

WELFARE BENEFIT REFORM

3. There was submitted a report (docketed) dated 14 March 2006 by the Director of Planning and Environment (1) outlining the main proposals contained within the Government's Green Paper – A New Deal for Welfare, Empowering People to Work; (2) detailing the background to the report; (3) summarising the government's intention to introduce a new employment and support allowance in 2008; (4) advising (a) that the Scottish Executive had introduced ten closing the opportunity gap targets in July 2004 to enhance their commitment to tackling poverty and disadvantage; (b) that the first of the targets, entitled Target A, focussed on reducing the number of people dependent on Department for Work and Pensions (DWP) Benefits by 2007 and 2010, and (c) that the DWP study would be used to monitor North Lanarkshire's success in meeting this target; (5) intimating that the Policy and Economic Development Service had developed a range of employability projects and services aimed at supporting those in receipt of benefit who wished to return to work and make the transition from welfare to work, and (6) attaching as an Appendix to the report, the Council's response to the Government's Green Paper.

Decided:

- (1) that the Council's response to the Government Green Paper be approved;
- (2) that the matter be remitted to the Housing and Technical Services and Social Work Committees for information, and
- (3) that the report be otherwise noted.

REPORT

To: ECONOMIC REGENERATION COMMITTEE	Subject: Welfare Benefit Reform
From: DIRECTOR OF PLANNING AND ENVIRONMENT	
Date: 14 th March 2006	Ref: 1123

1. Purpose of Report

- 1.1 The aim of this report is to provide committee with a brief overview of the main proposals contained within the governments green-paper: A New-Deal for Welfare, Empowering People to Work, and to obtain approval for the attached response to the consultation exercise. The report also informs committee of initial progress towards the Scottish Executive's Closing the Opportunity Gap policy.

2. Background

- 2.1 Since 1997 the government has introduced changes to the benefits system to support the transition from welfare to work. Evaluations of two flagship policies, New-Deal and Pathways to Work, have guided the governments proposed changes. The green-paper: A New-Deal for Welfare, Empowering People to Work, concludes that with the right help and support many people on welfare-benefits (particularly incapacity and income support claimants) can be assisted back to work. The green-paper outlines the governments proposals and invites comment from stakeholders across a range of issues. Appendix 1 presents the council's response to the governments consultation.

3. A New-Deal for Welfare, Empowering People to Work

- 3.1 The government is proposing to introduce a new Employment and Support Allowance. From 2008, this new integrated contributory and income-related allowance will replace Incapacity Benefit and Income Support. The new Employment and Support Allowance, will be built on a framework of rights and responsibilities. New claimants, except those with the most severe disabilities and health conditions, will need to participate in work-focused interviews, produce action plans and engage in work-related activity, or see their benefit level reduced.
- 3.2 When an individual applies for the new allowance, they will enter an assessment phase lasting three months. While this process is undertaken, they will receive the assessment phase benefit, set at Jobseeker's Allowance basic rates. This will ensure that no one is eligible for more than they would be on Jobseeker's Allowance until they have completed the Personal Capability Assessment process.
- 3.3 If the new Personal Capability Assessment confirms that a person is eligible for the new benefit, they will automatically move on to the main phase of the allowance. For most people, where a return to work (full or part-time) is feasible in the short or medium term, they will receive the Employment Support component of the new allowance. This will be conditional on drawing up a personal action-plan focused on rehabilitation and eventually on work-related activity.

- 3.4 People with the most serious disabilities and health conditions would not be required to undergo such activity as a condition for the allowance, though they would be able to engage on a voluntary basis. After the assessment phase, they will be paid the Support component, and receive higher payments compared to those that are currently paid through Incapacity Benefit.
- 3.5 The government intends to extend Pathways to Work provision across the country by 2008. This provision will be implemented earlier in Lanarkshire with new Pathways to Work services starting this year. Pathways to Work services are designed to provide intensive support and be flexible in addressing client barriers to employment. The green-paper highlights that future provision will be delivered primarily by the private and voluntary sector with payment by results and outcomes.

