

SOCIAL SECURITY ADVISORY COMMITTEE

Social Security Advisory Committee Occasional Paper No 9

Universal Credit and Conditionality

August 2012

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Secretary of State
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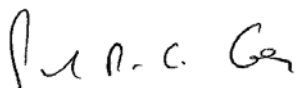
23 August 2012

Dear Secretary of State

As part of its independent work programme in 2006, the Committee undertook a review of the available research evidence relating to sanctions within the UK benefits system, and of the wider international evidence relating to conditionality. It also examined the evidence relating to the sanctioning process, including an exploration of the consequent impacts. The Committee's subsequent report concluded that, while conditionality was widely regarded as necessary within a well-functioning benefits system, sanction regimes were frequently complex and not easily understood by benefit claimants. It noted that sanctions also tended to fall disproportionately on more vulnerable claimants, often with some unintended impacts.

As the introduction of Universal Credit in 2013 will herald significant reform to the conditionality arrangements and sanctions regime, the Committee decided that it would be timely to review more recent research relating to sanctions within the benefits system, looking specifically at the evidence which can inform the implementation of the new approach to conditionality.

I enclose a copy of the Committee's report, which outlines a number of issues on which the Department might want to reflect as a new sanctions regime is introduced. I hope it will be helpful for you to have this alongside our wider report on the Universal Credit and related draft regulations, which also picks up some points regarding sanctions that emerged from our consultation exercise



Paul Gray
Chair

Universal Credit and Conditionality

1. Introduction

1.1 The Social Security Advisory Committee (SSAC) has long taken an interest in conditionality and the use of sanctions in the benefits system. The Committee published a comprehensive review of the research evidence relating to conditionality in 2006.¹ Since 2006 SSAC has reported on a number of proposed sets of regulations that included changes to the sanctions regimes.²

1.2 The phased introduction of Universal Credit (UC) from 2013 will herald a significant shift in conditionality arrangements and a new sanctions regime. A number of changes are being made in respect of the existing benefits in the run up to Universal Credit and these are contained within the regulations on which SSAC has consulted during the summer of 2012. The Committee believes it is timely, therefore, to review more recent research relating to sanctions within the benefits system, looking specifically at the evidence which can inform the implementation of the new approach to conditionality.

1.3 In the review published by SSAC in 2006 the Committee considered the available evidence on sanctions within the UK benefits system and looked at wider international evidence relating to conditionality. The Committee also examined the evidence relating to the sanctioning process, including an exploration of the consequent impacts. It concluded that while conditionality is widely regarded as necessary within a well-functioning benefits system, sanction regimes are frequently complex and not easily understood by benefit claimants. Moreover, sanctions tend to fall disproportionately on more vulnerable claimants, often with some unintended impacts.

1.4 A number of research studies have been conducted since the SSAC's previous review in 2006 and we have examined these in order to draw out the lessons which can inform the implementation of the new sanctions regime within existing benefits and within UC. We have been mindful of the two key drivers of welfare reform – simplification and making work pay – and the Government's desire to change the culture of welfare to remove what it regards as 'dependency'. Consequently, in our consideration of the existing evidence about sanctions we have been keen to review evidence about the extent to which conditionality and sanctions influence behavioural change.

1.5 This paper summarises the relevant research evidence and outlines the key issues for consideration as a new sanctions regime is introduced. In the

¹ Social Security Advisory Committee (2006) *Sanctions in the Benefit System: Evidence Review of JSA, IS and IB Sanctions*, SSAC Occasional Paper No.1 (<http://ssac.independent.gov.uk/pdf/occasional/sanctions-occasional-paper-1.pdf>)

² See for example: The Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008; The Social Security (Flexible New Deal) Regulations 2009; The Jobseeker's Allowance (Skills Training Conditionality Pilot) Regulations 2010; The Jobseeker's Allowance (Mandatory Work Activity Scheme) Regulations 2011

next section we set the context, noting briefly the changes consequent on the shift to UC and the introduction of new measures within the Welfare Reform Act 2012. Section 3 examines the evidence from recent research and Section 4 draws together the key messages relevant to the implementation of a new approach to conditionality within UC.

2. Changes to Conditionality and the New Sanctions Regime

2.1 Sanctions, through loss of benefits, have been a feature of the UK benefit system since the introduction of Jobseeker's Allowance (JSA) in 1996. This marked the beginning of a move towards a more contractual model of service delivery and individual responsibility.³ Benefit recipients have increasingly been expected to do everything that can reasonably be expected of them to find work, or prepare for work in the future, as a condition of receiving support.⁴

2.2 Universal Credit introduces changes to the existing conditionality regime to strengthen the link between people receiving benefits and meeting their responsibilities. The Coalition Government took the view that the current system of conditionality and the sanctions regime were not effective, noting that⁵:

- the financial sanctions system is currently too complex with no consistent set of sanctions across the out-of-work benefits, and implementing sanctions takes too long
- some sanctions are set at too low a level – particularly for claimants who repeatedly fail to meet their responsibilities
- variable sanctions mean that it is not always clear what level of sanction will be imposed for any particular failure to comply with requirements
- the consequences of failing to comply with requirements are not always clear
- once a sanction is imposed there is little incentive to encourage rapid re-compliance

2.3 These concerns about complexity, administration and communication in the current system are all supported in the evidence which we highlighted in our 2006 paper. The complexity is increased by the fact that, under the current system, different sanction regimes operate in the different kinds of benefits. So, for example, two types of sanctions can be applied under the JSA regulations, while three different kinds of sanctions can be applied under

³ Barker, N. and Lambie, S. (2009) *From social security to individual responsibility: Sanctions, conditionality and punitiveness in the Welfare Reform Bill 2009 (Part One)* Journal of Social Welfare and Family Law, Vol.31, No3, pp 321 – 332.

