite the evidence that there are massive untapped resources of will, skills and expertise throughout society to share the work of building stronger communities.⁷

Incentivising a group to work together is also likely to benefit social cohesion. A recent report from the Institute for Fiscal Studies, for example, finds much higher levels of social capital in neighbourhoods where Familias en Acción had been

operating.⁸ This is a Colombian conditional cash transfer programme, which requires participation in community learning events as one of its conditions. The idea also offers new ways for people to connect, whether geographically or through shared interests. The critical point is to target the disadvantaged. Friendly competition between groups is likely to follow and will be an additional impetus to success.

Inevitably, there are risks: wherever there are targets, gaming follows, and wherever the rules of the game stipulate collective action, free-riders appear. But if we design schemes robustly (perhaps with groups of around 20 to 30 participants at most) we can tolerate some of these unavoidable costs while gaining much more along the way. Schemes could also affect social cohesion negatively if participants perceive unfairness in who successfully earns an incentive and who does not. This could be dealt with by avoiding all-or-nothing incentives and ensuring that all are rewarded to some extent for their efforts.

Challenges to the political and economic legitimacy of the idea are also almost certain. Presenting the cash rewards as rebates for public spending avoided through better health, better environments and stronger, more self-reliant communities could deflect this. Indeed, success along these lines will be easy enough to detect. Most targets will link to routinely collected data, and wider gains through increased social cohesion will be identifiable through indicators from the public service agreement to build more cohesive, empowered and active communities.⁹ Some work to slice data to match participating groups and select comparable groups as controls will be needed.

The evidence that traditional conditional cash transfers build capabilities and self-reliance is convincing. By transforming the idea to operate at community level we retain its power and gain further through tackling social problems through social means. Improvements in social cohesion are an added win. Community incentives are a bold step, but there are numerous avenues through which they can build a more progressive and resilient society.

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Notes

- 1 Fiszbein and Schady offer a comprehensive review; see A Fiszbein and N Schady, with FHG Ferreira, *Conditional Cash Transfers: Reducing present and future poverty* (Washington, DC: World Bank, 2009).
- 2 Save the Children Fund, *Lasting Benefits* (London: Save the Children Fund, 2009).
- 3 See BBC News, ‘Smoking scheme “very successful”’, http://news.bbc.co.uk/1/hi/scotland/tayside_and_central/8124584.stm (accessed 17 Feb 2010).
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- 7 See, for example, www.timebanks.org.
- 8 IFS, *Building Trust: conditional cash transfers and social capital* (London: Institute for Fiscal Studies, 2008).
- 9 Public Service Agreement 21 (London: HM Treasury, 2007).

15 Spreading power through reducing insecurity

Paul Dornan and Jason Strelitz

Life chances in the UK are widely and damagingly unequal, yet far from levelling the playing field, support systems are often inadequate, reinforcing precisely the divisions they should be closing. However, this essay argues that there are no magic bullets to promoting autonomy and maximising life chances and that policy and the narratives surrounding ‘welfare reform’ oversimplify individual experience, and give inadequate attention to the long-term scarring effects of poverty.

In avoiding panaceas, this essay is a plea to recognise the complexity in people’s lives and to engage with the current structural drivers of labour market disadvantage. Too often policy and the assumptions made around need are static, deterministic and fail to join the dots that really etch the patterns of people’s lives. People’s lives change – they partner and separate, experience poor health, move through periods of more, less or no work – and many move into and out of poverty.

This essay highlights the structural realities of low pay work and life on the fringes of the labour market. We argue that policies to promote autonomy must do three key things much better:

- predicate social protection on an adequate incomes floor for those who cannot work
- do more to improve job quality as well as (but not only) employee supply
- improve the effectiveness of systems to support transitions

Current experiences of employment

The world of low-paid work is characterised by insecurity, inflexibility, poor training prospects and little chance of progression – precisely the factors that undermine autonomy.

