



job
centre
plus

Work for the Dole

A proposal to fix welfare dependency

Chris Philp



About the Author



Chris Philp is an award-winning entrepreneur who has set up four businesses and created over 250 jobs. He set up his first business, a distribution company, when he was 24 and started by driving the delivery van himself. Four years later, the company was turning over £80 million and floated on the stockmarket. Chris was voted London's Emerging Entrepreneur of the Year by *The Times* in 2003, and Entrepreneur of the Future by the CBI in 2005. His other businesses invest in Eastern Europe and provide financing for construction projects in the UK, replacing the gap left behind by the banks. Chris also co-founded and owns a holiday business.

Chris has served as a local councillor in Camden, representing a ward that is two thirds council estates. Chris stood for Parliament in Hampstead & Kilburn in 2010, and despite starting in a distant third place increased the Conservative share of the vote by 9.8 points, almost doubled the number of votes cast for the Conservatives and came within just 42 votes of beating sitting Labour MP Glenda Jackson.

Chris set up Next Big Thing (www.nextbigthinguk.com) in 2009 to get youngsters from deprived inner city areas interested in becoming entrepreneurs through a *Dragon's Den*-style competition. Teams are given intensive mentoring, and then pitch their ideas, with the winning teams getting funding to set up their business.

Chris was educated at St Olave's Grammar School in Orpington, and has a 1st class degree in Physics from Oxford.

Further details are at www.chrisphilp.co.uk.

Contents

Contents.....	2
1. Executive Summary	3
2. Welfare spending is high and generous	8
3. Millions of new jobs have not broken welfare dependency.....	13
4. Current Government Policy Initiatives.....	16
Lower Uprating of Benefits	16
The Work Programme	16
The Universal Credit.....	17
Mandatory Work Activity.....	19
5. It's time to "Work for the Dole"	22
Work for the Dole – Scheme Outline	22
Who gets referred onto the scheme?	23
Sanctions for non-compliance	23
Intended results	24
Cost Implications	24
6. International Case Studies: Work for the Dole works.....	27
USA: TANF	27
TANF Results	27
USA Example 1 – New York State – WEP (Work Experience Programme)	28
USA Example 2 – Wisconsin – W2 (Wisconsin Works)	29
USA Example 3 – Washington State – WorkFirst Programme	29
RAND Corporation Studies on Workfare Effectiveness.....	29
Canada	31
Australia.....	31
UK 1996-1997	31
7. There is strong public support for work requirements.....	33
8. Appendix 1 – Work for the Dole forecasts.....	36

Financial support for this research paper was provided by the Politics and Economics Research Trust (charity number 1121849). Any views expressed in this paper are those of the authors and not those of the research trust or of its trustees. Front cover image: Flickr, HelenCobain (<http://www.flickr.com/photos/88097768@N02/>)

1. Executive Summary

Over the past 50 years, welfare spending has relentlessly grown and now consumes 28 per cent of all government spending. 57 per cent of this goes on benefits for working age people.

5.6 million working age people are currently not working and reliant on benefits – a number that has remained stubbornly high even when the economy has grown (it has been over 5 million for more than a decade). Claimants typically each claim several benefits, and in many cases the value of these benefits taken together adds up to £15,000 to £25,000 per year – about the same as a low-skilled worker earns and often more than the minimum wage. It is no wonder that benefit dependency is widespread when there is so little incentive to get into low-paid work. This costs our country money we can ill afford and is deeply socially corrosive. One in four children now grow up in a household where no one works.

Some people argue that the jobs simply aren't there, particularly with the difficult economic situation. However, the analysis in section 3 below shows that 3.5 million new jobs have been created since 1997, and that employment today stands at a higher level than at any time in UK history. As 2.5 million jobs were created since 2000, out-of-work welfare claimant rolls stayed about the same. UK welfare claimants were not moving into work as jobs were created. 68 per cent of the jobs created were taken by immigrants prepared to work hard rather than rely on benefits. Many of the UK population on out-of-work benefits evidently weren't interested in the new jobs.

The current Government is trying to remedy the situation, and their policies are moving in the right direction. From 2013, benefits will only go up by 1 per cent each year – hopefully lower than wage inflation – thereby tipping the balance back a little in favour of working. However, it will take some time to outweigh the regrettable 5.2 per cent blanket benefit increase put through in 2012.

The Universal Credit is designed to make sure that work always pays slightly better than being on benefits, particularly for those on lower incomes. This is a welcome improvement to the previous system, but evidence from the US suggests that this will have a limited effect – because some people are still happy to live on benefits even if by working they could have a slightly higher income. The Work Programme, good in concept, has not yet delivered results that are clearly better than had there been no intervention (although this may be due to selection bias in the sample of Jobseekers referred). And the Mandatory Work Programme, again good in concept, is very limited in scope and it has not delivered clear results thus far. The Government's policy initiatives are all sensible moves in the right direction. But they

need to be strengthened to stand a better chance of delivering the radical change our country needs.

Work for the Dole would remove the option of receiving income similar to many people's full time wages (at taxpayers' expense) while giving nothing back to society in return.

Work for the Dole requires, after a certain time, anyone claiming the Universal Credit to undertake compulsory activity or (if claiming Incapacity Benefit or Employment Support Allowance) activity that they are physically able to do. This includes training or work activity. Anyone over the age of 65 is excluded and pension provision is not affected.

The required activity will have the following features:

- It will be for 30 hours per week for anyone not working
- For anyone working, it will top up their working time to 30 hours per week
- The 30 hour benchmark may be adjusted downwards for people with childcare or similar obligations. For some people there will be no requirement at all (such as people caring for a child under four or caring for someone with a severe disability)
- The programme shall continue indefinitely, until either (i) the person is working more than 30 hours per week (or their benchmark if lower) or (ii) until they stop claiming benefits entirely

The required activity will consist of one of the following:

- Community work, such as clearing parks or cleaning graffiti (provided that such work would not ordinarily be performed on a paid-for basis)
- Work for a registered charity
- Participation in a recognised training programme
- Work experience, or participation in a work-based training programme or apprenticeship-type scheme. If these are with commercial organisations, then there must be genuine skills development – it cannot simply be free labour for the commercial company
- Physical attendance at a job search centre where meaningful job search and preparation activities would be undertaken

Work search activity should continue alongside the mandatory activity, which is why the mandatory activity period is set at 30 hours and not 40 hours per week.

Referrals onto the scheme will automatically occur (on a non-discretionary basis) at the following times:

- For those with a history of more than five years of National Insurance contributions, after two years of claiming the Universal Credit
- For those with a history of two to five years of National Insurance contributions, after one year of claiming the Universal Credit
- For those with a history of less than two years of National Insurance contributions, after three months of claiming the Universal Credit

This has the effect of giving more latitude to people who have paid in to the system previously and strengthens the contributory concept in out-of-work benefits.

Sanctions (i.e. suspension of benefits payments) for non-compliance with requirements set by Jobcentre Plus advisers are currently time limited, only applied to Jobseeker's Allowance and ESA and are applied at the discretion of those advisers. They are used only used sporadically and so are not currently especially effective.

If anyone is not compliant with Work for the Dole activity requirements, they should automatically have *all* their Universal Credit payments suspended as long as the person is not Working for the Dole. If a change to EU Law or opt-out is required for full implementation, the Government should include this in their upcoming negotiations.

Although the complete suspension of Universal Credit benefit payments may seem an extreme sanction, the evidence from the US suggests that this is required to make the scheme fully effective.

These proposals are designed to deliver the following policy outcomes:

- The tax-paying public are entitled to see some kind of community service in return for the benefits that they pay for after a certain time
- Work for the Dole will eliminate a great deal of fraud
- Work for the Dole under the Universal Credit umbrella will remove the option of claiming benefits other than JSA and ESA (such as Housing Benefit and the Child Tax Credit) while in fact not seeking work, which is currently possible
- Work for the Dole will provide a powerful incentive to seek a proper job (by making it less tolerable to subsist on benefits in the long term) while at the same time helping participants get into the habit of working
- The work experience, apprenticeship or training activities that will form part of the package can enhance claimants' skills and the credentials of the participant

Establishing Work for the Dole will cost money initially. It is estimated that **575,000 people would be eligible for referral onto the programme on day one**. The cost of initially administering the programme is estimated at £1.05 billion in the first

year. Based on the kind of changes in behaviour that this kind of system has produced in other countries, the programme should rapidly lead to a **gross saving of £3.51 billion** per year on an ongoing basis and a **net saving of £2.46 billion** in the first year. Based on the results of similar programmes around the world, **345,000 will come off benefits over time.**

These proposals will reduce the cost of welfare and increase the number of people in work. This is good for the taxpayer, good for the economy and ultimately good for the people who move back into work and their families. The best route out of poverty lies in working, not relying on benefits, and these proposals will result in more people working.

It is expected that the deterrent effect of the programme and the fact that people would adjust their behaviour means that quite quickly the scale of the programme would reduce, and the size of the net saving compared to not introducing the scheme would increase.

The evidence from around the world is compelling: Work for the Dole (or Workfare) programmes are successful in terms of reducing welfare dependency:

- USA TANF Programme: 1996-2000 saw a **60 per cent reduction** in welfare caseloads
- USA – New York City WEP: 1995-2000 saw welfare caseloads **decline by 50 per cent** as Mayor Giuliani implemented tougher welfare conditions and a workfare programme
- USA – Wisconsin Works: 1990-2000 saw an **80 per cent reduction** in welfare caseloads
- Canada – Ontario Works: 1998-2004 saw caseloads **decline by 54 per cent**
- UK – Project Work Pilot: 1996-97 saw a **46 per cent reduction** in welfare claims