⁴ Department for Work and Pensions (2010) *Universal Credit: Welfare that Works*

<http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

⁵ *ibid*

Employment and Support Allowance (ESA) regulations. Moreover, under the Work Programme, which came into effect on 1 June 2011, different sanctions apply to JSA and ESA claimants. The conditionality regime for lone parents has also changed considerably since our 2006 review. Since 2008, lone parents with older children have been progressively moved from Income Support to JSA and are subject to Lone Parent Obligations (LPO): the sanction regime has shifted from one involving the loss of a proportion of benefit to one with a complete loss of benefit for non-compliance. In April 2010 a new sanctions regime was introduced for claimants involved in benefit fraud, adding a 'One Strike' sanction to the existing 'Two Strike' regime.

2.4 One of the major drivers of welfare reform is the need to simplify the current complex system, including conditionality. In order to ensure that claimants understand their obligations and the consequences for failing to meet them, claimants will be required to accept a Claimant Commitment which sets out what is expected of them. There are four basic types of work-related requirements: work availability; work search; work preparation and work-focused interviews. Requirements will be set according to individual capability and circumstances, and claimants will be allocated to one of four conditionality groups:

- full conditionality – all work-related requirements – jobseekers
- work preparation – people with a disability or health condition which means that they currently have a limited capacity for work
- work-focused interview – keeping in touch with the labour market – lone parents or the lead carer in a couple with a young child aged between one and four
- no conditionality – no work-related requirements – people with a disability or health condition which prevents them from working, carers, lone parents or lead carers with a child under one

Because UC is an in-work and an out-of-work benefit, an earnings threshold will be applied, beyond which there will be no conditionality. Financial support will remain unconditional for people who are not expected to be able to work or to prepare for work. The Government's expectation is that most people will fall into the full conditionality group, but the extent to which they must look for work will be personalised.

2.5 The UC sanctions approach comprises four levels of sanctions summarised in Table 2.1. The level of sanction a particular claimant will receive will depend on which conditionality group they are in. Claimants subject to high, medium and low level sanctions will be sanctioned an amount equivalent to 100 per cent of their standard UC allowance. Claimants subject to the lowest level sanctions will lose 40 per cent of their standard UC allowance.

Table 2.1 Universal Credit Sanction Levels

Sanction	Applicable to:	Duration		
		1 st failure	2 nd failure	3 rd or subsequent failure
Higher Level e.g. failure to take up an offer of paid work	Claimants subject to all work-related requirements	91 days	182 days	1095 days
Medium Level e.g. failure to undertake all reasonable action to obtain work	Claimants subject to all work-related requirements	28 days	91 days	
Lower Level e.g. failure to undertake particular, specified work preparation action	Claimants subject to all work-related requirements Claimants subject to work preparation and work-focused interview requirements	Open ended until re-engagement plus		
		7 days	14 days	28 days
Lowest Level Failure to participate in a work-focused interview	Claimants subject to work-focused interview requirements only	Open ended until re-engagement		

Source: DWP presentation to SSAC June 2012

2.6 The Government has agreed that hardship payments (which will be recoverable under the new regime) will be available to claimants who are sanctioned who cannot meet their basic, immediate needs. Claimants will have the opportunity to show good cause prior to a sanction being imposed, they will continue to have the right to appeal; and safeguards for vulnerable people will be maintained.

2.7 Sections 26 and 27 of the Welfare Reform Act 2012 provide for sanctions to be imposed on UC claimants who fail to meet their conditionality requirements without a good reason. The Government believes that sanctions play a vital role in driving engagement with the labour market by providing:⁶

- clarity about the consequences of non-compliance with requirements
- a clear and robust deterrent against non-compliance
- tougher sanctions for repeated non-compliance

Ahead of the introduction of UC, the current JSA and ESA sanctions regimes are being revised to broadly align with the UC sanctions model, to prepare the way for the introduction of UC in 2013.

⁶ DWP (2012) Universal Credit Regulations 2012, *Explanatory Memorandum for the Social Security Advisory Committee*, June 2012

2.8 While acknowledging that it is difficult to predict with certainty the behavioural responses of claimants subject to the new conditionality requirements, the Government believes that with greater understanding of what is expected of them via the Claimant Commitment most claimants who are sanctioned will receive a lower level assessment and that the tougher penalties will apply only to the most extreme cases where sanctions have failed to change behaviour and conditionality is continually breached. In other words, the new regime is expected to result in behavioural change such that few people will escalate to tougher sanctions. During the passage of the Welfare Reform Bill in 2011, the Department indicated that the new sanctions regime could result in longer sanctions for some people, particularly those claimants who repeatedly fail to meet their requirements, but claimants who fail to meet lower-level requirements will receive shorter sanctions, depending on how quickly they re-engage.⁷ Nevertheless, some element of sanctioning will run on after re-engagement for those receiving the lower level sanctions.

