Government publishes welfare reform green paper

‘The best welfare policy of all is work’

W elcome to our welfare reform special issue.

On the launch of the government's welfare reform green paper – A new deal for welfare: Empowering people to work – on 24 January 2006, Secretary of State for Work and Pensions, John Hutton, said that its publication marks the beginning of a national debate on the future direction of the government’s welfare reforms, that will be based on the principle that ‘the best welfare policy of all is work’ –

“We have made great progress in tackling unemployment – touching areas that previous reforms couldn’t reach. We now have to apply these reforms across the board. This green paper will set a new direction enabling and empowering people to fulfil their potential and ambitions not consigning them to a lifetime on benefit.

Our plans will redefine the role of the welfare state. The fundamental emphasis will be on what people can do not what they cannot. Essentially we want to return to fundamental principles where the welfare state is able to respond to people’s abilities and help them into the work place – not one that condemns them to a life on benefits.”

This special issue of review is exclusively devoted to an in-depth examination of the proposals outlined in the welfare reform green paper. Our lead article deals with the issue that has undoubtedly attracted most media attention, that of incapacity benefit reform. Elsewhere, we examine less publicised but nevertheless significant government proposals, relating to welfare-to-work for older people and lone parents, the roll-out of the local housing allowance, and the role of the voluntary sector in delivering the reforms.
‘Employment and support allowance’ to replace incapacity benefit
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prepare for a return to work with the need to treat them fairly’, and will encourage them, as in the Pathways to Work pilots now, to volunteer for back-to-work help. Existing claimants will also be subjected to regular re-assessments, with a new unit established to undertake periodic checks to confirm ongoing eligibility, seeking renewed medical evidence as appropriate.

Amongst other measures to improve the gateway to benefit paid on the basis of incapacity, and to remove ‘perverse incentives in the system’, the green paper proposes that—

- the PCA process will be reformed (and renamed) so that it focuses on assessing capability for work rather than entitlement to benefit (and the mental health component of the PCA will be reviewed ‘to ensure that it reflects the type of mental health conditions prevalent today’);

- benefit will be paid at a rate equivalent to jobseeker’s allowance until the claimant has completed the new PCA process and has been found to be eligible for the new allowance (with the assessment being carried out within 3 months in most cases);

- following completion of the assessment, the report to the claimant’s personal adviser will include a recommendation regarding an appropriate timescale for review (normally within 12 months), taking into account the anticipated time for improvement in an individual’s functional capability, assuming that appropriate health interventions have been undertaken;

- benefit levels will not increase the longer a person claims on the basis of incapacity, nor will age additions or adult dependency increases be paid with the contributory version of the allowance. (For those in receipt of the means-tested version, the disability premium will be subsumed within the higher rate of the basic benefit, but additions mirroring the current enhanced and severe disability premiums will be available);

- the new two-year linking rules to be introduced from October 2006 will be carried over into the new allowance, as will the new, improved permitted work rules. In addition, the ‘Return to Work Credit’ will be rolled-out in new Pathways to Work areas; and

- to manage the flow onto incapacity benefits, full use will be made of the current rules where people on JSA are allowed two spells of short-term sickness within a 12-month period. JSA claimants will have to exhaust these permitted spells of short-term sickness before claiming incapacity benefits. More proactive sickness management arrangements will also be introduced within JSA, including ‘return from illness’ interviews and, where necessary, revision of the Jobseeker’s Agreement and referral to specialist assistance.

In addition the appeals process is to be reviewed to ensure that claimants have a clearer understanding of the basis for the initial decision, thus reducing appeals resulting from a lack of that understanding. A comprehensive reconsideration process will also be incorporated as part of the initial assessment of any appeal to further reduce the number of appeals needing to progress to tribunal, and steps will be taken to ensure that all new evidence is, wherever possible, included in the reconsideration.

NB – other related measures in the green paper include – expansion of Pathways to Work to the whole of Britain by 2008; placing employment advisers in GP surgeries; reform of statutory sick pay, to help employers better manage sickness and to address the flow of people from SSP onto incapacity benefits; work to ‘engage and support’ GPs; and initiatives to develop healthy workplaces, to retain employees in work, and to maximise the effectiveness of healthcare in rehabilitating people.