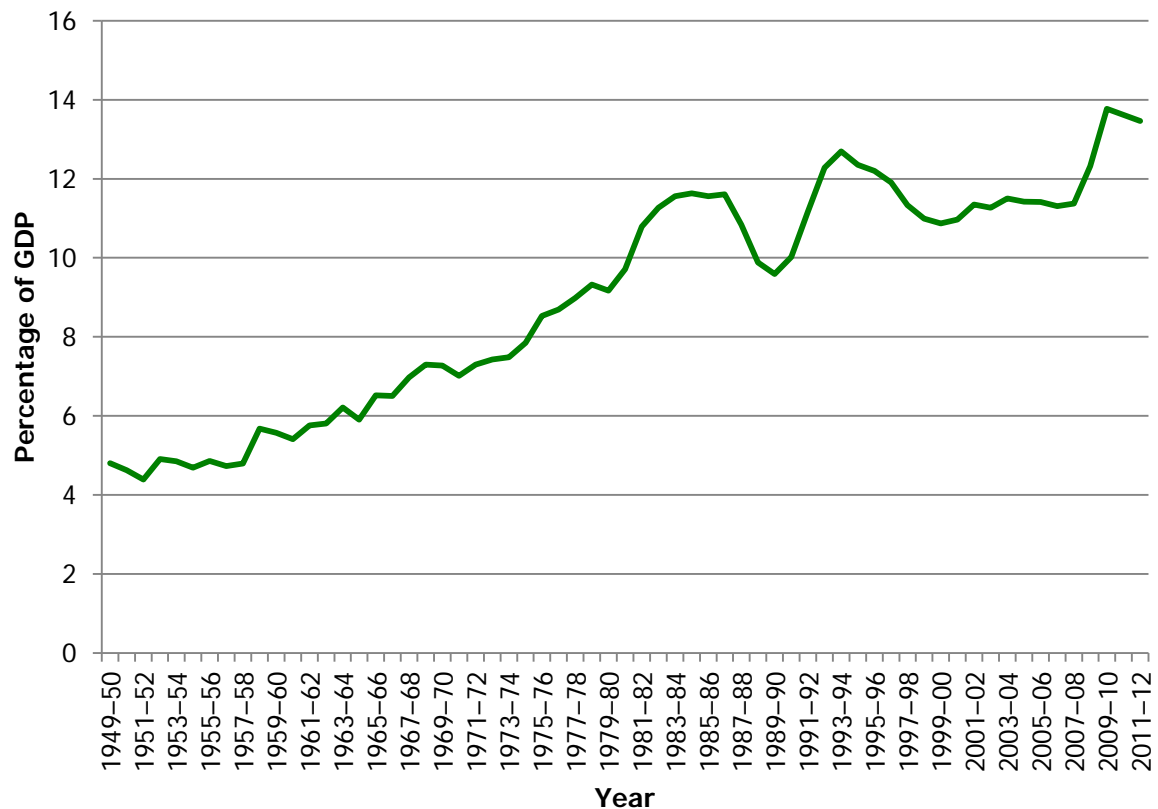
Public opinion is ahead of the politicians on this issue. Attitudes towards welfare dependency have hugely hardened over the last ten years. 62 per cent of the public now believe that benefits are too high and discourage work, up from around 30 per cent in the 1990s. Even **59 per cent of benefit claimants themselves now think benefits are too high and discourage work.** There is now 74 per cent support for the £26,000 per year benefit cap, 77 per cent support for means testing Child Benefit and 75 per cent support for stopping benefits for people who refuse work. Only 28 per cent feel that the Government is being too harsh and 47 per cent felt that the Government should do more to force people into work. **There is 75 per cent net agreement for the proposition that those who can should do full-time community service for their benefits.**

Fixing welfare dependency is a fiscal imperative. It is also a social imperative because endemic worklessness amongst millions of citizens stresses the fabric of society and denies them the chance to improve their lot. Public opinion is behind stronger action. Politicians should act now.

2. Welfare spending is high and generous

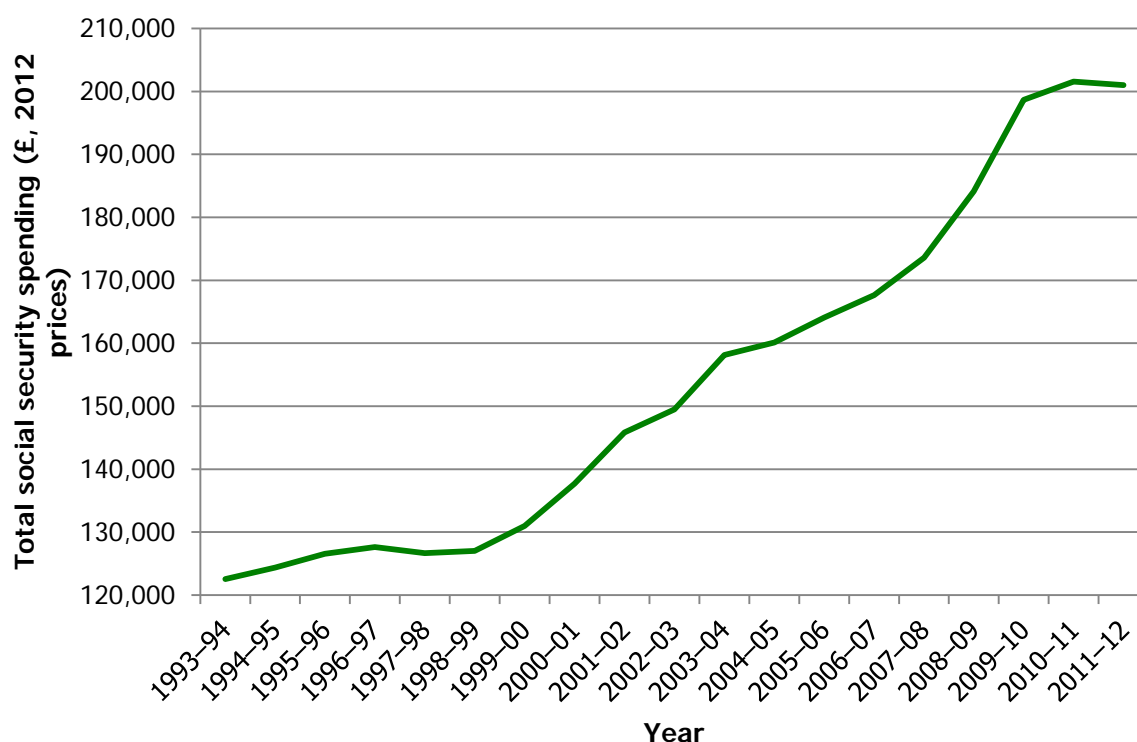
Over the past 50 years, total welfare spending in the UK has increased relentlessly. Having risen from 4 per cent of GDP in 1948 up to around 13 per cent of GDP today, welfare spending now consumes 28 per cent of all government spending. Figure 1 below illustrates this long-term rising trend.

Figure 1: Social security spending since 1948



Despite fifteen years of continuous economic growth between 1993 and 2008, total welfare spending nonetheless continued to rise rapidly in real pound terms. This trend is illustrated in Figure 2 below.

Figure 2: Total social security spending in 2012 prices



Of total welfare spending of around £200 billion in the last fiscal year, 43 per cent (or £85 billion) was spent on retired people. This is outside the scope of this paper. However, 57 per cent of welfare spending went to people of working age. This comprises £115 billion of annual expenditure or around 16 per cent of all government spending. This is the equivalent of 8 per cent of GDP, and exceeds the *combined* amount spent on the armed forces; all transport spending; the Foreign Office; the Home Office (including the Police); the Ministry of Justice; the security services; and energy and climate change. A breakdown of the different working age benefits is given in Figure 3 below.

Figure 3: £115 billion in working age benefits (2012-13)

Benefit	£, billions	Claimants	Average per claimant a year (£)
Housing Benefit	23	5,051,000	4,501
Child Tax Credit	22	5,186,000	4,249
Disability Living Allowance	13	3,243,000	3,879
Child Benefit	12	7,880,000	1,551
Other	8	n/a	n/a
Income Support	7	1,509,000	4,589
Working Tax Credit	7	2,516,000	2,738
Council Tax Benefit	5	5,922,000	832
Incapacity Benefit	5	1,385,000	3,545
JSA (Con & Non C)	5	1,450,000	3,384
Employment Support Allowance	4	991,000	3,652
Total	110	35,133,000	-

5.6 million working age people are claiming out-of-work benefits; 12 million claim in-work benefits and 18 million working people claim no benefit at all. 35 million different working age benefits are claimed each year in total, so most working age claimants (and especially out-of-work ones) claim multiple benefits.

Some commentators (including the Social Market Foundation, in their recent series of essays on welfare spending)¹ have suggested that the level of working age benefits paid in the UK is low, citing the £72 per week paid in basic Jobseeker's Allowance as an example. While it is true that the average value of any one benefit is around £3,000 to £4,000 per year, because most claimants are in receipt of multiple benefits the total amount they receive is therefore not meagre – in fact, it often adds up to a significant amount of money – particularly when compared to the wages on offer in manual or low-skilled jobs. Often people can receive £15,000 to £25,000 per year in total (and before the recent introduction of the welfare cap, in excess of this).

It is not true to say that benefits in the UK are at an ungenerous level when considered in totality. Many people in low-paid jobs would in fact be no worse off on benefits, and many of them know it:

“You [politicians] have led us to believe that we would be better off working. Well I went back to work, albeit on minimum wage £6.30ph. I am 57 years old. When I was on unemployment benefits I was entitled to £72 pw plus rent and council tax were both covered. Now

¹ *Beveridge Rebooted*, Social Market Foundation, May 2013

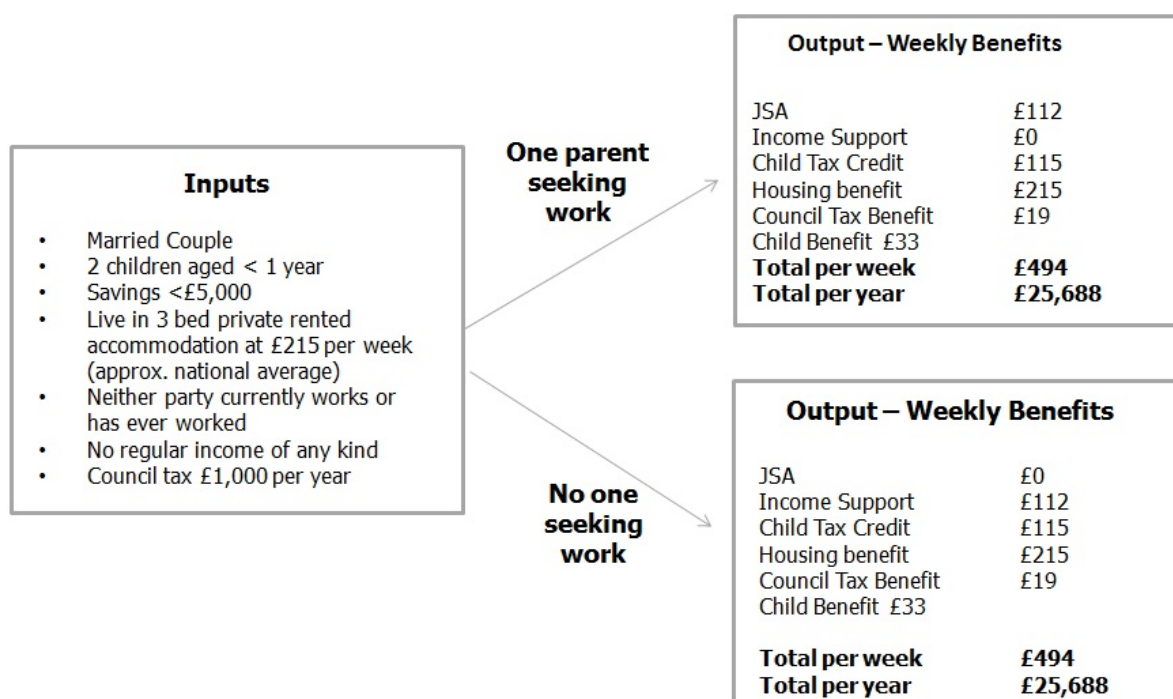
that I am working full time, after paying the rent myself (less allowance from the council), and after paying my own council tax my net income is £100 pw. So for working 5 days a week I am better off by just £28 pw. Mind you I forgot to take transport costs off. Wow I am actually worse off."