2.9 Concerns have been raised by a range of organisations who work with claimants about the extent to which the new approaches will achieve the policy intent, and suggestions have been put forward to refine the system prior to implementation. It is timely, therefore, to consider the extent to which existing evidence can further inform implementation.

3. Learning from the Evidence

3.1 We have examined the evidence from research that has been published since our previous review in 2006 (we considered over 30 studies). While a number of these studies have touched on conditionality and the impacts of sanctions, few have had this as a central concern. Moreover, few have involved robust empirical research and many have relied on more descriptive qualitative data in an attempt to understand the impacts of conditionality and of the threat and/or imposition of sanctions on claimant behaviour. The evidence has indicated mixed results. Nonetheless, the findings reveal some consistent messages.

3.2 Griggs and Evans (2010)⁸ conducted a comprehensive review and synthesis of the international evidence on sanctions and highlighted the long-standing association between entitlement to benefits in respect of unemployment and job-search conditionality. The review noted the increased scope of many conditionality regimes and raised questions about the apparent gap between the rhetoric about sanctions and the evidence for their impact. The reviewers concluded that sanctions undoubtedly reduce benefit claims and increase the off-flows from benefits, but that the long-term effects, measured in terms of earnings, job quality and broader social impacts such as criminal activity, are generally less positive. For example, evaluation of basic skills mandation within the Skills Training Conditionality Pilots⁹ found that while

⁷ <http://www.dwp.gov.uk/docs/conditionality-wr2011-1a.pdf>.

⁸ Griggs, J. and Evans, M. (2010) *Sanctions within conditional benefit systems: a review of evidence*, JRF <http://www.jrf.org.uk/sites/files/jrf/conditional-benefit-systems-full.pdf>

⁹ Wiggin, N. (2008) *Assessing the net impact of basic skills mandation*, DWP ad hoc analysis, http://research.dwp.gov.uk/asd/asd1/adhoc_analysis/2011/basic_skills.pdf.

the threat of a sanction may encourage people to participate in basic skills training, it may have a negative impact on the probability that participants would start a job.

3.3 Other studies provide similar mixed evidence: sanctions tend to reduce the claimant count but, at the same time, can result in undesirable consequences including debt, the breakdown of family relationships and ill health. It is this mixed response to conditionality that points to the importance of careful, robust evaluation of any new conditionality requirements and the need for flexibility to modify regimes that are shown to have negative impacts and/or not to have all the positive impacts they are designed to achieve. Evidence of the effectiveness of conditionality within specific programmes in the UK remains somewhat limited, although most have been evaluated.¹⁰

3.4 We have taken a thematic approach to the analysis of the available evidence, linking this closely to the issues raised during the summer by those who responded to SSAC's consultation on the UC regulations, and the findings are summarised below.

Knowing What is Required and the Penalties for Failure to Comply

3.5 A number of studies have highlighted the apparent lack of knowledge amongst claimants about the sanctions process and the consequences of failing to comply with conditionality. A review of sanctions relating to Pathways to Work, for example, found that although the majority (70%) of claimants knew that attendance at a work-focussed interview (WFI) was mandatory, fewer than half (44%) were aware that non-attendance could trigger a sanction.¹¹ Qualitative interviews with claimants revealed a lack of knowledge about how the sanctions process operated and of the financial implications of failing to attend a WFI,¹² although the research showed that knowledge about the sanctions process increased as claimants became more aware of the programme.

3.6 A survey of ESA claimants revealed similar levels of knowledge: the majority (86%) knew that attendance at a WFI was mandatory but knowledge of how sanctions were applied remained low and was frequently inaccurate.¹³

¹⁰ Griggs, J. and Bennett, F. (2009) *Rights and Responsibilities in the Social Security System*, SSAC Occasional Paper No. 6.

¹¹ Dorsett, R. (2008) *Pathways to Work for new and repeat incapacity benefit claimants: Evaluation Synthesis Report*, DWP Research Report No. 525.

¹² Mitchell, M. and Woodfield, K. (2008) *Qualitative research exploring the pathways to work sanctions regime*, DWP Research Report, No. 475.

¹³ Barnes, H., Sissons, P. and Stevens, H. (2010) *Employment and Support Allowance: Findings from a face-to-face survey of customers*, DWP Research Report No. 707; Barnes, H., Sissons, P. and Stevens, H. (2011) *Employment and Support Allowance: Findings from a follow-up survey of customers*, DWP Research Report No. 745.