4.0 Scottish Executive - Closing the Opportunity Gap

- 4.1 The Scottish Executive introduced ten Closing the Opportunity Gap Targets in July 2004 to underpin their commitment to tackling poverty and disadvantage. The first of these targets, Target A, is closely tied to the governments' welfare reforms. Target A focuses on reducing the number of people dependent on Department for Work and Pensions (DWP) benefits by 2007 and 2010. The Lanarkshire Routes to Inclusion group, in consultation with the Scottish Executive, have set ambitious targets consistent with this policy. The targets will be monitored at the local authority level.
- 4.2 The DWP Longitudinal Study will be used to monitor North Lanarkshire's success in meeting Target A. This showed that within North Lanarkshire 41,700 people were in receipt of welfare benefits in August 2004. The level of benefit reductions set for North Lanarkshire are significant, with reductions of 4,000 (9% fall) and 8,300 (20% fall) set for 2007 and 2010 respectively. Officers within the Policy & Economic Development Service will be monitoring performance towards Target A.
- 4.3 Initial progress, within North Lanarkshire, has been positive with a reduction of 2,100 (5.0% reduction) benefit claimants over the period August 2004 to August 2005. It is recognised however that benefit levels do fluctuate and are prone to seasonal changes. Performance at the local authority level is therefore best measured over a longer time period. This will determine whether any initial reductions are sustained.
- 4.4 The Policy & Economic Development Service have developed a range of employability projects and services. This includes Routes to Work Ltd, the Full Employment Area Initiative, Routes to Health, the Working for Families Fund, Action Plan Plus and the Health & Employability project. These projects aim to support those in receipt of benefit, who want to work, make the transition from welfare to work. The above projects have been designed to address barriers to employment by helping clients resolve health, childcare and skills issues. It is anticipated that these projects together with the introduction of Pathways to Work will contribute positively to the Scottish Executive's Closing the Opportunity Gap policy and the aspirations outlined in the governments green-paper. The performance of these projects, like the Closing the Opportunity gap targets, will be monitored closely by officers within the Policy & Economic Development Service.

5.0 Sustainability Implications

- 5.1 There are no sustainability implications related to this report.

6.0 Corporate Considerations

- 6.1 The government green-paper and the Scottish Executive's Closing the Opportunity Gap policy complement the following Corporate objectives:
- Promoting health, wellbeing and care,
 - Promoting social inclusion,
 - Helping people to develop skills for employment.

7.0 Recommendation

- 7.1 Committee is asked to note the contents of this report and approve the consultation Response attached as Appendix 1.



David M. Porch
DIRECTOR OF PLANNING AND ENVIRONMENT

Local Government Access to Information Act: for further information please contact David McLay at 01236 616256

Appendix 1
Welfare Reform Consultation - Response Form

To facilitate collation of our consultation we have provided a standard response form.

Respondents should provide their responses in the spaces provided below and return their completed form to: welfarereform@dwp.gsi.gov.uk or by post to the Welfare Reform Team, Level 2, The Adelphi, 1-11 John Adam Street, London, WC2N 6HT.

The deadline for responses is Friday 21 April 2006. Please ensure that your response reaches us by then.

General Comments:

The Green-Paper is to be generally welcomed and the opportunity to comment on the questions outlined in the consultation has been addressed. There are however some general comments worthy of note:-