John, Brent, London

For example, if someone lives in rented accommodation at £215 per week, with two young children, a partner, zero family income and limited savings, the Government's official online calculator shows that they are eligible for £494 in benefits per week: £112 per week in JSA, £115 per week in Child Tax Credit, £215 in Housing Benefit, £19 per week in Council Tax Benefit and £33 per week in Child Benefit. This equates to £25,688 per year, which equals or even exceeds the annual wage for many full time jobs.²

When the status was changed from "looking for work" to "not looking for work", the £112 per week in JSA simply changed to £112 per week in Income Support. These results are summarised in Figure 4 below. The total stayed the same.

Figure 4: A range of benefits can deliver significant income to working age people



This poses potential problems. If benefits are paid too broadly, too generously or too indiscriminately, it allows individuals to choose to subsist on benefits instead of engaging in productive activity in the workforce (or seeking actively to do so). It is of course essential to provide a safety net, but a welfare system which pays out

² Based on figures from the Direct Gov portal, accessed 2 June 2013. <https://www.dwpe-services.direct.gov.uk/portal/page/portal/ba/lp>

roughly the same as can be obtained from working and which demands very little in return leads almost inevitably to wide-scale welfare dependency.

It is therefore perhaps not surprising that, as of 31 May 2013, 915,000 people had been unemployed for more than twelve months. Of these, 474,000 had been unemployed for more than 24 months.³ A further two million people are classified as "Long Term Sick"⁴ although new evaluations for those claiming sickness benefits are reducing this figure. That's around three million people out of the workforce in the long term – around 10 per cent of the potential workforce.

These problems are not recent. There have been over 5 million working age people claiming out-of-work benefits for well over ten years – even during times of economic prosperity. This problem has not simply been caused by the aftermath of the credit crunch. The levels of unemployment today are only slightly higher than in 2007 (7.7 per cent compared to 5.5 per cent). The number of people in work over the last five years has actually gone up (despite a dip in 2009-11) and now stands at a record level.

Not only is the current level and structure of welfare spending unaffordable given the nation's deficit, it is also socially and economically damaging. A generation is being brought up to see reliance on welfare as a viable lifestyle choice. People who become dependent on welfare are denied the opportunity to improve their lot through their own labour. And one in four children are now being brought up in households where no one works. This is bad for the individual, bad for their families and bad for our country.

As the next section shows, there is a long-term, structural problem with welfare dependency amongst a particular group. Even the creation of millions of new jobs has not shaken it.

³ ONS Labour Force Statistics as at 31st March 2013, released May 2013

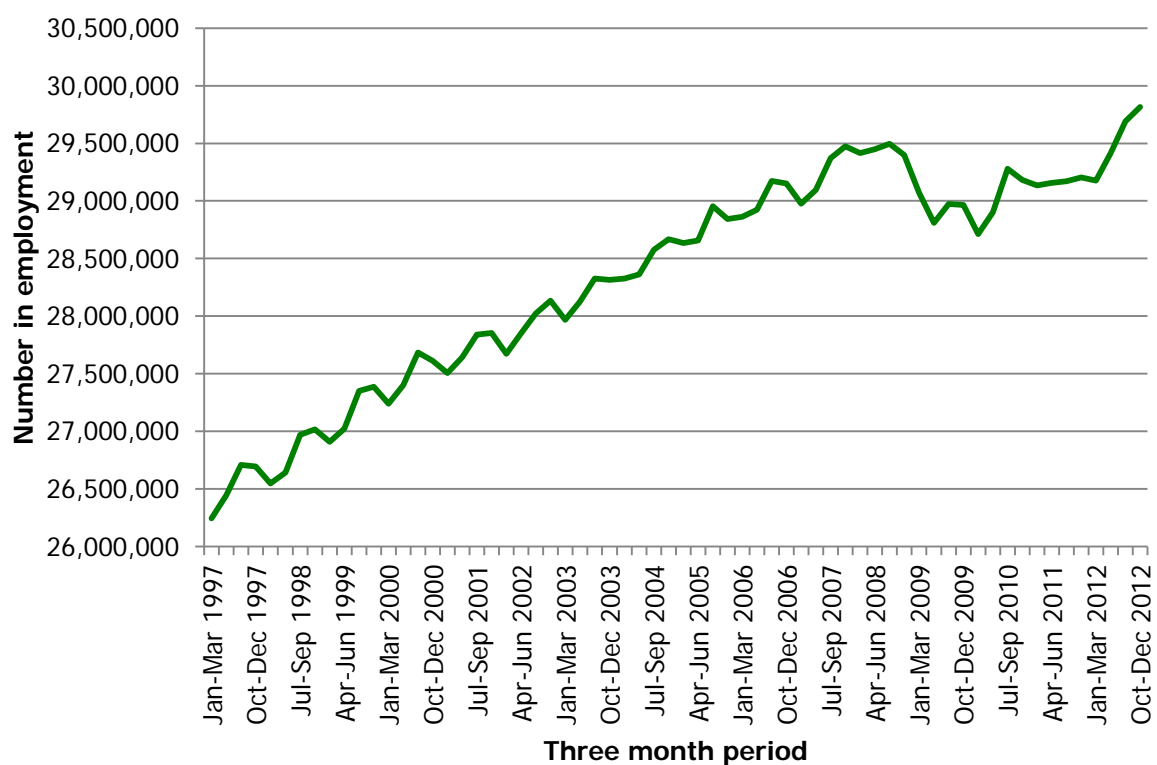
⁴ Ibid

3. Millions of new jobs have not broken welfare dependency

If there are no jobs, then it does not matter how well the benefits system is constructed: people will depend on the benefits system anyway. But that does not appear to have been the problem in the UK in recent years.

Since January 1997, the UK economy has created 3.57 million new jobs (see Figure 5 below). By 31 December 2012, the number of jobs had recovered from the decline of 2009 to 2011 and stood at a level higher than at any time in UK history – 29.816 million.

Figure 5: Total employment in the UK from January 1997 to December 2012

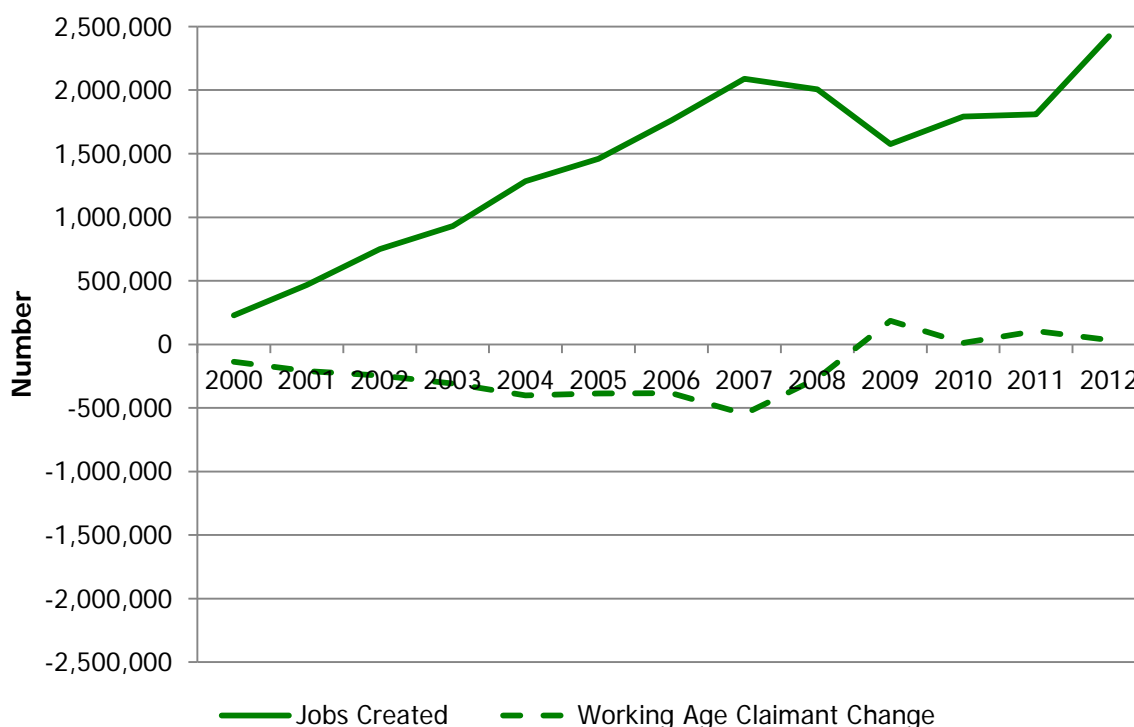


What impact has this had on welfare claim levels? Surely you would expect that the number of people claiming out-of-work working age benefits would dramatically reduce as they took up all these new jobs being created. After all, 3.57 million new jobs is a very large number, particularly when compared to the 5.6 million people now claiming out-of-work benefits (it has been over 5 million since well before 2000 – even during times of economic prosperity). Did the out-of-work working age claimant count drop by 3.5 million over this period, from (say) 5.0 million down to

1.5 million as these jobs were created? Did the people on welfare chose to take these jobs instead of claiming benefits?

Sadly, this did not happen. Figure 6 analyses the period 2000 to 2012. Over that particular period, around 2.5 million net new jobs were created. Yet the number of working age people claiming out-of-work benefits remained virtually static, at slightly over 5 million. As the economy has created huge numbers of jobs, roughly the same number of working age people has continued to claim out-of-work benefits.