3.7 Flexible New Deal: claimants understood that they could be sanctioned if they failed to engage in agreed activities¹⁴ although only about a third said they had been told about the risk of losing their benefit.¹⁵ A study of interactions between claimants and personal advisers (PAs) indicated that only a few advisers explicitly described the link between the actions specified in the Jobseekers' Agreement, the receipt of benefit and sanctions.¹⁶ Moreover, there were differences in the way that PAs dealt with older and younger claimants: there was no mention of sanctions in discussions with older claimants, although references to sanctions were rare across all age groups. Incapacity Benefit PAs did not talk about the possible consequences for benefit receipt of non-attendance at subsequent WFIs. Overall, there is little evidence in a range of studies that PAs have been communicating the mandatory nature of some activities to claimants.¹⁷

3.8 An international review of Lone Parent Obligations¹⁸ in four countries (Australia, Netherlands, Sweden and the USA) noted that poor communication between advisers and claimants limited the effectiveness of sanctions as a tool for behavioural change. Researchers have commented that PAs appear to have found it difficult to strike a balance between a culture of more personalised support and increasing conditionality.

3.9 In addition to claimants having a lack of knowledge about how sanctions work, research indicates that claimants do not always realise that they have been sanctioned. Interviews with Pathways to Work claimants revealed that some claimants were unaware that they had received a sanction, primarily because deductions were already being made for the repayment of Crisis Loans or for non-payment of bills. Research on the effects of sanctions on lone parents' decisions and moves into work¹⁹ demonstrated that many lone parents were unaware about how much benefit they should receive each week and many had considerable debt anyway. Often they simply 'lived with the sanction' and these claimants tended to have higher levels of ill-health than other lone parents. The sanction had little impact on their job-seeking behaviour. In these circumstances, a benefit reduction for a sanction was not

¹⁴ Vegeris, S., Vowden, K., Bertram, C., Davidson, R., Durante, L., Hudson, M., Husain, F., Mackinnon, K. and Smeaton, S. (2010) *Jobseekers Regime and Flexible New Deal Evaluation: A report on qualitative research findings*, DWP Research Report No. 706; Adams, L., Oldfield, K., Riley, C., Vegeris, S., Husain, F., Bertram, C., Davidson, R., and Vowden, K. (2011) *Jobseekers Regime and Flexible New Deal Evaluation: Findings from longitudinal customer surveys and qualitative research*, DWP Research Report No. 767.

¹⁵ Adams, L., Oldfield, K., Fish, S., Riley, C. and Isherwood, E. (2010) *Jobseekers Regime and Flexible New Deal Evaluation: Stage 2 and Stage 3 Customer Surveys*, DWP Research Report No. 694.

¹⁶ Irvine, A., Sainsbury, R., Drew, P. and Toerien, M. (2010) *An exploratory comparison of the interactions between advisers and younger and older clients during Work Focused Interviews*, DWP Research Report No. 634.

¹⁷ Adams *et al.* (2010) *op. cit.*

¹⁸ Finn, D. and Gloster, R. (2010) *Lone parent obligations – a review of recent evidence on the work-related requirements within the benefit systems of different countries*, DWP Research Report No. 632.

¹⁹ Goodwin, V. (2008) *The effects of benefit sanctions on lone parents' employment decisions and moves into employment*, DWP Research Report No. 511.

easily visible.²⁰ Clearly, if claimants are unaware that they are losing benefit as a result of a sanction there is little incentive for re-compliance.

3.10 Even when claimants were aware of having been sanctioned, many did not know what they had to do to reverse the sanction. A number of studies found that while most claimants understood the principles of applying sanctions there was less awareness about how sanctions could be lifted and benefit reinstated.²¹ Researchers have recommended that PAs should always clarify the process of how to re-engage at the start of any claim.²² Finn and Gloster²³ noted that a lack of knowledge about re-compliance limits the effect of sanctions as a tool for behavioural change.

3.11 A visit by members of the SSAC to Streatham Jobcentre Plus in August 2012 included observation of a new claimant (18-24 years) group session. The session was mandatory with a potential sanction for non-attendance. The presentation included a full and uncompromising description of the responsibilities each claimant must accept and of the penalties for failing to adhere to them. This was an example of how new claimants could be introduced to a stricter approach to conditionality at the start of their claim and given a very clear explanation of what is expected of them and what Jobcentre Plus would do to support them into work. Expectations on both sides are set very high and staff are convinced that this new, stricter process is effective in getting people off benefits. Sharing best practice will be important as new conditionality and sanctions regimes are rolled out.

3.12 The lessons to be learned from the research ought to be relatively straightforward to implement, although providing the appropriate training for a large number of Personal Advisers may present a considerable challenge:

- claimants need to have the link between conditionality and the application of sanctions fully explained at the start of any claim
- clear and unambiguous communication about the sanctions regime between advisers and claimants is vital at the start of any claim and must form a key element in the Claimant Commitment
- claimants need to know when they are in danger of receiving a sanction and to be told when a sanction has been imposed, the amount and the duration
- claimants need to know what actions they have to take to reverse a sanction – the process and consequences of re-compliance

²⁰ Barnes *et al.* (2011) *op. cit.*

²¹ *ibid.*

²² Gloster, R., Casebourne, J., Culshaw, S., Mavra, L., Odonell, A. and Purvis, A. (2010) *Lone Parent Obligations: early findings of implementation as well as experiences of the Income Support and Jobseeker's Allowance regimes*, DWP Research Report No. 645; Casebourne, J., Davies, M., Foster, S., Lane, P., Purvis, A. and Whitehurst, D. (2010) *Lone parent obligations: destinations of lone parents after Income Support eligibility ends*, DWP Research Report No. 710; Lane, P., Casebourne, J., Lanceley, L. and Davies, M. (2011) *Lone parent obligations: work, childcare and the Jobseeker's Allowance regime*, DWP Research Report No. 782.

