

Work Fair?

By Ed Holmes



September 2013

Summary



The UK has seen significant reforms to the social security system over the last few decades. The changes made since 2010 have been some of the most wide-ranging. However, if any government is serious about both tackling the issues of long-term unemployment and concentrated benefit dependency and improving living standards for millions of workless individuals and households, further reforms will be needed. This is true both in the run up to and following the 2015 election.

These reforms must be designed to achieve a number of objectives: win back public support for the welfare state; help more families enter and progress in work and move towards self sufficiency; and make the welfare system suitable for a more globally competitive labour market.

Policy Exchange has published a series of reports outlining possible future reforms. One area where additional reforms are required is in the use of workfare. Such schemes make the receipt of benefit conditional on claimants engaging with work placements and have been used in the UK and internationally for many years. Evidence from both fully implemented schemes and pilots has shown that they can be effective in moving people off benefits. For instance, in some trials between a third and a half of eligible claimants move off benefit rather than turning up for the placement. However, if the schemes are badly designed, they can divert claimants from searching for work and if they are poorly targeted, they can lead to detachment from both work and state support.

This mixed evidence has led to two extreme points of view regarding the use of workfare. Some groups would like to see workfare being the standard model of welfare provision in the UK. Others see it as exploitative and would prefer to see workfare dropped completely.

Rolling out workfare for large numbers of benefit claimants would be prohibitively costly (with recent suggestions costing upwards of £1 billion in the first year alone) and would ignore the very deep barriers to employment facing many jobseekers. It is vital for these to be addressed with personalised and intensive support and coaching. In short, workfare is not suitable for all, or even a large proportion of, benefit claimants. However, for some groups of benefit claimants, the experience of work that workfare can provide and the diversionary impact of increasing conditions could both be effective in helping them into work.

Workfare schemes are also popular with the public. Previous polling commissioned by Policy Exchange showed that 80% of the public supported community work in return for benefits for those who had been unemployed for over 12 months. New YouGov polling commissioned for this report found that, by a margin of over three to one, the public would rather reform labour market policy to introduce a workfare scheme than one that guaranteed long-term benefit claimants a job at the National Minimum Wage using taxpayers' money. However, importantly, it also found that general support for the principle of workfare does not apply to all groups of claimants; while just 8% of the public say that young people under 25 without children should not be subject to workfare, that figure rises to over two thirds (67%) for mothers with pre-school children and more than a half (52%) for people with medical conditions affecting their ability to work.

This report uses the existing international and UK-based evidence to suggest that a programme of workfare be rolled out and piloted in the UK. It recommends that:

- Up to 10% (65,000) of individuals leaving the Work Programme without finding work after at least two years of support should be moved onto a workfare scheme. This would build on the previous Community Action Plan pilot and should target those whose main barriers to work are a lack of experience or who refuse to engage effectively in employment support. A further 10% of those with the most significant barriers to work should be moved onto a separate scheme, *Route2Work*, which would provide support through expert third sector providers, social enterprise and social finance.
- To complement this approach, a broader pilot of workfare should be piloted. This would be run in several Jobcentre Plus districts and would be extensively evaluated. Again, it should be targeted at those most likely to benefit from a workfare scheme. Two obvious groups would be day-one referrals for some young benefit claimants (under 25) with little or no labour market experience (building on an existing London-based pilot); and referrals after three or six months for older jobseekers with a similar lack of experience.

- Workfare schemes should also be considered as a sanctioning option for benefit claimants who are not undertaking the jobseeking activities that they should be. Such an approach could refer claimants to the existing Mandatory Work Activity scheme, rather than using a financial sanction. This could be a better driver of behaviour than existing sanctions and would not risk putting dependents into hardship.