One in four employees earns less than £7.50 per hour and one in ten earns less than £6 per hour (equivalent to less than £14,000 and £11,000 a year respectively for a full-time worker).¹ Many are trapped in a 'low pay no pay' cycle where periods of temporary poorly paid work are punctuated by times outside the labour market.² Those on low incomes face much higher chances of falling back into poverty.³ There is significant volatility in the incomes of those on sustained low pay – much more than for those on higher incomes – and there is little evidence of job progression for those who go from unemployment to low paid jobs.⁴

Many more outside the labour market or with weak connections to it face a high risk of poverty. Benefit rates set below the poverty line leave between three and four in every five households of working age in poverty where no one is working.⁵ There is a high family poverty risk faced by mothers in late pregnancy, those in the first year after birth, those reliant on statutory sick pay and full-time carers.⁶ Many reliant on disability benefits appear to be on adequate incomes yet those extra costs incurred by disability are not met.⁷

For those trying to get into work the barriers are often high. The scarring effects of unemployment are well documented; the longer individuals are outside the labour market, the harder it is for them to get back in. At the same time, unless the constraints that stop them from being employed are addressed – such as skills, appropriate demand, the high costs associated with low-paid work and employer discrimination – the chances of employment are much lower.

But far from recognising these constraints our social security system is complex, inflexible, and often inadequate, stigmatising and punitive. If the benefits and tax credit systems reinforce dependence, these inadequacies are the cause. Some choose the stability of a low-income, low-risk benefit regime, to avoid the burden of overpayments, clawbacks, delays, debt and the consequent demoralisation that happens when the benefit and tax credit systems interact with the world of the low pay no pay cycle. As an important example, housing benefit changes, such as addressing marginal tax rates, may not win any policy

‘beauty contests’ but they are critical to the lives of those on the fringes of the labour market.

And despite the challenges, we have a dominant welfare discourse, which assumes more benign structural conditions, and is minimally concerned with the lack of security and multiple disadvantages endured by those caught up in the system. The language of ‘welfare dependency’ places the onus squarely on individuals, and their seemingly deviant behaviour. Very little social value is placed on hugely important unpaid work, and there are widely held suspicions of those claiming health reasons for not working.

Policy assumptions often made about life on the fringes of the labour market

Common assumptions shape (or pervade) the ‘welfare reform’ debates. The shaky foundations they provide make for bad policy and also help explain why progress on welfare reform policies has been slow, often contested, and largely unsuccessful in tackling poverty.

Here we question three assumptions commonly made.

First, that raising the safety net imperils work incentives.

‘Work incentive’ arguments are largely predicated on the assumption that the over-riding factor determining employment decisions is whether it will be financially worthwhile – yet we know this is rarely true. Comparative evidence shows that people in problem countries with higher unemployment benefits actually have a higher commitment to work.⁸ People’s decisions about the kind and amount of employment they want reflect the sum of a range of factors including financial and social gains, and costs of different options, including the impact on caring responsibilities, time factors and the nature of the work itself. In fact for many on low incomes or facing high marginal tax rates, the key question may be ‘can I afford to work?’ Clearly people should not be penalised by moving into employment, but this argument is far too often used to justify not raising safety net incomes, rather than to tackle low pay, or the wider costs of employment.

Second, there is a consensus that work is good for you and your children's health, but many would admit that this is too simplistic an assumption if it were applied to themselves and their children. There is a spectrum of work quality: we should not ignore the strong evidence that poor quality work can have adverse impacts on workers and their families. Work defined as 'high demand, low control', work characterised by an effort-reward imbalance and job insecurity can all have damaging effects on physical and mental health.⁹

The third assumption is that the jobs are there for those who want them. This view was clearly unrealistic in the best of times, and as unemployment rises and vacancies fall, it is preposterous now.¹⁰ This assumption presumes that if the unemployed pitch up with the right attitude and a well-organised CV there is work for them to attain. Structurally higher unemployment levels for some groups (geographically patterned, by ethnicity or skill level) always gave the lie to the myth that the number of jobs available nationally easily translates into an abundance of employment. There must be a greater focus on developing opportunities for those furthest from the labour market.

We highlight these assumptions because these and others inform policy, and reflect an unbalanced view of life on a low income, too often pathologising the individuals rather than the systems and structures in which they find themselves.

Conclusion: getting the foundations right to support autonomy

The next government will inherit a difficult fiscal position and high (history suggests rising) unemployment. Social programmes are expensive precisely because they pay big dividends for many people, protecting families and supporting opportunity. Our central message to politicians ahead of that election is that complex problems require complex and consistent solutions and that high unemployment brings long-term damage.