²³ Finn and Gloster (2010) *op. cit.*

Imposing Sanctions

3.13 Concerns have been expressed by many about the the impacts of the changes in conditionality and sanctions within UC for vulnerable claimants.

3.14 There is evidence from several countries that sanctions are experienced disproportionately by the more disadvantaged and vulnerable claimants,²⁴ those who are more socially deprived or isolated and longer-term benefit recipients.²⁵ Evidence from the USA²⁶ shows that claimants facing multiple barriers to work (lack of skills, low self-esteem and so on) were at higher risk of receiving sanctions.

3.15 The evidence suggests that many vulnerable claimants do not set out to be non-compliant but they often lead chaotic life-styles, have poor organisational skills and frequently forget the conditions they are supposed to fulfil.²⁷ A recent study of offender employment services²⁸ also referred to the chaotic lifestyles of many offenders and their inability to understand the sanctioning regime, and questioned the utility of sanctions as a mechanism for generating behaviour change amongst certain groups.²⁹

3.16 The most recent Flexible New Deal quantitative survey found that Jobcentre Plus staff tended to use their discretion before making a referral for a sanction, taking into account the personal circumstances of the claimant and previous behaviour.³⁰ This was widely welcomed by claimants, particularly those whose personal circumstances were complex.

3.17 In the first of a series of reports from the Policy Exchange relating to welfare reform,³¹ the authors draw attention to the importance within a tougher sanctions regime of identifying those claimants who need the most support to move into the labour market. Their view is that if claimants have increased requirements placed on them

²⁴ Griggs and Evans (2010) *op. cit.*

²⁵ Mitchell and Woodfield (2008) *op. cit.*

²⁶ Meyers, M., Harper, S., Klawitter, M. and Lindhorst, T. (2006) *Review of Research on TANF Sanctions*, Report to Washington State WorkFirst SubCabinet, Seattle: West Coast Poverty Center.

²⁷ Dorsett, D., Rolfe, H. and George, A. (2011) *The Jobseeker's Allowance Skills Conditionality Pilot*, DWP Research Report No. 768.

²⁸ Fletcher, D., Flint J., Gore T., Powell R., Batty E., and Crisp, R. (2012) *Qualitative Study of Offender Employment Review: Final Report*, Department for Work and Pensions Research Report No.784.

²⁹ Flint, J., Batty, E., Parr, S., Platts-Fowler, D., Nixon, J. and Sanderson, D. (2011a) *Evaluation of intensive intervention projects*, Department of Education; Flint, J., Jones, A. and Parr, S. (2011b) *An evaluation of the sanction of Housing Benefit*, DWP Research Report No. 728.

³⁰ Vegeris, S., Adams, L., Oldfield, K., Bertram, C., Davidson, R., Durante, L., Riley, C. and Vowden, K. (2011) *Flexible New Deal evaluation: Customer survey and qualitative research findings*, DWP Research Report No. 758.

³¹ Oakley, M. and Saunders, P. (2011) *No rights without responsibility: rebalancing the welfare state*, London: Policy Exchange.

then this must go hand in hand with consistent and fairly applied support for those who need a helping hand in getting back to work. This means that we need to do more to ensure that those with the greatest needs are properly supported towards work and that the service provided by both Jobcentre Plus and providers give support which is proportional and appropriate to claimants with greatly differing requirements and barriers to work.

3.18 The lessons to be drawn from the various studies are to:

- recognise the importance of being sensitive to the personal circumstances of the most disadvantaged and vulnerable claimants, recognising that conditions must be personally tailored
- take account of the fact that the ability of claimants with chaotic lifestyles to understand the sanctions regime and comply with it may be compromised by their circumstances
- encourage early identification of claimants who are especially vulnerable, such as those with mental health problems or a learning disability, and most at risk of sanctions and enable advisers to ensure that appropriate support is made available to them at the earliest opportunity: this could be reflected in the Claimant Commitment
- allow discretion in applying a sanction as a vital component in an effective sanctions regime which seeks to change behaviour

Impacts of Sanctions

3.19 As has been noted, the evidence on the behavioural impacts of sanctions is mixed across all claimant groups. While sanctions may encourage compliance, the impacts on wider labour market behaviour are less clearly marked. Griggs and Evans³² concluded from their review of the evidence that the deterrent effects of a threat of a sanction are difficult to identify and measure. A number of studies they reviewed questioned whether sanctions had met their policy objectives, given that there was little evidence to suggest that motivation and attitudes towards work had improved.

3.20 On the other hand, other research suggests that sanctions are effective: the threat of sanctions makes claimants more likely to look for work³³ and those who had been sanctioned were keen not to repeat the behaviour that resulted in a sanction.³⁴

³² Griggs and Evans (2010) *op. cit.*

³³ Gregg, P. (2008) *Realising potential*, DWP.

³⁴ Peters, M. and Joyce, L. (2006) *A review of the JSA Sanctions Regime: summary research findings*, DWP Research Report No. 313.