- (i) The welfare reform paper makes little reference to what is viewed by many as the key motivation behind the reform; fiscal savings. It is essential that any reform of welfare avoids fiscal saving targets. Failure to do so prioritises finance rather than the needs of some of the most vulnerable members within communities across the United Kingdom.
- (ii) Any compulsory participation, by claimants who have been in receipt of Incapacity Benefit for a number of years, on back to work programmes has the potential to place undue stress not only on the claimant but also the family of claimant. It is therefore essential that the reforms take account of household circumstances and the impact that any change in income/benefit is likely to have.
- (iii) Many Incapacity Benefit Claimants have severe learning disabilities. Supporting clients with severe learning disabilities is complex, it is therefore important that welfare reform recognises the special needs and barriers that those with severe learning disabilities face. It is essential that those with severe learning disabilities are not viewed as soft targets for back-to-work programmes simply to meet government targets. Understanding the particular needs of this group and supporting them financially should remain a priority for the United Kingdoms welfare system.
- (iv) Security of income is an issue for all families whether in work or on benefit. For those in receipt of benefits the prospect of their family income (which is already low) being adversely affected is a real concern. It is therefore essential that benefits and the level being paid is protected for those who have returned to work but for a variety of circumstances then return to benefits. This reduces risk by providing a safety net for those moving from welfare to work and highlights clearly that the government will continue to support the most vulnerable members of society.
- (v) There is a risk of segregating the most severely disabled claimants into a no-hope-category, i.e. those who qualify for the new benefit "without conditionality". This is something which the Green Paper accuses the present system of perpetuating. Access to the support mechanisms outlined in the Green Paper must be made available to all, including those who qualify as being the most severely disabled – should this group of people elect to apply for them. The Green Paper does not state who would be, or how they would be, classed as "severe."
- (vi) There is little or no recognition of the physical effects of long-term chronic conditions on the ability of someone to actually carryout some physical tasks. It may be that because of the results of physical inactivity on the claimant s/he may need to restrict the type of work which they can do for some considerable time after they are deemed to be fit for work under the new regime.
- (vii) The present Personal Capability Assessment is recognised by the OECD as one of the "toughest in the world." Increasing the difficulty of gaining sickness- related benefits without having the support indicated in the paper fully in place will cause real problems for new claimants.
- (viii) One of the major barriers to people coming off sickness related benefits is the attitude of employers towards employing people who have been on a sickness-related benefit for any length of time. Employers do not wish to employ them. The fluctuating nature of many mental health related conditions mean employers are extremely reluctant to employ sufferers.

- (ix) One group especially disadvantaged in relation to employer confidence is people with a mental health difficulty. The number of people claiming under mental health criteria has risen substantially in the past few years. Prematurely forcing people into non-appropriate jobs will exacerbate the problem. Many people with mental health difficulties may be classed as non-co-operative and have their benefits reduced when in fact their actions are due to their conditions. This can also apply to alcohol and/or drug addiction cases.
- (x) The proposals for wide-ranging support to assist people back into work are to be welcomed. However, it is difficult to see how they can be delivered with 30,000+ jobs going in the DWP, via early retirement and voluntary (at present) redundancies, and very little new money being ring-fenced for the development of the proposed support mechanisms. The reduction in DWP staffing may be one reason for the out-sourcing proposals to the private and voluntary sector.
- (xi) The setting of the age of 11 for the youngest child of a lone parent to get access to the proposed high level of support, should be removed. Access to the proposed higher level of support should be open to all who could benefit from it. In addition the proposed removal at 6 months should be reviewed. If a cut-off is necessary this should be no less than 52 weeks.
- (xii) Proposals for simplifying the Benefits System are welcomed. In order to produce a system which really does meet the demands of a modern country real consultation with service users, providers and the advice and information sectors must be undertaken. E.g. one proposal which abolishes Housing Benefit and building some sort of Housing Allowance into an overall benefit payment would need to be examined in great detail.

Consultation Questions

Page 33: What else should we consider to give the right incentives to employers to provide increased health support to their workforce?

2.2 million working days are lost every year through ill-health (HSE (National Statistics)). This reduces the productivity and efficiency of many UK enterprises, producing real costs and impacts on profitability. In Scotland the Scottish Executive is tackling this issue through a nationally funded Healthy Working Lives initiative. It is important that the momentum gained from this approach is maintained and that locally funded Healthy Working Lives Pilots are given stability. This approach provides an opportunity for employers to use local Healthy Working Lives services to improve their health at work practices. Whilst the Healthy Working Lives initiative provides an opportunity to support both employers and employees where there is a risk of individuals leaving employment to move on to Benefit, the resources in place are severely limited. To ensure a significant impact on the onflow onto Incapacity Benefit, there is a need for adequate national resources to be put in place. This could be a constraint to successful implementation of the new proposals.