Introduction



The last 20 years have witnessed unprecedented changes to the nature and scope of the UK's system of social security and the support provided to the unemployed and those who are inactive because of disability, ill health or caring responsibilities. The changes introduced since the 2010 General Election have been some of the most wide-ranging: the Work Programme is now delivering support for the long-term unemployed and disadvantaged through private and third sector providers; significant reforms have already been implemented to restrict eligibility to, and the generosity of, the existing benefit system; and a new benefit, Universal Credit, is slowly beginning to be rolled out.

As with other developed countries, the context for these reforms is a labour market in the UK that is both rapidly changing and characterised by deep structural problems:

- Despite significant improvements to the benefit system and support for jobseekers, the proportion of working-age households where no-one was in work was still around 17.5% before the recession.¹
- Youth unemployment has been on an upward trajectory since in the early 2000s, rising from 248,000 in 2001 to 369,000. Over 68,000 have been claiming for more than a year.²
- In some parts of the country, the proportion of workless households exceeds 30%.³
- Even when moving into work, people are finding that employment is becoming increasingly fragile. A job-for-life is no longer the norm and self-employment and flexible working are becoming increasingly common; in part, this has been a result of the recession. However, it is also a reflection of longer-term trends, with global competition “hollowing out” labour markets in many Western economies, meaning that industries, roles and careers that many low to mid skilled individuals relied upon have diminished significantly.⁴ For example, managerial and professional occupations grew by in excess of 56% between 1981 and 2008, while routine manual occupations fell by 50.4%.⁵

- Despite some improvements over the past decade, just under 60% of young adults still leave formal education without obtaining five A*-C GCSEs including English and Mathematics, while 9.3% of the working age population have no qualifications at all.⁶
- With a shifting labour market and a large supply of workers with poor qualifications and often low-skills, it is unsurprising that a body of evidence has shown that real terms wage growth in the bottom 50% of the income distribution has fallen short of productivity rises over the last two decades.⁷

Many of the reforms of the last 20 years have tried to tackle these trends. For instance, in response to the squeeze on living standards that low and stagnating wages have created, many countries have adopted in-work benefits to top up incomes, particularly for working families. In the UK, some 6.3 million families with 10.2 million children were claiming tax credits in April 2010. However, there have been drawbacks to this approach. Emerging evidence suggests that tax credits may themselves have contributed to the situation by suppressing wages and, despite being dependent on the state, nearly three quarters of those on in-work tax credits are not looking for additional earnings. Further, despite this huge level of support, child poverty based on a relative income measure remained stubbornly high and millions of children were assessed as living materially deprived lives.⁸

Within the context of a welfare state that had failed to achieve full employment or adapt to a changing economy, while it grew in both scope and generosity, it is unsurprising that attitudes towards welfare have hardened over recent times.

For example, while 81% of people in a UK survey agreed that it is the government's responsibility to provide a decent standard of living for the unemployed in 1985, this had declined to 59% by 2012. While 12% of people cited increased social security spending as one of their top two priorities for extra government spending in 1983, this stood at just 5% in 2012. In terms of additional welfare spending, just 12% cite the unemployed as a priority.⁹

These factors all make it clear that, over the coming years, more reform of the welfare state will be needed. The goal of these reforms should be to ensure that as many individuals and families as possible are both engaging with the labour market and moving towards self-sufficiency and away from state support. Doing so would go some way towards winning back support from the public; ensure the system is relevant for new modes of working in today's labour market; and, most importantly, improve living standards for millions of families.

In the last three years, Policy Exchange has published a series of reports outlining reforms to achieve these goals. The reports have made recommendations to reintroduce the contributory principle in welfare and substantially increase the level and effectiveness of the support given through Jobcentre Plus (JCP) and broader welfare-to-work services by introducing a more personalised and targeted approach. Alongside this support, we have also made it clear that it must be the responsibility of benefit claimants to take on and engage with the support that is available. To ensure this is the case for all jobseekers, we recommended that requirements placed on jobseekers should be increased and that those failing to do all they can to find work should be penalised. Future reports will continue these themes by outlining a joined up approach to support across government and a new approach to contributory benefits, the minimum wage and tax credits. We will also argue that the current system of benefit sanctions requires fundamental reform to ensure that it is effective at driving behaviour and that requirements placed on jobseekers should continue to be strengthened.