3.21 There is compelling and consistent evidence of the short-term effects of sanctions in raising both the numbers of those coming off a benefit for unemployment and those starting a job³⁵ but the evidence on the duration of effect is mixed. There is also evidence that exits prompted by sanctions result in poorer quality employment, lower earnings and job instability.³⁶ When lone parents, for example, moved into work they tended to be in unstable and low paid jobs.³⁷

3.22 A qualitative study of the Skills Conditionality Pilot³⁸ examined the extent to which conditionality increased participation in training and reduced the time available for job search activities. It found little evidence that mandation and sanctioning impacted on individual's behaviour. Participants were already welcoming of training and recognised the potential benefits when they entered the pilot. They tended to accept the requirements placed on them because they had a strong desire to find work. The study concluded that jobseekers were more motivated by the encouragement and support of their PA than by any threat of sanctions. Participants saw the most negative effects of conditionality as being what they perceived to be a disregard for their own strategies to find work and being mistakenly regarded as 'work shy'.

3.23 The study suggests that personalised support and intensive help was more effective than a sanctions regime in encouraging jobseekers to enter into training. Sanctioning did little to change behaviour. What mattered was the appropriateness and quality of the training and motivation to participate, irrespective of conditionality and the threat of sanctions.

3.24 There is evidence from lone parents³⁹ that they try hard to make sure they are not sanctioned because of the possibility of losing their benefit, indicating a distinct deterrent effect. Nevertheless, there is a difference, it seems, between encouraging compliance, such as attending a WFI, and increasing motivation for and engagement with any particular programme. Research on lone parents suggested that the imposition of a sanction had negligible impacts on market behaviour,⁴⁰ despite the threat of sanctions acting as a deterrent.

³⁵ Svarer, M. (2007) *The Effect of Sanctions on the Job Findings Rate: Evidence from Denmark*. IZA Discussion Paper No. 3015. Bonn: The Institute for the Study of Labor (IZA); Müller, K-U. and Steiner, V. (2008) *Imposed Benefit Sanctions and the Unemployment to Employment Transition: The German Experience*, IZA Discussion Paper No. 3483, Bonn: The institute for the Study of Labor (IZA); Schneider, J. (2008) *The Effect of Unemployment Benefit II Sanctions on Reservation Wages*, IAB Discussion Paper 19/2008, Nuremberg: Institut für Arbeitsmarkt- und Berufsforschung (IAB) (Institute for Employment Research).

³⁶ Arni, P., Lalive, R. and van Ours, J. (2009) *How Effective are Unemployment Benefit Sanctions? Looking Beyond Unemployment Exit*, IZA Discussion Paper No. 4509, Bonn: The Institute for the Study of Labor (IZA).

³⁷ Finn and Gloster (2010) *op. cit.*

³⁸ Rolfe, H. (2012) *Requiring the long-term unemployed to train: is benefit conditionality effective?*, National Institute Economic Review 291R65.

³⁹ Lane *et al.* (2011) *op. cit.*; Casebourne *et al.* (2011) *op. cit.*

⁴⁰ Goodwin (2008) *op. cit.*

3.25 The recent evaluation of the Flexible New Deal found that in some cases, sanctions promoted compliance with conditionality and could improve motivation, attendance and behaviour, despite initial negative reactions to a sanction being imposed.⁴¹ The financial impact of loss of benefit had prompted some claimants to change their behaviour and comply with the regime, but this was not universal across all groups: longer term claimants were less likely to change their behaviour following a sanction and some claimants were demotivated and alienated by the threat of sanctions.

3.26 Other negative impacts have been documented in a number of studies. Lane *et al.*⁴² reported that some lone parents felt very negative about the support offered by Jobcentre Plus after a sanction had been imposed and withdrew from active engagement. Some lone parents experienced financial difficulties, including difficulties meeting housing costs, and were increasingly in debt after being sanctioned.⁴³ Financial hardship was undoubtedly stressful for some of these lone parents and the financial impacts could be long-lasting.⁴⁴ Research with repeat JSA claimants found that those who had been sanctioned were more likely to report debt problems.⁴⁵ Claimants frequently turn to family and friends when experiencing hardship and this can cause strain in relationships, particularly if families are themselves having to manage on low incomes.

3.27 Many of those working with families have pointed to the potentially negative impact of financial penalties on families and have recommended that due regard should be given to the welfare of children and people with health problems. The importance of ascertaining all the circumstances prior to imposing a sanction has been highlighted, particularly if both parents face a sanction. Research indicates that longer sanctions can have unintended consequences relating to well-being and result in claimants/families becoming alienated and disconnected to the extent that parents are neither in work nor receiving benefits.⁴⁶ A qualitative study which examined the experience of claimants who misused alcohol and drugs pointed to the detrimental impact of sanctions which did nothing to motivate behavioural change.⁴⁷

3.28 A recent DWP Insight Report⁴⁸ noted the importance of achieving the right balance between toughness and fairness, and suggested that high level sanctions should be targeted at those deliberately flouting the benefit system.