Figure 6: As employment has grown, out of work claimant count has not reduced

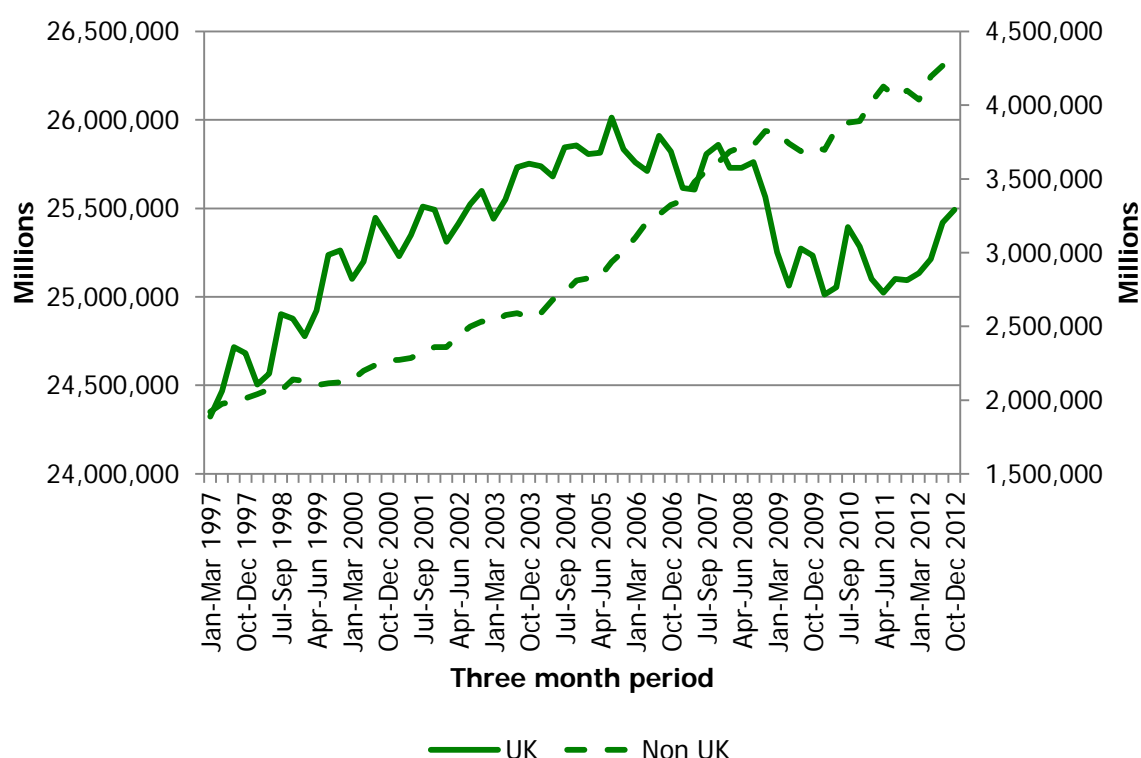


So if new jobs were being created, who was filling them?

Figure 7 shows that of the 3.57 million jobs created between 1997 and 2012, only 1.17 (32 per cent) million went to UK born workers and 2.39 million (68 per cent) went to non-UK born workers. The non-UK born workers came mostly from Eastern European EU accession countries (681,000), Africa (400,000), India (208,000), Core EU states (174,000) and Pakistan/Bangladesh (165,000).

This suggests that non-UK born immigrants had a much higher propensity to take up new jobs than UK welfare claimants. The only reason why this would not be the case is if there were very few UK born people out of work or if the UK born population declined significantly in the period. Neither of these is the case. The simple truth is that non-UK born immigrants were much more likely to take up new jobs than UK born welfare claimants.

Figure 7: 68 per cent of new jobs went to non-UK born workers



As the UK economy produced millions of new jobs, they were mostly taken by foreign born workers and not by UK born out-of-work benefit claimants. Throughout this period, there were around 2.5 million UK born unemployed and a further 2.5 million or so UK born Incapacity Benefit (or ESA) claimants. On a net basis, these people only marginally participated in taking up the new jobs that were created over that period.

It is unlikely that the reason why UK born workers did not meaningfully participate in the net new jobs being created was a lack of skills. Many (although by no means all) of the foreign born workers taking up new jobs did so in low-paid jobs which did not require strong skills.

With the exception of some younger people (who face genuine difficulties in entering the labour market due to weaknesses in our education system), it is difficult to avoid the conclusion that the reason why so many net new jobs went to foreign born workers is that the UK born population who were out of work and on benefits simply did not have a proper incentive to take up those jobs, thanks to a welfare system that allows a level of subsistence that some people find tolerable without the need to work.

The current welfare system is not delivering workforce participation amongst a significant minority – numbering in the millions – of the UK population. This is unacceptable. Change is needed.

4. Current Government Policy Initiatives

The Government has acknowledged the problem with benefit dependency in the current system, as a speech by David Cameron in June 2012 shows:

“Those within [the welfare system] grow up with a series of expectations: you can have a home of your own, the state will support you whatever decisions you make, you will always be able to take out no matter what you put in. This has sent out some incredibly damaging signals. That it pays not to work. That you are owed something for nothing. It gave us millions of working-age people sitting at home on benefits even before the recession hit. It created a culture of entitlement.”

David Cameron, Speech in Dartford, June 2012

The Coalition Government has pursued, amongst other things, four broad policy initiatives to address the issue of welfare dependency.

Lower Uprating of Benefits

The Coalition has sought to control out-of-work benefits by limiting the cash increases to 1 per cent each year from 2013-2014. Given that wage and general inflation is likely to be 2 per cent to 3 per cent each year, this means that the relative value of working versus subsisting on benefits should be improved. This move is therefore a welcome one. However, it is regrettable that in 2012-13 benefits were uplifted by the September 2011 inflation figure which, at 5.2 per cent, was the highest for over fifteen years (and proved to be a short-lived spike) and was considerably higher than wage inflation at the time. The use of 1.0 per cent per annum going forward will eventually counteract the very large 2012-13 increase and assist in beginning to tilt the balance back in favour of working rather than claiming benefits.

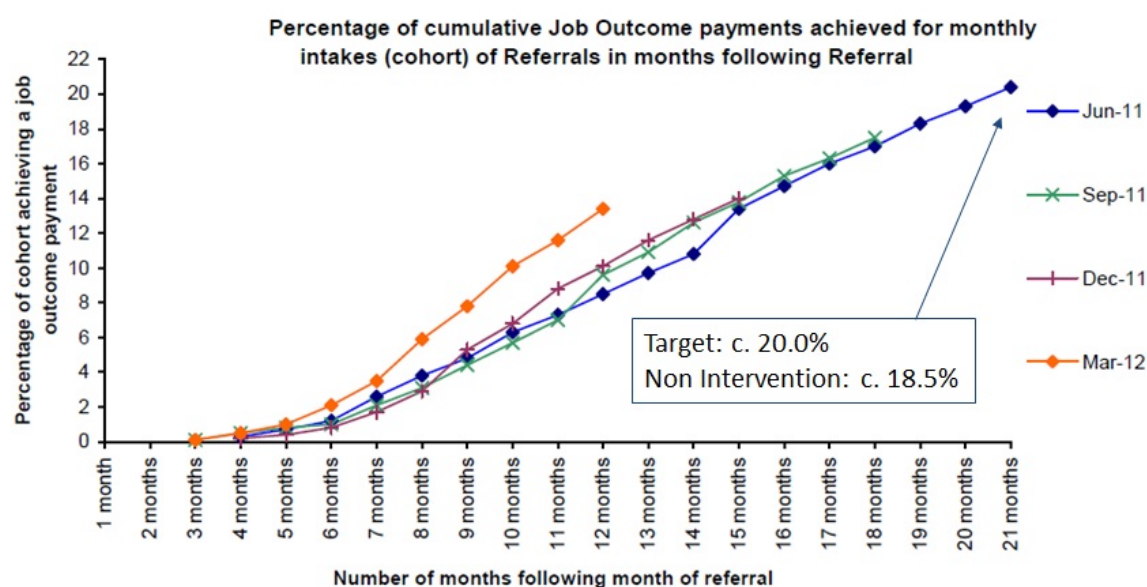
The Work Programme

The Work Programme was introduced in April 2011. Under this scheme, claimants of out-of-work benefits such as Jobseeker's Allowance can be referred to third party (private sector) providers by Jobcentre Plus advisers. The providers offer bespoke interventions and support to help the claimants back into work. The providers are then paid according to the outcomes, with some payments being due at the point that the claimant enters the scheme, when they start work and, finally, if they stay in employment for a certain period of time, typically three or six months.

Figure 8 below shows that around 20 per cent of the people referred into the scheme in the first cohort (June 2011) have triggered Job Outcome payments by 31 March 2013. This is around the Department for Work and Pensions' minimum

performance threshold by this time and very slightly above its estimate of what would have happened in the absence of intervention. There is evidence that more recent cohorts (e.g. March 2012) are performing slightly better, by around 2 percentage points after 12 months. There is not so far clear evidence that the Work Programme is materially improving outcomes beyond what would have happened anyway without intervention. The slightly disappointing initial outcome of the Work Programme may be due to selection bias in the people referred onto the scheme – i.e. the people referred were the hardest to deal with – which had not been accounted for in setting the targets and calculating the non-intervention benchmark.⁵

Figure 8: Job Outcome payments under the Work Programme



The results of the Work Programme to date also suggest that the hardest-to-help cases may need some form of stronger sanction, as well as assistance, to get off benefits and back to work.

The Universal Credit

Starting in 2013 and then being fully rolled out, the Universal Credit will combine a number of existing benefits (including Income Support, Jobseeker's Allowance, Employment and Support Allowance, Working Tax Credit, Child Tax Credit and Housing Benefit) into one single benefit. It will not cover Council Tax Benefit, Child Benefit and the Disability Living Allowance which may introduce some complexities and anomalies.