This report forms part of that programme and builds on our previous recommendations on the use of workfare schemes. These schemes require claimants to work in return for benefit and have most famously been used in the United States. However, in the UK the use of workfare has been extremely controversial. On one side of the argument, proponents of the schemes argue that all long-term workless individuals should be made to participate. On the other side, opponents claim they are equivalent to slave labour, destroy jobs and should not be used at all.

Neither side of this debate is right. This report outlines the history of and evidence around the use of workfare schemes and outlines a programme of workfare that could be effectively targeted at those for whom it would be most effective in helping them move into work.

Is Workfare the Answer?



Workfare is a system that makes the payment of benefit conditional on performing some kind of work activity. Types of work might be in the form of short work experience placements or community and charity work. The intention is that it ensures that benefit recipients follow a regular, work-based structure each week. There are a number of reasons why such conditions could be seen to be positive:

- **Reducing fraud:** Social security fraud costs the UK around £1.2 billion in the UK as of 2011/12.¹⁰ Much of the fraud consists of individuals claiming multiple welfare cheques under different names or individuals claiming benefit while working illegally. This is more difficult if people are required to show up for a workfare placement every day.

- **Work incentives and diversion:** Decisions over movements into work are not only formed by financial considerations and the availability of work. As Policy Exchange have identified in previous reports,¹¹ the conditionality system also has an important role to play. In this respect, work requirements eliminate the option of receiving ‘something for nothing’ and could make people less likely to claim benefits in the first place.
- **Work experience:** Under a workfare system, claimants are held accountable for their actions in the same way as in a private sector job. If people fail to turn up to work without good reason, their wages can be reduced; similarly, if people fail to comply with workfare requirements without good reason, their benefits can be reduced. For many welfare recipients, the lack of consistent work experience is the most serious barrier to becoming employed; by definition, only work can provide that experience. Workfare prevents long periods of debilitating worklessness and gets jobseekers used to employment.

Lessons from abroad



With these potential benefits of the use of workfare, it is unsurprising that many countries across the world have implemented policies along these lines. While the use of workfare in the US is the most widely documented (see box 1 for an overview) other countries such as Australia, Denmark, Germany, Sweden and Switzerland all have requirements based on workfare or participation in other formal schemes.

For instance, in Germany, some 640,000 people claiming the Basic Income Support (which is provided when eligibility for insured benefits expires) are required to work for their benefits in so-called ‘mini-jobs’ or ‘1-Euro jobs.’ Employment agencies are paid to find claimants temporary work placements in what is essentially a ‘workfare’ system (a system where welfare recipients work for their benefits).¹²

Box 1: Case study - Wisconsin and PRWORA

Welfare reform in the United States was pioneered by reforms in the state of Wisconsin by Governor Tommy Thompson from 1987. The reforms proceeded in stages, with policies relevant to this report including:

- “Self Sufficiency First”, which discouraged welfare applicants from claiming welfare in the first place by providing jobsearch assistance, short-term aid and personal financial planning instead of welfare for the first few weeks.

- “Pay for Performance”, which required welfare claimants to enrol in the jobs program and spend at least 20 hours a week looking for a job, performing a community service activity, or improving basic skills like CV writing and interviewing. Jobsearch was supervised and benefits cut pro rata for every hour missed, mirroring the real world of work. Those who could not find a job after six weeks were required to perform community service work in exchange for their benefits.