In response, the Disability Benefits Consortium (DBC) – that brings together a wide range of disability and advice organisations – expressed concern about the possible emergence of a two-tier system of those who can and cannot work. Instead of threatening sick and disabled people with benefit sanctions, the DBC urged the government to ‘concentrate its efforts on developing an effective retention strategy which would prevent people being pushed out of the labour market in the first place.’

In addition, Citizens Advice, whilst welcoming those reforms that build on the positive approach of Pathways to Work, expressed doubt about whether the same level of individually-tailored support could be provided nationally in a climate where the DWP faces substantial cuts and the loss of 30,000 jobs. (NB – Based on the cost of the Pathways to Work pilots, the Child Poverty Action Group has estimated that the government will have to find at least £500 million to make its reforms work but that the Secretary of State has so far only promised £360 million.)

On the basis that ‘helping lone parents return to the labour market is the most effective way to ensure their social inclusion and the best route out of poverty for them and their children’, the green paper proposes a more intensive work-focused interview regime to assist lone parents in moving from welfare to work.

Lone parents who have been claiming income support for at least a year and whose youngest child is at least 11 will be required to attend mandatory work-focused interviews every three months, rather than once a year as now. In addition, six-monthly interviews (twice as frequent as now) will be introduced for all other lone parents who have been on benefit for at least a year.

The piloting of additional work-focused interviews for new income support claimants is also proposed, to encourage back to work activity during the first year of a claim since ‘during this time many people are still adapting to their changed circumstances and will need more help.’

In addition, in recognition that ‘regular contact with a personal adviser may not in itself be sufficient to encourage lone parents to return to work’, a new ‘Work Related Activity Premium’ is proposed. Worth £20/week and payable for 6 months in pilot areas, the premium will be paid to those whose youngest child is aged at least 11. (Although the government says that it would welcome feedback on whether access to the premium should be extended to lone parents with children younger than 11.)

In response, One Parent Families said that the changes must be backed with increased investment in support, training and childcare to avoid putting undue pressure on both lone parents and Jobcentre Plus staff without yielding any tangible benefit.
Moving towards a single system of benefits for all people of working age

The government is considering the potential for simplifying the benefits system by moving towards a single system of benefits for all people of working age.

In the green paper, the government says that the present benefits system for people of working age is too complex since, whilst the many different rules may make sense in isolation, together they make for a confusing and incoherent picture – ‘We currently provide a wide range of benefits, established by various pieces of legislation for diverse purposes, and delivered by separate administrative systems.

Benefits are paid differently to reflect personal needs over different periods of time. Benefits often overlap and have complex interactions with each other and with tax credits.

This complexity, the government says, makes it hard for benefit claimants to understand their rights and responsibilities and for staff and advisers to help people to get their correct entitlement. In addition, the current system is prone to fraud and error and expensive to administer.

In consequence, the green paper suggests that consideration is to be given to reviewing the current range of benefits to ‘identify the challenges to creating a single system with fair and effective solutions.’

NB – the government accepts however that under a single system there would need to be ‘appropriate additions for those who have caring responsibilities and those with a long-term illness or disability.’

Local housing allowance at the heart of a radical programme of reforms

With ‘fundamental change’ needed to the structure of housing benefit, the green paper confirms that the local housing allowance (LHA), that was introduced in pilot areas in November 2003, is at the heart of a radical programme of planned reforms.

Whilst the government’s overarching purpose in reforming housing benefit is to ‘transform passive housing support into an enabling provision that places responsibility and choice firmly in the hands of tenants,’ it cautions that, before rolling out the local housing allowance nationally, there are elements that need to be examined further to ensure that they fully meet its objectives –

● whether, since the current size criteria ‘reflects neither the reality of the property market nor the expectations that families not on benefits would have about their accommodation’, it should be adjusted so that a claimant’s local housing allowance entitlement is calculated only according to the number of bedrooms needed, rather than also the number of living rooms; and

● whether changes are required to how local housing allowance rates are set as a result of concerns that they don’t accurately reflect the range of rental properties of a particular size in an area. (For example, whilst the LHA is set at the mid-point between the highest and lowest rents in an area, there may be only a small number of properties at the lower end of the market.)