At present, the withdrawal of a range of benefits (such as Housing Benefit and Council Tax Benefit) is only partly offset by the Working Tax Credit, so that as people earn more money they often suffer effective marginal deduction rates of

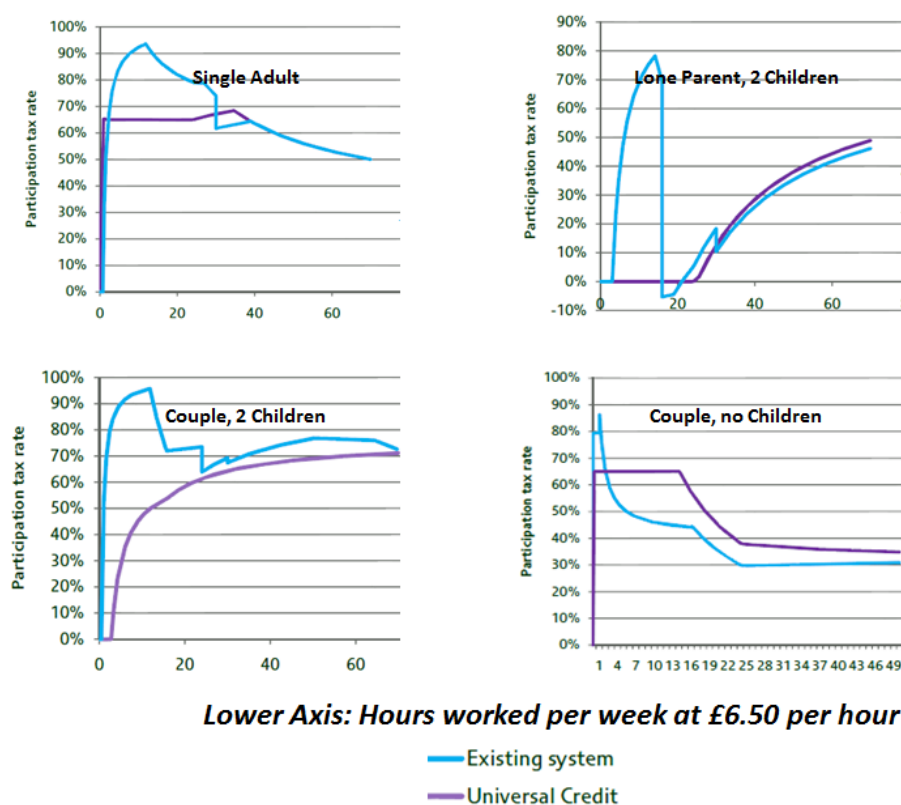
⁵ Work Programme statistical release, 27th June 2013

between 70 per cent and 95 per cent. The Universal Credit will have a maximum benefit withdrawal rate of 65 per cent against pre-tax income or 76 per cent against post-tax income, somewhat strengthening the incentives to work.

There are some winners and losers under this scheme – that is, for some people incentives are strengthened and for some they are weakened. The Institute for Fiscal Studies (IFS) estimates that 2.5 million families will be better off (generally those on lower incomes today) and 1.5 million will be worse off (generally those on higher incomes today). According to the IFS, about 1.8 million people will see their effective participation tax rates fall and about 1.8 million will see them rise. Crucially, those seeing incentives improved are those at lower income levels for whom the trade-off between work and benefits most needs strengthening. Similarly, 1.1 million people will see their participation tax rates fall below 70 per cent having previously been above that level, whereas only 350,000 people whose participation tax rate is currently under 60 per cent will see it rise above 60 per cent.⁶

The Universal Credit will therefore certainly remove the worst examples of high effective tax rates, and will mean that there is no Marginal Effective Tax Rate of over 76.2 per cent. The charts in Figure 9 below illustrate some cases studies produced by the IFS.⁷ There is little doubt the Universal Credit will improve financial incentives to work from an economic perspective.

Figure 9: Participation tax rates under the Universal Credit



⁶ Universal Credit: A Preliminary Analysis, IFS Briefing Note 116, Mike Brewer, James Browne, Wenchao Jin

⁷ Ibid

Given that base levels of benefits will remain broadly the same, the Universal Credit will move the point at which state support tapers off up the income spectrum. It will also increase the costs at the outset, although the Government believes that the increased incentives to work will eventually mean that more people work, thus reducing costs in the medium term. The IFS estimates the cost to be £1.7 billion per year at 2014-15 prices. Questions about the technical implementation of the Universal Credit (e.g. the fitness for purpose of the IT systems) are not considered here.

Data from studies by the RAND organisation in the USA, which are reported later in this paper, unfortunately suggest that, despite the economic logic behind the Universal Credit reforms, improving financial incentives alone will not be sufficient to fix Britain's welfare problem. Part of the reason for this is that it is still possible to subsist reasonably well at the benefit rates that will still be paid out to non-working people, which will continue at pretty much the current rates. Although the Universal Credit will make sure that people are always a bit better off by working (or working more), if someone is happy to subsist at a certain level of income then they may still choose to maintain that level of income without the need to work (or work more), rather than increase their working hours and enjoy a slightly improved income level. Arguably, some harder form of incentive (or disincentive) is needed to push these people into deciding that working (or working more) really is preferable. This is at the heart of our proposals.

The introduction of the Universal Credit does make it possible to strengthen sanctions for non-compliance with the requirements of the benefits system considerably. At present, sanctions only apply to Jobseeker's Allowance, Income Support and the work-related activity component of the Employment Support Allowance. The Universal Credit rolls in other benefits that are not currently subject to sanctions or conditionality, such as Housing Benefit and the Child Tax Credit. This means that the scope of sanctions on non-compliant claimants could be significantly increased under the Universal Credit. The current plan is only to sanction the equivalent of the old JSA or ESA from the Universal Credit, and only to do so for a limited period. If this is implemented, it will represent a missed opportunity to tighten the sanctions regime.

Mandatory Work Activity

Mandatory Work Activity (MWA) was launched in May 2011. Jobcentre Plus advisers can refer Jobseeker's Allowance claimants who they feel are problematic to undertake MWA placements. These placements are organised by third party private companies under contract with the DWP, and the placements are typically with charities or in some cases with private companies.

The concept is for the participant to (i) gain work-related disciplines such as attending work on time, (ii) gain experience for their CV and (iii) deliver benefit to

the community. The unspoken intention is probably also to make life on benefits slightly less congenial.

The MWA placements:

- last for 4 weeks;
- are for 30 hours per week, unless restrictions apply, so allowing the claimant time to meet their “actively seeking work” obligations;
- are of benefit to the local community;
- are additional to any existing or expected vacancies the host organisation might have.

In the event that referred claimants do not participate, then they may be referred for benefit sanction. This may entail have their Jobseeker’s Allowance stopped for 4 to 13 weeks.

According to statistics published on 22 May 2013, between May 2011 and February 2013, 146,810 claimants were referred to Mandatory Work Activity placements.⁸ There were 53,720 starts in this time – meaning that around 93,000 referrals did not start. However, the number of sanctions for MWA non-compliance was less than 10,000 in this period, suggesting that sanctions are not being widely used for non-compliant claimants. Only 11 per cent (10,000 out of 93,000) of non-compliant referrals were sanctioned.

According to research published by the DWP in June 2012 and audited by the National Institute of Economic and Social Research, there was some short-term reduction in the amount of benefit claimed by MWA participants versus a notional control group. However, this effect wore off after around 13 weeks, and there were not improved employment outcomes reported.⁹

On the face of it, these figures seem to suggest that the Mandatory Work Activity programme has not been a success. This contradicts the evidence from around the world (see below) which suggests that such schemes should in fact be highly successful. Likely reasons why the UK’s Mandatory Work Activity programme have so far not delivered clear results include:

- Four weeks is not long enough to change behaviour. People soon revert to type as four weeks is short enough to get through without someone needing to fundamentally re-think the balance between work and benefits
- The sanctions are very weak if indeed they are applied at all – they are only applied to Jobseeker’s Allowance (which is only a small part of the total benefits

⁸ DWP Statistics, Mandatory Programmes Official Statistics, 22nd May 2013

⁹ Early Impacts of Mandatory Work Activity, DWP, June 2012

package) and the sanction only lasts for four or thirteen weeks. Furthermore, very few non-compliant claimants (11 per cent) were sanctioned at all

The June 2012 evaluation study is also methodologically flawed in two respects:

- It does not account for the deterrent effect of the MWA – some people would have simply come off JSA immediately when the scheme was mentioned to them as possibility, and this effect is not captured in the analysis.
- It attempts to construct a statistically equivalent control group of people not referred into the MWA programme. This control group is likely to be flawed, as there would have been substantial selection bias in the people referred onto MWA which statistical analysis cannot capture – i.e. the people referred into it would have been the “worst” hard-core cases with very poor attitudes. The statistical analysis used to generate the control group could not have captured this subtlety, so the performance of the control group is likely to exceed that of the actually referred group anyway. The proper way to conduct such a trial would be on a blind basis (i.e. the Jobcentre Plus advisers refer people onto the MWA, half of whom are then randomly assigned to the MWA and half are randomly not assigned, who then form a reliable control group).

There have been aggressive protests by some activist groups such as www.boycottworkfare.com to stop charities from participating in the scheme on the grounds that it is “slave labour”. Some charities have responded to this pressure by reluctantly withdrawing from the programme. It is therefore vital that, if any form of mandatory work activity is to be pursued, that the public case for the morality and the economics of the scheme is very strongly made.

In summary, the Government’s policy initiatives are all sensible moves in the right direction. But they need to be strengthened to stand a better chance of delivering the radical change we need.

5. It's time to "Work for the Dole"

The introduction of the Universal Credit creates the theoretical financial incentives to work more and to earn more. But the option still exists to not seek work and to receive levels of income, at taxpayers' expense, which are comparable to the income received by people working full-time in lower paid jobs. A mechanism is needed to take this option off the table and to encourage people who are happy to subsist at welfare-funded income levels more strongly into work.

Work for the Dole will achieve this.

Work for the Dole – Scheme Outline

Work for the Dole requires, after a certain time, that anyone claiming the Universal Credit (covering what is currently Jobseeker's Allowance, Income Support, employment based ESA, Housing Benefit and Child Tax Credit) will be required to undertake activity or (if claiming ESA) undertake activity that they are physically able to do. This might include training as well as work activity. Anyone over the age of 65 is excluded and pension provision is not affected.

The required activity will have the following features:

- It will be for 30 hours per week for anyone not working
- For anyone working, it will top up their working time to 30 hours per week
- The 30 hour benchmark may be adjusted downwards for people with childcare or similar obligations. For some people there will be no requirement at all (such as people caring for a child under four or caring for someone with a severe disability)
- The programme shall continue indefinitely, until either (i) the person is working more than 30 hours per week (or their benchmark if lower) or (ii) until they stop claiming Universal Credit benefits entirely

The required activity will consist of one or more of the following (at the discretion of the JobcCentre Plus adviser):

- Community work, such as clearing parks or cleaning graffiti (provided that such work would not ordinarily be performed on a paid-for basis)
- Work for a registered charity
- Participation in a recognised training programme
- Work experience, or participation in a work-based training programme or apprenticeship-type scheme. If these are with a commercial organisations, then there must be genuine skills development – it cannot simply be free labour for the commercial company

- Physical attendance at a job search centre where meaningful job search and preparation activities would be undertaken

Work search activity should continue alongside the mandatory activity, which is why the mandatory activity period is set at 30 hours and not 40 hours per week.