The University of Wisconsin’s Institute for Research on Poverty found that the Wisconsin initiatives had a positive effect on individual behaviour, diverting many potential claimants from welfare in the first place.¹³ By the end of the 1990s, Thompson’s welfare reforms had won bipartisan support and between 1994 and 2001 the welfare caseload fell by 82%. While administration costs rose by over 60% between 1986/7 and 1999/2000, overall welfare spending (including administration and childcare) fell by half in real terms.¹⁴

These reforms culminated in the national Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which included a full-time workfare component. Overall, the results were impressive: the number of families on welfare in the United States fell from 4.6 million in 1996 to 1.6 million in 2008. Of course, a growing economy also helped these figures, leading to a number of studies trying to isolate the impact of the change in welfare rules. A national study by the Manhattan Institute found that among single mothers aged 18–44, national welfare reform explained almost half of the decline in welfare participation and more than 60% of the rise in employment.¹⁵ Other reports estimate that one-third to a half of the fall in welfare numbers could be directly attributed to the impact of the change in the welfare rules.¹⁶

Box 1 presents compelling evidence for the use of workfare. Broader evidence also suggests that the requirement to move onto these schemes has been effective in increasing exits from benefits. An international summary of the results from these schemes suggests that they can increase exit rates from benefit by up to 65% in the weeks before the scheme starts.¹⁷ Another study of international labour market policies conducted by the Department for Work and Pensions found numerous examples where people adapted their behaviour before facing the application of tougher conditionality rules. The report cited evidence from Denmark that “[monthly] rates of entry to employment tended to stop falling and then began to rise about six months before participation in programmes became compulsory.” Similarly in Sweden, “benefit cuts...affected behaviour several months before they were actually implemented”.¹⁸

Another specific example is that of Australia, where a policy of ‘mutual obligation’ introduced in 1997 has gradually been extended to include all unemployed people under the age of 50 who have been on benefits for six months. Mutual obligation requirements can be discharged in various ways (e.g. through part-time employment, community work, a ‘Work-for-the-Dole’ placement, attendance in language and literacy courses, or placements with the Defence reservists or the Green Corps). Since 2007, Australians who have been unemployed for more than two years have been required to accept Work-for-the-Dole placements for 25 hours per week for a period of 10 months.¹⁹

When Work-for-the-Dole was introduced, one-third of those who were referred failed to turn up, preferring, instead, to drop out of the welfare system completely. However, since then, results have been more mixed, with some reports suggesting that reductions in work-search whilst on the programme have led to “lock in” and a reduction in off-flows from benefit. This demonstrates that, when used, the schemes must be designed with considerable care to avoid unintended consequences.

Overall, international experience has shown that workfare policies are effective, primarily because they deter people from claiming benefits completely and create a strong motivation for people to find work. For some individuals they can also provide vital work experience.

The UK experience



Contrary to popular belief, the current Government’s welfare-to-work schemes do not generally require the claimant to work. A Work-for-your-Benefit model was mooted for those claimants who did not enter sustained employment after the flexible New Deal, but never proceeded beyond a pilot scheme.²⁰ Some pressure groups argue that a number of existing government schemes are workfare schemes. However, this is rarely the case. Box 2 outlines details of some of these schemes.

Box 2: Clarity on “workfare” schemes

Schemes close to workfare

Mandatory Work Activity Scheme: an unpaid community placement programme, typically of four but up to eight weeks, made through referral from a Jobcentre Plus Adviser. It is targeted at claimants who do not understand the habits of a working routine, are not serious about finding work, or potentially working cash-in-hand in the grey economy.

Community Activity Programme: a six-month programme of unpaid community work, targeted at very long-term unemployed people who have not found employment through the Work Programme

and may have lost the habits of working routine. This was piloted from April 2013.

Day One Support for Young People Trailblazer: a recent addition to these programmes is a newly announced trailblazer focussed on young people in London who have never worked or who have very little work history. This will ‘equip jobseekers with a valuable period of experience in a work-based environment’.²¹

Schemes not close to workfare

Sector-based work academies: a voluntary training and job experience scheme of up to six weeks with an employer, funded through the Skills Funding Agency, with a guaranteed job interview on completion. Once attached to the programme, attendance is mandated.