In addition, the green paper highlights that the government is looking at applying the allowance to new claimants only, so that existing claimants continue to claim housing benefit under the current rules until, for example, they move house or have a break in claim.

This, the government suggests – ‘...will ensure the best chance for a smooth roll-out … giving local authorities time to gradually introduce the system and minimise the risks involved in implementing a change on this scale. It will also enable local authorities to reassure existing tenants, communicate the benefits of the LHA and encourage them to take advantage of the improvements that (it) brings.’

NB – proposals to roll-out the allowance to the social housing sector, the government says, ‘need to be developed with caution and over a longer timescale.’

In response, the Local Government Association (LGA) has warned that limiting the amount of local housing allowance that tenants can receive (and keep) above the level of their rent, and making the allowance available to new claimants only, will be likely to complicate rather than simplify the housing benefit system.

Taken together, the LGA says, these proposals will result in the loss of the administrative gains made under the pilot scheme. In addition, applying the LHA to new claims only would be unfair since similar tenants would be treated differently, depending on when they had made their claim.

For more information on all these changes see –

www.rightsnet.org.uk
the welfare rights website for advice workers
Voluntary sector should have greater role in delivering work-focused benefit reforms

The government proposes greater involvement from both the voluntary and private sectors in delivering its work-focused reforms, to create ‘a delivery network that is effective, accessible and flexible’.

The green paper suggests that delivering this radical programme of reform requires much more than just legislation and policy changes – it requires a delivery network that is effective, accessible and flexible and highlights the contracts that Jobcentre Plus already has with a range of providers to deliver in-depth work-focused support and training.

To build on this, the government says that it wants to draw on the wealth of experience of those working in other sectors, ‘who are often best placed to support our clients, particularly those with a health condition or a disability, by providing the specialist services they need.’

For example, the green paper outlines that voluntary sector and private providers are to be invited to manage Pathways to Work in new areas, and that new contracts – under which providers will be expected to improve job entry and retention, rather than simply replicating existing Pathways to Work provision – will be in place from 2007.

In addition, to tackle worklessness in cities, the green paper proposes that bodies such as local authorities, employers, learning and skills councils, regional development agencies, primary care trusts and Jobcentre Plus, will be funded to develop local consortiums in pilot areas, where private and voluntary sector providers will be used to deliver employment support under contract.

Whilst the administration of benefits will continue to be managed by Jobcentre Plus in these areas, ‘once the new benefits structure is in place, the government will consider proposals from pilot areas to trial a range of conditionality and incentive structures for existing claimants.’

Have your say on the welfare reform proposals

Whether the proposed reforms are the best way to target support towards people with the greatest needs; how work incentives within the new employment and support allowance can be improved; whether the proposed simplifications more accurately reflect the principles underpinning a modern society; and whether utilising voluntary sector and private provider help in delivering the reforms is sensible?

Consultation on the proposals will continue to 21 April 2006.

The green paper – A new deal for welfare: Empowering people to work – is available @ www.dwp.gov.uk/aboutus/welfarerform

Older claimants need access to the same help and support in finding work as younger people

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- employment support for older long-term unemployed people should be aligned with that for younger age groups, by requiring people aged 50–59 to take up the additional jobseeking support available through New Deal 25 plus;

- the current rules that, for unemployed couples without dependent children where one partner was born after 1957, treat each partner as an individual jobseeker, should be extended to include older couples.

A system to ensure that every eligible jobseeker takes advantage of the additional personal adviser support offered through New Deal 50 plus is also proposed in pilot areas, as are face-to-face guidance sessions for those approaching or over 50, to deliver ‘tailored and relevant information on working, training and planning for retirement.’ Steps will also be taken to better promote the 50+ in-work training grant.

Although welcoming the attention given in the green paper to addressing the barriers faced by older workers, Age Concern said ‘that for many people in their 50s help will come too late when they are already ill, disabled or long-term unemployed and likely to never work again.’

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