Who gets referred onto the scheme?

Referrals onto the scheme will automatically occur (on a non-discretionary basis) at the following times:

- For those with a history of more than five years of National Insurance contributions, after two years of claiming the Universal Credit
- For those with a history of two to five years of National Insurance contributions, after one year of claiming the Universal Credit
- For those with a history of less than two years of National Insurance contributions, after three months of claiming the Universal Credit

This has the effect of giving more latitude to people who have paid in to the system previously strengthening the contributory element in out-of-work benefits. The time periods referred to above would be measured over a rolling five year period (i.e. two years out of five would trigger the referral etc. There does not have to be two continuous years).

Sanctions for non-compliance

Sanctions – i.e. suspension of benefits payments – for non-compliance with requirements specified by Jobcentre Plus advisers are currently time limited, only applied to JSA, ESA and IS and are applied at the discretion of those advisers, and so are only used sporadically. Their use is very limited, and so they are not especially effective.

The fact that the Universal Credit combines many currently separate benefits provides the opportunity to widen the scope of sanctions beyond those currently applied.

If anyone is not compliant with Work for the Dole activity requirements, they should automatically have *all* of their Universal Credit payments suspended for as long as the stipulated conditions (i.e. the required activity) are not being complied with. It may be that changes to, or opt-out from, some EU law is required to fully implement this. If so, the Government should include this in their upcoming EU renegotiation.

Although the complete suspension of all Universal Credit benefit payments may seem an extreme sanction, the evidence from the US suggests that this is required to make the schemes fully effective. The increased longevity and widened scope of these sanctions will give them much more teeth than the current time-limited

sanctions, which are only occasionally applied to JSA, ESA and IS and only used for short time periods. This sanction has real teeth. It will deliver results.

Intended results

These proposals are designed to deliver the following results:

- The tax-paying public are entitled to see some kind of community service in return for the benefits that they pay after a certain length of time, particularly when the value of the whole benefits package can come close to average wages
- Work for the Dole will eliminate a great deal of fraud. Because people will have to be physically present for up to 30 hours per week, it will (i) prevent people from claiming benefits while earning income in the black economy that they have not declared and (ii) prevent people using multiple identities
- Work for the Dole under the Universal Credit umbrella will remove the option of claiming benefits other than JSA and ESA (such as Housing Benefit and the Child Tax Credit) while not seeking work, which is currently possible
- Work for the Dole will provide a powerful incentive to seek a job (by making it less tolerable to subsist on benefits) while at the same time helping participants get into the habit of working. This will reduce the number of people relying on out-of-work benefits and increase workforce participation
- The work experience, apprenticeship or training activities that will form part of the package can enhance claimants' skills and the credentials of the participant, making it more likely that they will get a job

These proposals will reduce the cost of welfare and increase the number of people in work. This is good for the taxpayer, good for the economy and ultimately good for the people who move back into work and their families. The best route out of poverty lies in working, not relying on benefits, and these proposals will result in more people working.

Cost Implications

Delivering Work for the Dole will cost money to establish initially.

Using the referral criteria described above, it is estimated that 575,000 people would initially be referred onto the programme. This number would rapidly drop as people adjust their behaviour and choose to find jobs rather than participate in the programme. On an ongoing basis, the programme should have a deterrent effect which prevents people from getting to the point where they might become eligible in the first place.

The cost of initially administering and managing this programme, on the assumption that the average user spends six months on the programme and based on an initial referral base of 575,000 people, is estimated at £1.05 billion per year. This should

drop once current long-term claimants have adjusted their behaviour and once the deterrent effect has kicked in and the number of people on the programme has therefore reduced.

The reduction in the component of welfare spending which falls under the Universal Credit from the 575,000 participants is estimated at 60 per cent. The benefits covered are not just JSA or ESA (which is all current sanctions cover) but also Housing Benefit, Child Tax Credit, Income Support and the Working Tax Credit. The 60 per cent saving figure is generated by reference to a 80 per cent reduction achieved by Wisconsin Works, 46 per cent reduction achieved from a similar 1997-98 UK pilot, 60 per cent in the USA as an average across the TANF programmes, 50 per cent achieved in New York's WEP and 54 per cent achieved in Ontario Works in Canada. International comparison figures are expanded upon in the next section. This saving will be realised as a result of (i) people choosing to find work rather than having to engage in Work for the Dole, (ii) a reduction in fraud and (iii) the complete withdrawal of benefit payments from any people who are not compliant.

This leads to a gross saving of £3.51 billion per year on an ongoing basis and a net saving of £2.46 billion in the first year. 345,000 people will come off welfare. This is summarised below.

Benefit	Number of Claims (millions)	Total Cost (£, billions)	Number Eligible (thousands)	Saving (£, millions)	Saving as % of Total Cost
Income Support	1.51	6.93	120	332	4.8
Incapacity Benefit	1.39	4.91	110	236	4.8
Job Seekers' Allowance	1.45	4.91	265	530	10.8
Employment Support Allowance	0.99	3.62	80	174	4.8
Sub Total	5.34	20.36	575	1,272	6.2
Housing Benefit	5.07	22.83	320 (counted above)	852	3.7
Child Tax Credit	5.19	22.04	320 (counted above)	804	3.6
Other	n/a	8.27	n/a	579	7.0
Grand Total	n/a	73.50	575	3,506	4.7

There is also a wider, intangible advantage from the deterrent effect that this measure will have. There is an analogy between this proposal and train ticket inspectors: the cost of having ticket inspectors is high, sometimes higher than the value of the revenue they actually collect. But the cost of not having them is much higher – because many people will simply not buy tickets at all. At present, the welfare system is like a train system with no ticket inspectors. There is little deterrence to welfare dependency.

It is expected that the deterrent effect of the programme means that quite quickly the scale of the programme would reduce, and the size of the net saving compared to not introducing the scheme would increase over time. Full details of the costings and savings are given in the Appendix to this report.

6. International Case Studies: Work for the Dole works

There are a number of international case studies which have shown how work requirements can be very effective at reducing welfare spending and getting people into work.

USA: TANF

Temporary Assistance for Needy Families (TANF) started on 1 January 1997, and was created by the Personal Responsibility and Work Opportunity Act of 1996. It replaced a previously less conditional welfare system and was based on a cross-party consensus brokered between Bill Clinton and the Republican Congress dominated by Newt Gingrich, elected House Speaker following the 1994 mid-terms.

TANF is administered by states, but must have the following components:

- Financial work incentives, including earnings disregards and benefit withdrawal tapers;
- Requirements to work or participate in work-related activities;
- Time limits, typically of two years continuous claiming;
- Lifetime limits of five years of claims;
- Family caps (i.e. only applies up to two children) and minor residence requirements;
- Family responsibility requirements – i.e. enforcing child support;
- Limits on payments to unmarried parents and immigrants

Relatively small proportions of people on the welfare roll (around 10 per cent at any one time) ended up in the compulsory work stream. This nonetheless had big effects.

TANF Results

Research by the State University of New York showed:

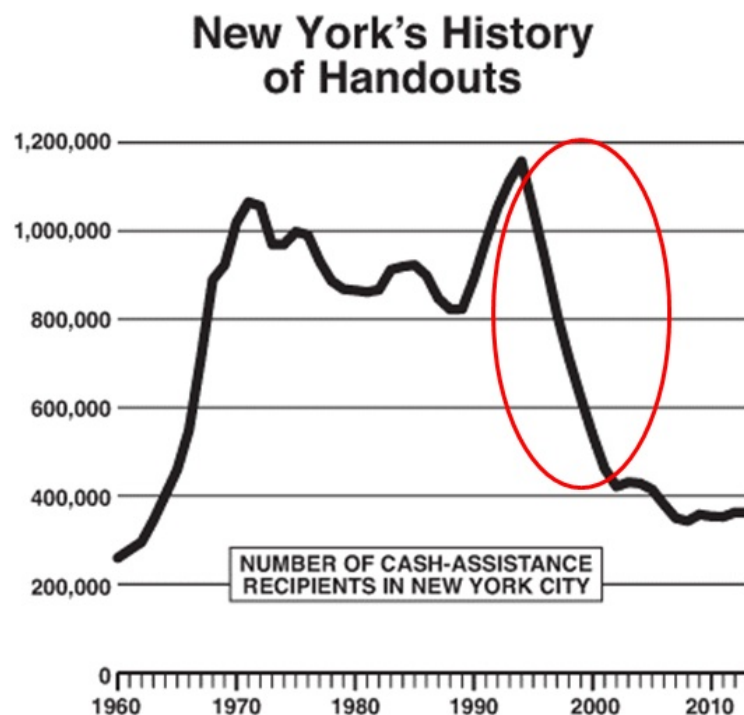
- Nationwide, a 60 per cent reduction in welfare caseloads between 1994 and 2004
- 40 studies conducted by states since 1996 show that about 60 per cent of the adults leaving welfare are employed at any given moment and that over a period of several months, about 80 per cent hold at least one job
- Between 1993 and 2000, the percentage of low-income, single mothers with a job grew from 58 per cent to nearly 75 per cent

- Employment among never-married mothers, the most disadvantaged and least-educated subgroup of single mothers, grew from 44 per cent to 66 per cent
- The total income of these low-income families increased by more than 25 per cent over the period (in constant dollars)
- Between 1994 and 2000, child poverty fell every year and reached levels not seen since 1978. In addition, by 2000, the poverty rate of black children was the lowest it had ever been

USA Example 1 – New York State – WEP (Work Experience Programme)

- Three days work a week, with two days job search
- Activities included sweeping streets and cleaning public buildings and parks
- 1996-2001 saw caseloads fall by 26 per cent. The number of people receiving cash assistance fell by 60 per cent. Between 17,000 and 30,000 participants were involved at any one time – only a small part of the city's welfare caseload. Fig 10 below illustrates the dramatic drop
- The model has now been iterated to include training/support as well as simply work requirements
- Before these reforms were instituted, New York City welfare rolls had increased to over 1 million of a population of 8 million, despite economic growth and job creation in this period

Figure 10: The impact of Giuliani's workfare policies in New York City



SOURCE: NYC Human Resources Administration

USA Example 2 – Wisconsin – W2 (Wisconsin Works)