Work experience scheme: a voluntary scheme for the under 25s who have been claiming for between three and nine months, with placements for eight weeks. It is targeted at young people with little experience who are furthest from the labour market, giving them experience and skills in the industry they want to work in. Again, once attached to the scheme, attendance is mandated.

The Work Programme: the Government’s flagship assistance scheme for the long-term unemployed, in which private and third sector providers are paid to get claimants into long-term work for up to two years. Providers are given flexibility on how they can help claimants (the ‘black box’ approach), which can involve mandating certain activities – things such as turning up for interviews, training courses and applying for a certain number of jobs. This can involve mandating compulsory work experience, but only if it is judged to be helping the claimant towards work and early indications are that most providers prefer to make it voluntary.

Previous UK evidence

While there has not been a full-blown workfare policy in the UK, there is some evidence from previous programmes that can be used to assess the potential impacts of a workfare approach. Particularly helpful is a workfare scheme trialled in Hull and Medway in the mid 1990s. This showed that claimants in the pilot areas were ‘more likely to get a job than similar clients in the comparison offices’.²² In fact, in line with international experience, just under half of the 6,800 participants signed off before workfare conditions kicked in.²³ The results astonished administrators and commentators. At the time, in an article entitled ‘Workfare really works’, Polly Toynbee wrote in the *Independent*:

What became of the 3,100 who have signed off? Only 920 announced that they had got jobs. Where are the others? Did they find the prospect of three months compulsory work so terrible that they chose to starve instead? Have they been frightened by bullying interrogators out of drawing the dole rightfully due to them? Opponents of workfare put these propositions forward, but rather sheepishly.

More likely, many were claiming falsely. Either they already had full-time jobs paying them above benefit levels (we are not talking here about earning a little extra on the side) or they were well able to get jobs once pushed. The Low Pay Unit complains that many have been pushed into unsuitable work, but after two years, is that so unreasonable?

More recent UK evidence

More recently, a six month 'Community Action Programme' (CAP) was rolled out for some of the first cohort of claimants leaving the Work Programme without finding a job. This is a workfare based scheme and was piloted alongside a separate programme of more intensive support from JCP advisors ("on-going case management" (OCM)) and standard JCP provision. On some measures, both OCM and CAP demonstrated significant improvements on normal JCP provision. For instance, OCM and CAP participants were 7 and 5 percentage points (respectively) less likely to be claiming benefits after 41 weeks than the group receiving standard JCP provision. There were less apparent impacts on flows into formal employment, which the early evaluation found to be statistically similar between the three different programmes. However, compared to the control group, there were increased flows into continued unpaid or voluntary work and the report also notes that these results came from self-reported survey responses and that more positive employment outcomes might be expected when assessing the impacts using administrative data.

More positively, soft outcomes were also reported to be much stronger for the CAP group, with improvements in motivation, confidence and jobseeking behaviour reported. The report summarised that:

The work placement element appeared to be the real strength of the CAP strand in achieving positive outcomes for participants. Placements helped to increase participants' motivation to work, employability and wellbeing. Some participants were offered paid jobs by their placement hosts, particularly those with related career interests, work histories and skills. Providers and placement hosts felt that the six-month placement length was seen to imitate real jobs well, providing participants with viable work experience for their CVs as well as up to date references.²⁴

These results also coincide with similar findings from an evaluation of the Mandatory Work Activity programme. This found participants were sending out more CVs, applying for jobs they would not have previously considered, had increased confidence and were more positive about work than before their placement.²⁵

However, the CAP approach is not without problems. For instance, the evaluation suggests that up to 50% of claimants referred to CAP did not get placed onto a successful placement and providers reported being referred claimants who were:

“...very hard or impossible to place because they had particularly challenging circumstances, or were subject to various restrictions, making them unsuitable for all or some of the placements available.”²⁶

This evidence clearly points to a problem with the referral mechanism. However, since results for those placed were more positive across a range of outcomes than those who did not get placed, this suggests that, if that process was improved and more suitable candidates referred, the performance of the programme could increase. Overall, and as with the Australian experience, this demonstrates the need to carefully design the programme in order to achieve the best outcomes and target provision at those claimants most likely to benefit.