Currently employers are able to claim a rebate on all Class 1 NI / ENI payments related to the level of payment of Statutory Sick Pay (SSP). This is currently calculated on a 13% threshold system, ie if 13% of gross class 1 contributions is less than the overall level of SSP in the given month the employer can claim the difference as a rebate. We should consider therefore utilising this to provide an incentive scheme for small employers but link any payment through to a decrease in overall payment of SSP. Similar to a bonus system, but it should also be tied to the implementation of a healthy working lives strategy for the company.

Page 35: How can we best share the evidence for the role of work in recuperation and good practice regarding sickness certification to medical professionals?

Whilst returning to, or continuing in, work may indeed be beneficial for the individual and the company concerned it may not always be so. This is supported by the DWP's own research. DWP Research Report 257/2005. Recognition must be given to the instances where returning to work could be detrimental to the person concerned – and indeed the company. Medical professionals should not be put in the position

whereby there is a financial inducement to get someone back to work, thus destroying the patient / Doctor, or other professional, relationship of trust.

Local Community Planning however provides increasing opportunities for engagement with GPs and other Health professionals in considering broader lifestyle issues for individuals. New structures such as Community Health Partnerships in Scotland improve the range of links that can be made to employability and other services. There are already successful pilots in which GPs work closely with other agencies to support IB recipients back to work, and the good practice developed needs to be rolled out by NHS to Community Health Partnerships.

Consideration must also be given to the type of work which the person is being directed towards. Low paid, low status jobs can cause, or exacerbate, some psychological and psychiatric conditions. This can lead to a further extended or permanent period of illness. Thus confounding and contradicting the original strategy. The present "Personal Capability Assessment" has been classed by the OECD as "one of the toughest in the world," which may account for the high number of appeals. The high number of successful appeals may be accounted for by the incorrect application of this "toughest test" Unless good quality training etc. is supplied to medical professionals and Decision Makers it is likely that the status quo re: appeals, will remain.

Page 38: Does this simplification package for Statutory Sick Pay provide incentives for improved absence management and meet the need for reduced bureaucracy? How could the redirected sum of the percentage threshold scheme be most effectively utilised?

Whilst it is welcome it is unlikely that the reduction in the bureaucracy of SSP will result in a fall in a company's sickness record without the proposed support mechanisms being fully funded and in place at the same time. Any monies released from the percentage threshold scheme should be redirected towards this aim. Closer co-ordination of services can however make a positive contribution. Businesses do not welcome the prospect of dealing with a wide variety of government agencies in relation to a single issue. Businesses who want advice on Statutory Sick pay are required to approach HM Customs and Excise to ensure compliance. Businesses who want advice in relation to Incapacity Benefits should seek advice from the Department of Work and Pensions. This can be confusing and resource intensive for small and medium sized employers.

More generally, improvements are needed to ensure that services available from HM Revenue and Customs are linked effectively to other employability services. This is currently not the case in relation to Working Tax Credits and Family Tax Credits. These are important instruments in supporting people (many who are currently claiming Incapacity Benefit) back to work. In North Lanarkshire we have developed services to engage with the long-term unemployed. The first question many ask is "will I be better off in work?" Unravelling the answer is not easy, as the future level of tax credits is difficult to determine with any certainty. The current administration of this policy through HM Treasury and Customs is remote from other employability services and should be improved at a regional and local level.

Page 44: Do the types of 'suitable activity' we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?

Those who have been out of work for considerable periods of time often lack confidence and are unaware of the type of support that is available to help them return to work. Claimant action plans should therefore also provide clarity on the standard of service that clients can expect from public partners, including how to complain and make service improvement suggestions. The action-plans should be balanced between client responsibilities and service standards.