- Benefits conditional on being in (i) subsidised work placements, or (ii) unpaid work experience, or (iii) participation in training/support (e.g. rehab) programmes
- 1990-2000 saw a 80 per cent reduction in welfare caseloads
- Around 40 per cent of claimants participated in the Community Service Jobs (i.e. compulsory unpaid community service)
- 50 per cent-66 per cent of participants found unsubsidised work in the three years after leaving the programme

USA Example 3 – Washington State – WorkFirst Programme

- This programme combined unpaid work experience with businesses and charities with paid “Community Jobs”
- Unpaid work experience increased employment subsequently by 13 per cent compared to 33 per cent for paid Community Jobs
- Earnings after the scheme increased by \$45/quarter for those who had unpaid work experience, vs. \$792/quarter for those who had been in the Community Jobs scheme

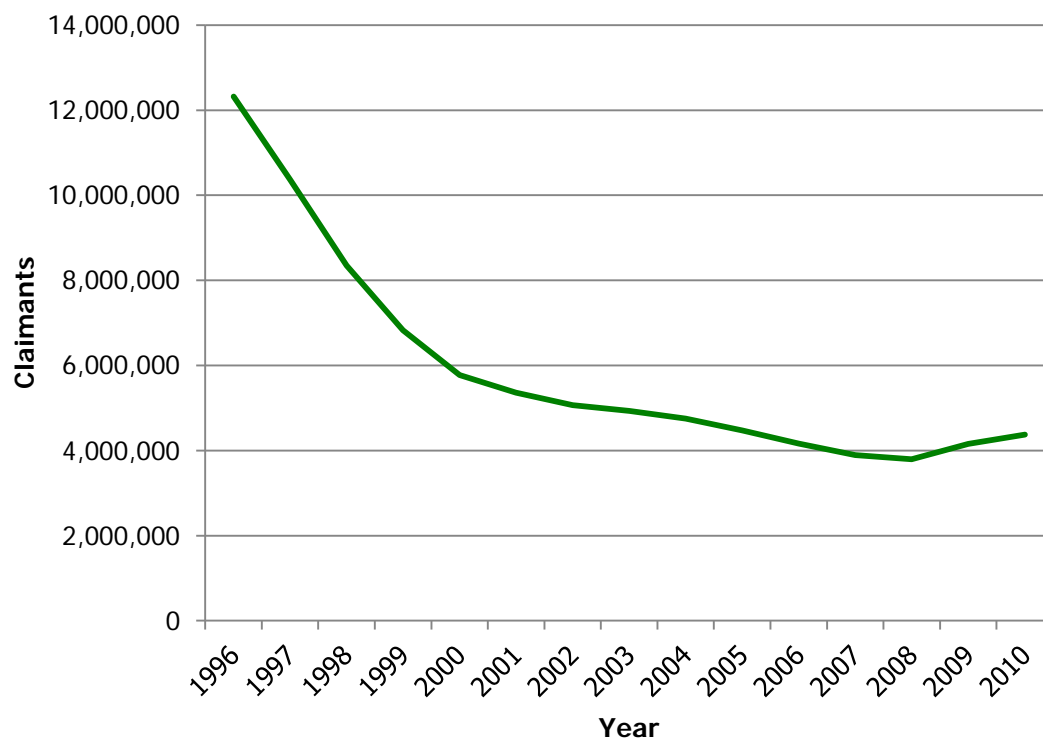
RAND Corporation Studies on Workfare Effectiveness

In twelve of the thirteen evaluations, welfare use was lower after two years for the treatment group subject to stricter work requirements compared to the control group and all impacts were statistically significant. This is consistent with economists’ expectations that work requirements should make welfare less attractive and therefore reduce welfare use.

The earnings impacts from these programmes are also positive, although relatively small, as earned income simply tended to replace welfare payments. Twelve of thirteen programmes produced positive effects on earnings, nine of which were statistically significant. The one negative effect was insignificant. The average earnings impact over the two-year follow-up exceeded \$700; only four of the programmes failed to produce earnings gains of at least \$400. Among the four work-first programmes, earnings impacts averaged about \$1,200. Among the human-capital programmes, earnings impacts were smaller, averaging just under \$400.

TANF also succeeded in driving down claimant counts by around 60 per cent, as Figure 11 overleaf shows.

Figure 11: Average monthly TANF recipients



RAND Corporation evidence to Congress (see Figure 12 below) is based on very detailed analysis of dozens of workfare programmes. This concluded that there are very significant positive benefits from the various components of workfare, which are summarised below. Mandatory Work Activity is by far the most effective of these.

Figure 12: US studies have found that work requirements have the biggest impact

Policy/policy bundle	Welfare use	Employment	Earnings	Income	Poverty
Mandatory work-related activities	↓	↑	↑	↑↓	↓
Sanctions for noncompliance	↓				
Financial work incentives	↑	↑	*	↑	↓
Strong financial work incentives + mandatory work-related activities	↑	↑	↑	↑	↓
Weak financial work incentives + mandatory work-related activities	↓	↑	↑	↑	
Time limits (before limits are binding)	↓	↑	*	*	
Time limits (after limits are binding)	↓	↑↓	*	*	
Reform as a bundle	↓	↑	↑	↑	↓

Deep

Intermediate

Shallow

No studies

Insufficient evidence to assign direction with minimum confidence

Source: RAND Corporation evidence to the US Congress

Canada

In 1996, Canadian Provinces were given the authority to introduce conditionality into benefit payments. There was, however, no time limit attached to benefit receipt as there was in the US.

Welfare caseloads fell significantly after the introduction of conditionality, with single mothers increasing their participation in the workforce, increasing by 19 per cent between 1998 and 2003.

Ontario Works was introduced in 1997. This entailed: (i) intensive support in job search, (ii) subsidised placements in the private sector for up to six months, and (iii) unpaid work experience in the not-for-profit sector for 70 hours per month

By 2000, 69,000 people were in the unpaid work experience programme. In Toronto, 40 per cent of lone parents were in mandatory unpaid programmes with partner organisations. Between 1998 and 2004, caseloads declined by 54 per cent, and 60 per cent of programme leavers found jobs.

Australia

In 1997, Australia introduced "Work for the Dole" that required work placements for 18-24 year-olds who had been unemployed for six months. The scheme was later extended to all jobseekers under 50. Participants worked for up to six months on community projects run by councils, charities and community organisations and received a \$20 a fortnight supplement to their unemployment payments.

Placements included work on historic projects, environmental projects, arts projects, community care projects, tourism projects, sports projects and restoration and maintenance projects. Whilst Work for the Dole was designed to improve participants' employability and 'work habits' and provide work of value to the local community, it did not explicitly aim to improve employment outcomes. The underlying concept was that claimants should give something back to local community.

By 2002, over 170,000 people had undertaken Work for the Dole placements and an official net impact study showed that participation raised employment outcomes by seven per cent compared to a control group of non-participants. A quarter were in work three months after leaving the programme and 14 per cent employed in full-time jobs.

For some claimants, additional support (for example, assistance with job search) was also found to be effective at getting claimants back into work.

UK 1996-1997

In the dying days of the Major Government, a trial called "Project Work" was run with 6,800 people in Medway and Hull. 13 weeks intensive job search was followed by 13 weeks of community service. The scheme started in April 1996. By February

1997, 3,100 of the participants (46 per cent) had stopped claiming benefits. In a piece in the *Independent* on 27 February 1997 describing the Project Work pilot – which required claimants to work in exchange for a small extra payment on top of existing benefits – even Polly Toynbee concluded that, “Workfare really works”.

Frank Field MP is quoted in the piece supporting the concept of workfare, saying “If you offer people easy money, they will take it” and adding that “many people prefer to sit in the benefit safety net than work for just a little more.”

These pilot figures support the international evidence that work for the dole schemes can be highly effective in encouraging people back into work.

7. There is strong public support for work requirements

Public attitudes to welfare have steadily hardened over the last ten to twenty years. The public feel that many people claiming benefits are not making enough of an effort to find work, and that is leading to additional pressure on their own finances as taxpayers.

This view is encapsulated by a comment made by a manual worker whose job is to maintain the tube tracks overnight. The job is anti-social (work starts are around midnight and ends at around six in the morning as the tube network restarts), occurs in a potentially dangerous and certainly uncongenial environment (a dark and usually noisy tube tunnel) and is intensely physical and dirty (often involving loud pneumatic drilling and lots of dust). This worker lived on a council estate in Kilburn and many of his neighbours did not work. He made the following comment:

"I do a tough job. I don't get paid that much for doing it. Yet when I come home after a hard overnight shift, I see my neighbours on the estate who don't do any work and have no intention of doing so. Yet they have a similar standard of living to me. That isn't fair. What are you going to do about it?"

Anon, Kilburn, London

This anecdotal view is supported by extensive polling by a variety of different organisations. The British Social Attitudes Survey of 2012 shows that 62 per cent of the public now believe that benefits are too high and discourage work, up from around 30 per cent in the 1990s. By contrast, only 20 per cent now think that the benefit rates are too low and cause hardship, down from over 50 per cent in the 1990s. These findings apply across the political and social spectrum. 77 per cent of Conservative voters and 55 per cent of Labour and Lib Dem voters agree welfare is too high and discourages work. Extraordinarily, **59 per cent of people who are actually in receipt of benefits think they are too high and discourage work.**¹⁰ These findings are illustrated below.