⁴¹ Vegeris, Adams *et al.* (2011) *op. cit.*

⁴² Lane *et al.* (2011) *op. cit.*

⁴³ Griffiths, R. (2011) *Helping move parents into work: an evaluation of the extension of New Deal Plus for lone parents and In Work Credit, Phase 1 report*, DWP Research Report No. 731.

⁴⁴ Lane *et al.* (2011) *op. cit.*

⁴⁵ Carpenter, H. (2006) *Repeat Jobseeker's Allowance spells*, DWP Research Report No. 394.

⁴⁶ Blank, R.H. and Kovak (2008) *Helping disconnected single mothers*, National Poverty Centre, University of Michigan.

⁴⁷ Bauld, L., Carroll, C., Hay, G., McKell, J., Novak, C., Silver, K. and Templeton, L. (2010) *Alcohol misusers' experiences of employment and the benefit system*, DWP Research Report No. 718.

⁴⁸ Rotik, M. and Perry, L. (2011) *Perceptions of Welfare Reform and Universal Credit*, DWP Research Report No. 778.

It highlighted the potential risks associated with a harsher regime, including displacement costs such as increased debt, family breakdown and crime.⁴⁹

3.29 The key messages to be derived from research on the impact of sanctions are that:

- evidence on the behavioural impacts is mixed and more robust, longitudinal evaluation is essential to better understand the impacts of the threat of sanctions and the impacts of imposing sanctions on different kinds of claimants
- there are negative as well as positive impacts associated with sanctions and these need to be taken into account when sanctions are imposed
- vulnerable claimants need to be supported in meeting conditionality requirements and managing sanctions
- the imposition of sanctions needs to be both fair and proportionate
- longer-term sanctions should be carefully targeted and used with caution

The Relationship Between Personal Advisers, Providers and Claimants

3.30 A number of studies we reviewed discussed the critical relationship between PAs and claimants, highlighting the balance PAs have to strike between offering support and enforcing conditionality. There has been some reluctance to invoke sanctions as a means of promoting compliance because of the potentially damaging impact on the PA–claimant relationship.⁵⁰

3.31 Research shows that providers offering support through the Flexible New Deal had used sanctions as a last resort in order to avoid any negative impact on participant attitudes.⁵¹ Jobcentre Plus staff have been concerned about jeopardising their relationship with claimants and the potential for dis-engagement.⁵² Some PAs have also expressed concern about the possible hardship sanctions may engender, among lone parents for example, and have not wanted to upset the positive relationships they have established with claimants.⁵³ Similar concerns about upsetting these critical relationships can be found in the international literature.⁵⁴

⁴⁹ Machin, S. and Marie, O. (2004) *Crime and Benefit Sanctions*, CEP Discussion Paper No. 645, London: Centre for Economic Performance, London School of Economics.

⁵⁰ Barnes, H., Sissons, P., Aston, J., Dewson, S., Stevens, H., Williams, C. and Francis, R. (2010) *Employment and Support Allowance: early implementation experiences of customers and staff*, DWP Research Report No. 631.

⁵¹ Vegeris *et al.* (2011) *op. cit.*

⁵² Page, J., Breen, E. and Middlemas, J. (2006) *Gateway to Work New Deal 25 Plus pilot evaluations*, DWP Research Report No. 366.

⁵³ Casebourne *et al.* (2010) *op. cit.*; Page *et al.* (2006) *op. cit.*

⁵⁴ Finn and Gloster (2010) *op. cit.*

3.32 The concerns about jeopardising relationships, scepticism about whether sanctions are effective,⁵⁵ and frustrations at the bureaucratic delays in imposing a sanction⁵⁶ have all contributed to a reluctance on the part of some PAs and providers to impose sanctions. There has been a widespread view that long processing times could impact negatively on relationships with claimants, particularly when a claimant had re-engaged fairly quickly.⁵⁷ For the sanctioning regime to work effectively, claimants need to see that action is taken quickly in response to non-compliance.

3.33 There are important messages emanating from the insights into the views of PAs and providers about applying sanctions:

- the relationships between PAs and providers and claimants are critical to the effectiveness of both conditionality and sanctions
- PAs need training and support to strike an effective balance between a culture which focuses on increased personalisation and, also, increased conditionality
- good communication is central to giving support and encouragement to claimants while ensuring that the requirements placed on them are met
- sanctions need to be seen to be fair and appropriate, not only by claimants but also by PAs, providers and decision-makers

4. Looking to the Future

4.1 A more personalised conditionality regime is central to UC and the policy intent underlying welfare reform. The research evidence makes it clear that personalised conditionality relies on personalised support if the new regime is to be effective. Personal Advisers and programme and training providers mostly regard sanctions as a last resort.

4.2 The new system is designed to be simpler to understand and to apply and to ensure that every effort is made by claimants to find work and move off benefits. A background research and discussion paper published by the Department in 2008⁵⁸ highlighted the importance of regular face-to-face interaction with specialist advisers in raising expectations on individuals in the context of increasing personalised support to address barriers to work.

4.3 The 'something for something' approach to welfare is becoming increasingly common in many countries and reductions in the numbers of unemployed benefit claimants have been linked to the introduction of

⁵⁵ Gloster, R., Casebourne, J., Culshaw, S., Mavra, L., Odonell, A. and Purvis, A. (2010) *Lone Parent Obligations: early findings of implementation as well as experiences of the Income Support and Jobseeker's Allowance regimes*, DWP Research Report No. 645.