We urge that:

- there should be a positive argument for welfare, not as a problem but as a vital support and important opportunity
- in suggesting ‘solutions’ policy makers grapple with the complexities of people’s lives and do not jump to simplistic assumptions or conclusions
- when it comes, economic recovery is used as an opportunity to put in place a labour market that treats people as more than units of economic production

To conclude, our analysis is framed around four specific propositions.

Social protection needs to be predicated on an adequate incomes floor for those who cannot work

Instead of viewing those who are not in employment as a problem of dependency, we should put in place a standard of living that promotes autonomy. Independent research has frequently criticised scale rates as woefully inadequate to this test (usually below both the poverty line and independent tests of adequacy¹¹). The fact that benefits are so low undermines morale and health, making participation, employment and autonomy harder, and sometimes damaging the claimant’s family as well. For those temporarily out of work, decent benefit rates will help tackle poverty and are likely to facilitate a quicker return to work; for those unlikely ever to work, society needs to provide a basic income congruent with assuring dignity.

Do more to improve job quality as well as (but not only) employee supply

Being serious about autonomy means being serious about the quality of jobs and job control at the bottom of the labour market. Policy makers have key tools here; the rate of the national minimum wage is low and needs to rise, aggressively so when unemployment begins to fall. It is equally important that the mechanisms to support access to employment (decent, affordable childcare and other measures to reduce the costs of

employment) are in place. It is also vital that the balance shifts to doing more with employers to ensure better conditions and flexibility at work in the first place.

Improve the effectiveness of systems to support transitions

Systems need to protect those in transition more effectively against risk, better supporting transitions between employment and non-employment, and those able to work a small number of hours but not the 16 hours that tax credit rules demand. The fluidity in and out of the labour market also suggests that policy should not so squarely tie access to childcare to employment status (as it does through the tax credit system); instead childcare needs to evolve towards a universal public service, predicated on child well-being not parental labour supply.

Skills are of growing importance in the modern jobs market and the lower paid face the least likelihood of being able to access training. More should be done through further education and training systems to facilitate transitions and second chances in adulthood for those at the bottom of the labour market.

No magic bullets

Life at the fringes of the labour market poses great challenges. Policies to boost autonomy need to tackle risk, promote security and give people freedom to take chances, whether going into work, taking a new job, deciding to study or investing in family life. We do not doubt the fiscal difficulty but believe that instability can perhaps open the space for more focus on the constraints affecting the poorest families. Ten years of social policy and welfare reform suggests that improvements can occur but they take time and require consistent commitment to improving work conditions and support.

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- 3 L Cappellari and S Jenkins, 'Modelling low income transitions', *Journal of Applied Econometrics* 19 (2004).
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- 8 I Esser, 'Has welfare made us lazy? Employment commitment in different welfare states' in A Park et al (eds), *British Social Attitudes* (London: National Centre for Social Research, 2009).
- 9 See J Siegrist et al, 'Employment arrangements, work conditions and health inequalities: report on new evidence on health inequality reduction', produced by Task Group 2 for the strategic review of health inequalities post 2010, 2009, www.ucl.ac.uk/ghcg/marmotreview/consultation/Employment_arrangements__work_conditions_report (accessed 10 Mar 2010).
- 10 Both on-flows and off-flows of JSA have increased since unemployment began to rise (showing much greater churn and instability) but there has been a large drop in overall vacancies.
- 11 J Bradshaw et al, *A Minimum Income Standard for Britain* (York: Joseph Rowntree Foundation, 2008).

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As the economy returns to growth and unemployment begins to fall, the focus for policy makers will soon shift from emergency response to the next phase of welfare reform. Using lessons from the recession, this report proposes a new approach based around the concept of Liberation Welfare. It's driving aims are to give people power, increase their security and embed reciprocity across the welfare system. This approach recognises that people are the principal agents of change in their lives, but also that government has an essential role in shaping the conditions in which they are lived.

This collection contains ideas addressing a range of challenges including disability, families, homelessness, assets, skills, housing benefit and addictions. What unites them all is the view that the 'rights and responsibilities' approach of the 1990s has run its course. To illustrate what Liberation Welfare could mean in practice we propose four core ideas: a job guarantee for anyone at risk of long term unemployment; a more progressive savings vehicle to encourage people to self-protect against income shocks; a commitment that no-one who works hard lives in poverty; and a more personalised approach to support and expectations in the welfare system.

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