¹⁰ Park, A., Clery, E., Curtice, J., Phillips, M. and Utting, D. (eds.) (2012), British Social Attitudes: the 29th Report, London: NatCen Social Research

Figure 13: Changes in attitudes to welfare spending

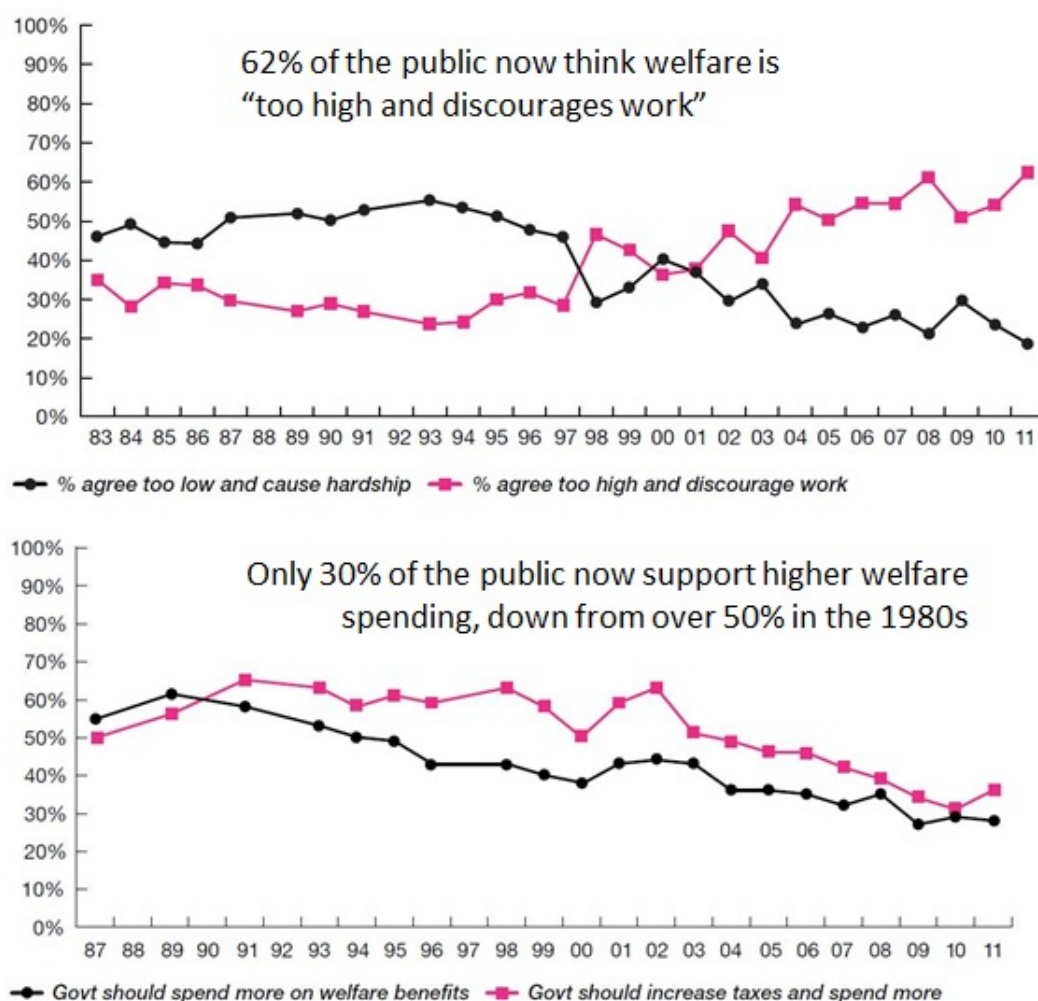


Figure 14: Attitudes to the level of benefits and their incentive on finding work

% agree unemployment benefits are too high and discourage work	2003	2007	2011	Change since 2003	Change since 2007
Party affiliation					
Conservative	56	67	77	+21	+10
Labour	36	49	55	+19	+6
Liberal Democrat	36	51	55	+20	+5
Occupational class					
Professional	40	55	65	+25	+10
Intermediate	44	57	66	+23	+9
Routine	38	50	58	+20	+8
Receipt of benefits					
Respondent or spouse in receipt of benefits	40	55	59	+19	+4
Neither in receipt of benefits	41	54	68	+27	+14
All	40	54	62	+22	+8

59 per cent of benefit claimants think benefits are too high and discourage work

Other polling supports this view. When YouGov polled 1,751 adults in August 2012 asking for areas which should be prioritised for savings in public spending, they found that unemployment benefits topped the poll. Another YouGov survey in January 2013 found 74 per cent support for the £26,000 per year benefit cap, 77 per cent support for means testing Child Benefit and 75 per cent support for stopping benefits for people who refuse work. Only 28 per cent felt that the Government is being too harsh and 47 per cent felt that the Government should do more to force people into work. There is also **75 per cent net agreement for the proposition that those who can should do full-time community service for their benefits**. Figure 15 below summarises these results.

Figure 15: The level of support for strong welfare reforms

Proposition	Strong Agree	Weak Agree	Strong Disagree	Weak Disagree	Don't Know	Net Agree
Britain's welfare system has created a culture of dependency, whereby many people get used to living off state benefits; the system needs to be radically changed	69%		22%		8%	+47%
Do you support stopping out of work benefits for people who refuse work?	76%		10%		14%	+66%
Do you support capping the total amount of benefits people can receive to £26,000 per year?	74%		11%		15%	+63%
A something-for-nothing culture has taken hold in the welfare system, with people increasingly allowed to get away with choosing to live on benefits	57%	27%	7%	5%	4%	+72%
After a certain period of benefits, everyone who is able should be expected to do some form of full-time work helping the community, in return for continued benefits	53%	33%	7%	4%	4%	+75%
People on benefits should not continue to get child benefit after the first two children	50%	26%	10%	8%	7%	+58%

Source: *Populus for the Times*, 26th-27th June 2012 (Sample 2,023 UK Adults), *You Gov* 29th-30th January 2012 (Sample 1,977 GB Adults), *You Gov*, 3rd-4th January 2013 (Sample of 1,988 GB Adults)

Public feeling on this issue is overwhelming, and it crosses all demographics – most of all the hard-pressed working poor who see their neighbours abusing the system. As we saw above, even Polly Toynbee agrees with the “Work for the Dole” concept (or did in February 1997).

There is a rare opportunity to take decisive action which will improve the public finances, improve the economy and improve the social fabric of our society. Public opinion supports strong moves in this direction and is ahead of the political classes on Work for the Dole.

Huge political, social and economic rewards await political leaders prepared to act boldly on this issue.

8. Appendix 1 – Work for the Dole forecasts

Likely number of eligible participants

In estimating the number of people who will be eligible for Work for the Dole, using the criteria described in the main report, only recipients of benefits that will fall under the umbrella of the Universal Credit are considered. Claims under the following benefits are therefore excluded:

Benefit	Total costs (£, billions)	Number of Claimants	Average value of claim (£)
Disability Living Allowance	12.6	3,240,000	3,879
Child Benefit	12.2	7,880,000	1,551
Council Tax Benefit	4.9	5,920,000	832

Recipients of the Working Tax Credit are also excluded as they are in work. Although it is quite likely that many are working less than 30 hours per week, the cautious approach to estimating the numbers is to exclude them entirely. There are 2.52 million claims under this benefit, totalling £6.89 billion or an average of £2,738 per claim.

The table at the end of this appendix gives the detailed breakdown of how the eligibility for Work for the Dole is calculated, and the estimated savings. For people on ESA, IB and JSA the results of the Work Programme have been used to estimate the effect (we have used 8 per cent eligibility x 60 per cent success rate = 4.8 per cent overall impact, which is in line with the Work Programme results to date). For people on JSA, the number of eligible referrals (18 per cent of the population) is based on the number of people claiming JSA for different periods, and estimated NI contribution histories. Housing Benefit savings rates are calculated by applying the eligibility rate for each out of work benefit group to Housing Benefit recipients in that group. The impact on recipients of the Child Tax Credit is calculated by using a 30 per cent eligibility for the 354,000 couples out of work who claim this benefit, and a 20 per cent eligibility rate for the 1.045m lone parents out of work claiming this benefit. The 3.7m families receiving the Child Tax Credit who are in work are excluded from the eligibility criteria, even though some will work less than 30 hours per week. Note that by number, the Child Tax Credit and “Other” recipients who are eligible for Work for the Dole are already counted in the Out of Work sub totals.

Overall, a 60 per cent saving rate is applied to those who are eligible which is in line with international experience. The eligibility numbers and estimated savings are summarised below:

Benefit	Number of Claims (million)	Total Cost (£, billions)	Number Eligible (thousand)	Saving (£, millions)	Saving as % of Total Cost
Income Support	1.51	6.93	120	332	4.8
Incapacity Benefit	1.39	4.91	110	236	4.8
Job Seekers' Allowance	1.45	4.91	265	530	10.8
Employment Support Allowance	0.99	3.62	80	174	4.8
Sub Total	5.34	20.36	575	1,272	6.2
Housing Benefit	5.07	22.83	320 (counted above)	852	3.7
Child Tax Credit	5.19	22.04	320 (counted above)	804	3.6
Other	n/a	8.27	n/a	579	7.0
Grand Total	n/a	73.50	575	3,506	4.7

(Full detail is given in the table below)

This shows that 575,000 people will be referred into the Work for the Dole scheme, and a gross saving of £3.5 billion per annum can be expected when the scheme matures.

Estimated Cost of Delivering the Programme

The cost of running this programme is estimated at £1.05 billion per year as follows:

- There are 575,000 potential participants in the scheme, of who at any one time 50% may be actually participating (due to the time taken to implement the programme, and the effect of people coming off the programme as they find work or stop claiming over an average six month period). This is an active base of 287,500 people
- One supervisor is required to supervise 20 participants, which is 14,375 supervisors
- One manager is required to oversee five supervisors, which is 2,875 supervisors
- The cost of a Supervisor is £25,000 per year with 25% on-cost (as not office based), or a total cost of £450 million per year
- The cost of a Manager is £40,000 per year with 50% on-cost (as office based), with the on-cost including higher management and office costs. This totals £170 million per year
- The cost of providing physical materials that may be required to support activity required of participants on the programme is £1,500 per participant-year, or £430 million
- This totals £1.05 billion per year

Work for the Dole – Savings Calculations

Out of Work Benefit	Out of Work Benefit Status			Housing Benefit Status				WfD Referral Eligibility			Gross savings from WfD		
	Cost, £bn	Nmbr, mn	Av, £	Yes, mn	No, mn	Cost, £bn	Av, £	Rate	Nmbr, Total	Nmbr, HB	Rate	OOW, £mn	HB, £mn
Income Support	6.93	1.51	4,589	0.86	0.65	3.87	4,501	8	0.12	0.07	60	332	186
Incapacity Benefit	4.91	1.39	3,545	0.85	0.55	3.80	4,501	8	0.11	0.07	60	236	183
Job Seekers' Allowance	4.91	1.45	3,384	0.69	0.76	3.11	4,501	18	0.26	0.12	60	530	336
Employment Support Allowance	3.62	0.99	3,652	0.68	0.31	3.07	4,501	8	0.08	0.05	60	174	148
Pension Credit	n/a	n/a	n/a	1.02	n/a	4.59	4,501	n/a	n/a	n/a	60	n/a	n/a
In work, none of the above	n/a	n/a	n/a	0.98	n/a	4.39	4,501	n/a	n/a	n/a	60	n/a	n/a
Total for HB Recipients	20.36	5.34	-	5.07	-	22.83	4,501	n/a	0.57	0.32	60	1,272	852
Sub Total												2,123	
Child Tax Credit	22.04	5.19	4,249					6	0.32	n/a	60	804	
Other Benefits	8.27	n/a	n/a					n/a	n/a	n/a	60	579	
Total												3,506	