Care must also be taken to avoid people's conditions being made worse by unsuitable work plans e.g. mental health difficulties may be exacerbated by such actions. Forcing people to take unsuitable jobs will not bring the sustained reduction which the government is looking for. Forcing people into unsuitable jobs may be the only way targets can be met and contracts renewed. The problem with target driven schemes is that providers may tend to ensure that the targets are met by unsuitable referrals etc. Private sector agencies are more susceptible to this type of pressure, as they compete for contracts. Historically, private sector involvement in such schemes has shown this to be the case.

Care should be taken to ensure that information on the range of employability support available (Job Linking Rules, Childcare, Travel expenses, Literacy and Numeracy support, Training Costs etc) is given to clients in a manner that they understand and that recognises personal circumstances.

Page 45: Is the combination of Disability Living Allowance plus the Enhanced Disability Premium/Severe Disability Premium for those on low incomes, the right way to target support towards disabled people with the greatest needs?

As it is unlikely that a root and branch overhaul of disability related benefits will occur in the very near future retention of DLA and associated premiums is a necessity. DLA can be an in-work benefit as well as an out-of-work benefit. Disability Premiums as indicated in this question are out-of-work elements of e.g. Income Support. The disability element in Tax Credits is, of course an in-work payment.

Page 45: Do you agree that these proposed simplifications more accurately reflect the principles underpinning our modern society?

The removal of the age-related payment is of little consequence. Indeed, depending upon the rate at which the new benefit, Employment and Support Allowance, is paid, it may be a positive in relation to really maximising someone's income. The total removal of the adult dependency increase is similarly of little real consequence as payment of this is so restricted at the moment. Proposals to include a disability related payment in the new Employment and Support Allowance may obviate the need for them in the future.

Page 47: How do you think that we can best improve work incentives within the new Employment and Support Allowance so that individuals have the opportunity to try out periods of work and progress to full-time work where possible?

Ensuring "job-linking" rules are automatically applied is a positive development. The automatic linking should remove many of the anomalies which exist at present. However, it is important that the benefits of job-linking rules are widely promoted. In North Lanarkshire we have conducted a number of focus groups with Incapacity Benefit claimants. The focus groups showed that clients generally had little knowledge of job-linking rules and how they can reduce the risk of moving from welfare to work. Focus groups with staff who support clients back to work showed that they also had little knowledge of job-linking rules and how they could assist their clients back to work. Promotion of this "safety-net" to all people on a sickness payment is essential. "Better-off calculations" must be made available to all people in receipt of a sickness-related payment. Information on the whole range of assistance must also be given. The present permitted work regulations are a real barrier to trying out work.

There are currently 3 different methods of permitted work, each with different levels of allowed remuneration and each with a differing impact on Income Support. There is therefore an opportunity to simplify the Permitted Work regulations. Clearer information on permitted work and job-linking rules is needed and should be central to client action plans.

Page 58: Would it be reasonable to extend the Work-Related Activity Premium, and the associated requirement to take steps back to employment, to lone parents with children younger than 11? If so, what age should be the cut-off point?

Producing a 'cut-off' point will unnecessarily restrict employability activity for lone parents, whether the 'cut-off' is set at age 11 or otherwise. It would be preferable if the Work-Related Activity Premium is available, on a voluntary basis, to all lone parents who are taking positive steps to return to work.

In Scotland the Scottish Executive has established a Working for Families Fund. This fund aims to remove childcare as a barrier to employment within Scotland's most disadvantaged communities. Many communities within North Lanarkshire benefit from this initiative and we have made good progress in improving the co-ordination of employability and childcare services. Many of the beneficiaries of this fund are lone parents, it is therefore important that any increased focus on lone parents draws lessons from Scottish Working for Families Fund services and that the Working for Families Fund in Scotland is maintained over the medium to long-term.

Page 59: In what circumstances do you think it would be reasonable to extend the six-month Work-Related Activity Premium period?