⁵⁶ Page *et al.* (2006) *op. cit.*

⁵⁷ Armstrong, D., Cummings, C-A., Jones, K. and McConville, E. (2011) *Welfare to work commissioning – wave two provider survey*, DWP Research Report No. 757.

⁵⁸ DWP (2008) *More support, higher expectations: the role of conditionality in improving employment outcomes*, DWP.

activation policies⁵⁹ Sanctions are also effective in promoting compliance with conditionality, although the findings from more rigorous research studies provide a mixed picture in terms of their impact on longer-term behavioural change. While conditionality and sanctions can have a positive effect on employment outcomes there is the risk of unintended negative consequences.

4.4 Behavioural economics shows that rather than making decisions on rational factors, people often make decisions based on what they have always done or what they perceive others to do.⁶⁰ To render conditionality effective it is necessary to understand what motivates and what influences claimants in different circumstances. Increased personalisation can assist with this, providing PAs are able to be flexible in the way they apply conditionality and sanctions and able to resolve tensions between their advice role and their enforcement role.

4.5 Withholding benefit from families with children clearly poses difficult dilemmas. Targeting enhanced support towards those most likely to be sanctioned has emerged as a key contributing factor in making conditionality work effectively. Oakley and Saunders⁶¹ have suggested that to ensure families are not negatively impacted by sanctions innovative solutions need to be developed to address hardship: paying benefit for specific elements such as housing and childcare costs through smart cards, for example. They also acknowledged research from the USA which demonstrates the risk that people with multiple problems may simply drop out of the welfare system altogether if too much is demanded of them.

4.6 In evidence to the Work and Pensions Select Committee⁶² the Secretary of State asserted that sanctions would be used less under UC, despite the extension to and tougher approach of the sanctions regime, because it will be simpler, clearer and better understood. Certainly, much of the evidence we have reviewed shows a current lack of detailed understanding of the link between conditionality and sanctions, and of the way sanctions work. As well as working in principle, conditionality has to work in practice.

4.7 The research evidence provides clear pointers as to how this may be better achieved in future. The key findings fall into three main areas – communication; personalisation; and fairness – and suggest practical steps which can be taken.

4.8 Communication –

- discussion about the link between conditionality and sanctions is necessary at the start of the claimant's journey through UC, and

⁵⁹ Svarer, M. (2007) *The Effect of Sanctions on the Job Findings Rate: Evidence from Denmark*. IZA Discussion Paper No. 3015. Bonn: The Institute for the Study of Labor (IZA).

⁶⁰ See, for example, Prendergast, J., Foley, B., Menne, V. and Karalis Isaac, A. (2008) *Creatures of habit? The art of behavioural change*, Social Market Foundation.

⁶¹ Oakley and Saunders (2011) *op. cit.*

⁶² <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/743/11020901.htm>.

requirements and penalties for non-compliance must be made clear in the claimant commitment

- claimants need to know that a sanction may be imposed, how to provide good cause for non-compliance and how to reverse a sanction – everyone should know if a sanction has been imposed, why and for how long

4.9 Personalisation –

- the relationships between the PA, provider and the claimant are critical components in an efficient and effective system, and tensions between providing support and taking action to sanction must be resolved
- conditions within the Claimant Commitment must be clear, unambiguous, achievable and demonstrable, tailored to each claimant's circumstances and abilities
- vulnerable claimants need to be identified and appropriate support provided at all stages of the claimant's UC journey
- non-compliance needs to be investigated and understood prior to referral for a sanction
- the focus should be on facilitation and support with sanctions available as a last resort

4.10 Fairness –

- for the threat of sanctions and the imposition of sanctions to be effective, claimants, PAs and providers need to regard the conditions set as fair and proportionate
- any unintended consequences of applying a sanction should be monitored and hardship remedies need to be available
- re-compliance after a sanction has been imposed should enable the claimant to learn from the behaviour and avoid further sanctions

4.11 Finally, there is very clear evidence that robust evaluation of a new regime is essential if it is to be able to work effectively. The gaps in our knowledge about specific impacts, particularly long-term outcomes, are substantial. The impact of imposing conditions and sanctions on the most vulnerable in society must also be carefully assessed, and there is a need to enhance understanding about how families navigate their way through permissive and more punitive policies and practices.⁶³ For impacts to be properly assessed, evaluation needs to track outcomes in the long term: a recent study of the early impacts of Mandatory Work Activity⁶⁴ found that insufficient tracking time had been available to observe the full extent of the impacts.

⁶³ Flint, J. (2011) The role of sanctions in intensive support and rehabilitation: rhetoric, practicalities and realities, *British Journal of Community Justice*, Oct. 2011.

⁶⁴ DWP (2012) *Early impacts of Mandatory Work Activity*, DWP.

4.12 The introduction of UC provides an opportunity to ensure that appropriate data are collected and research designed to offer a more sophisticated understanding of the factors which affect individual decision-making and the role played by conditionality and sanctions. The key to the future must be to ensure that the conditionality and sanctions regimes under UC are firmly based on evidence as to their effectiveness in achieving the policy objectives.