Setting a deadline for a return to work can place undue pressure on vulnerable clients. The 6 month cut-off is an artificial deadline for someone to get a job. It is perfectly possible for someone to get a job within days or weeks of coming into the system. Equally it is perfectly possible for someone to meet and exceed all that is asked of them in Work Related Activity but still be unemployed after the 6 month period. As long as the person continues to meet the criteria and the adviser agrees that this is the case the Premium should continue. Client-action plans should guide whether the Work-Related Activity Premium is paid beyond the six-month period, not a deadline that is universally applied to all clients regardless of personal circumstances. Providing personal advisors and clients are satisfied that progress is being towards goals outlined in the client action-plan the Work-Related Activity Premium should continue to be paid. If there has to be a cut-off then 52 weeks is a more realistic target.

Page 76: Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?

The Scottish Executive in partnership with Scottish Local Authorities has set aspirational benefit reduction targets. These are termed Closing the Opportunity Gap targets and will be monitored at the local authority level. Local Authorities have a leading role to play if these targets are to be achieved. The Local Government Scotland Act 2003 provides a legislative basis for Community Planning and the provision of local services. This has created long-term commitments across public sector agencies, to work in partnership in and with local communities.

Chapter 5 highlights the government's commitment to 'invite new voluntary-sector and private providers to manage Pathways to Work in new areas.' The government's position on this is of concern and appears to ignore the positive contribution that local authorities can and do play in delivering sustainable employment

solutions for their local residents. Local Authorities have a good history of developing innovative employability projects that produced positive results and complement national training programmes.

North Lanarkshire Council has successfully managed New-Deal ETF within Lanarkshire since 1998 and has one of the highest job outcome rates in the UK. This has been achieved by embedding employability services and job entry opportunities across council departments and across the public and private sector in Lanarkshire. The civic leadership that the council is able to exert has contributed significantly to the success of this provision. The government should therefore remain neutral in their view of who is best placed to deliver new Pathways to Work pilots. Instead they should evaluate proposals to deliver future pilots and other Department for Work and Pensions services on their relative merits reflective of local conditions.

The partnership approach in Lanarkshire has been recognised by the Scottish Executive as the most effective model for engaging long term unemployed people and supporting them into work. The proposal potentially discards this good practice and may result in the opposite effect to that intended. There's an inbuilt assumption that outsourcing to private providers inherently provides Best Value. This ignores the significant resource already in place, and potentially duplicates some services. Historically there have been issues about service quality where private sector providers have been engaged with no knowledge or experience of the area, and with no connections to existing public and voluntary sector networks. The implementation of Pathways to Work should therefore build on existing successful partnerships.

Page 78: Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?

High levels of economic inactivity are not unique to city environments. In Scotland North Lanarkshire (with a population of 321,000 approx) is second only to Glasgow in terms of Employment and Income Deprivation. Focusing increased resources and improving the co-ordination of services where they are needed most should be the priority not a pre-occupation with city based developments.

Page 89: How should Housing Benefit be adapted to meet our welfare reform objectives for tenants in the social housing sector?

The new Local Housing Allowance pilots have reported an overall success but several problems have come to light. The Green Paper does take some of them into account but fails to address other issues e.g. Landlords unwillingness to take LHA tenants, (*Shelter - On the Right Path: Interim findings of research into the Housing Benefit Pathfinders*), concern over payments direct to tenants rather than landlords in the Social Sector. The government has already announced that the further roll-out of the LHA has been delayed beyond the initial 2006/2007 target.

Your Details

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* When responding please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation please make it clear who the organisation represents, and where applicable, how the views of members were assembled.

Because of the law about access to information that public organisations hold, we may at some time in the future, share some, or all of your information with other individuals, or the general public. If you would not want us to do this, please explain why as part of your answer.

We will consider your request if it is possible that your information might be shared. However, we cannot promise to keep your information secret or private. If you are worried about sharing information about yourself with other people, please limit what you tell us, or do not tell us anything personal. If you want to talk to someone about this before you give us your views, please call **the Welfare Reform Team**. More information about the Freedom of Information Act can be found on the website of the Department for Constitutional Affairs – <http://www.dca.gov.uk/foi/guidance/exguide/index.htm>.