Public support



As well as previous pilots showing that workfare can be effective, these schemes also receive strong public support. A poll for Policy Exchange in 2011 found that nearly 80% of 2,407 people surveyed thought that “people who have been out of work for 12 months or more, who are physically and mentally capable of undertaking a job, should be required to do community work in order to keep their state benefits”. Support was spread across all sections of society and the political spectrum.

One could argue that this support is unsurprising, since the most recent British Social Attitudes Survey shows that a significant majority of the public think that the government should be responsible for providing a job for everyone who wants one. Table 1 demonstrates that support for this principle has been relatively strong since 1985.

Table 1: Percentage of respondents saying it should be the government's responsibility to provide a job for everyone who wants one

Year	% of respondents
1985	68
1989	62
1990	60
1996	65
2000	76
2002	72
2006	52
2012	62

Source: British Social Attitudes Survey, 2013.

In this respect, community work or workfare schemes could be seen as fulfilling that responsibility. To assess this issue, Policy Exchange commissioned polling to see whether the public prefers policies based on workfare schemes or policies that guarantee the long-term unemployed a taxpayer-funded minimum wage job. Table 2 shows results from this YouGov poll of 1,930 individuals in September 2013. Overall, it shows that workfare schemes are preferred by a ratio of more than three to one. Just 17% of respondents preferred a guaranteed job scheme, a figure close to the 12% who opted for the status quo.

A majority of 56% opted for a workfare scheme where the long-term unemployed are required to undertake community work in return for benefits. Of those opting for a change from the status quo, 77% would choose the workfare scheme, rather than the guaranteed job scheme.

Table 2: Responses to YouGov poll

Which one of the following best reflects your view in regards to government policy towards the long-term unemployed who are receiving state benefits? (% choosing option)					
	Total	Con	Lab	Lib Dem	UKIP
The government should require people who are unemployed for 12 months or more to do community work in return for their state benefits	56	77	42	62	63
The government should use tax revenue to guarantee jobs which pay minimum wage for those who have been unemployed for 12 months or more	17	6	28	11	20
The government should maintain the status quo, whereby those who are employed for 12 months or more continue to be paid state benefits while they search for work	12	9	17	21	7
None of these	4	2	5	0	5
Don't know	11	6	9	6	5

Source: YouGov polling commissioned by Policy Exchange

The table also splits the results by voting intention. It shows that, across the political spectrum, workfare schemes are more popular than guaranteed job schemes. Support was strongest among those intending to vote Conservative (with a preference rate of nearly 13 to 1). There was also support among those intending to vote Labour, with 60% of those expressing a wish to move from the status quo saying that they would choose a workfare scheme.



There is strong positive evidence on the effectiveness of workfare schemes both in the UK and internationally so long as they are designed carefully. It has also shown that workfare schemes gain strong support from the public.

However, despite this supportive evidence, workfare is still controversial in the UK. The fact that workfare operates as a deterrent leads some to argue that it punishes and stigmatises claimants or that it undermines basic human rights. Australia's system of mutual obligation has been attacked as 'exploitative', 'unjust' and in breach of the International Covenant on Civil and Political Rights' prohibition of 'forced or compulsory labour'.²⁷ The UK has recently seen its own cases on this issue in the High Court and Court of Appeal.

On the other hand, the apparent success that these schemes have had, and the popular support they receive, has led some enthusiastic proponents to declare: "No work, no benefit."²⁸ They argue that workfare should be *the* major feature of a benefits system from the very start of a claim. A recent Tax Payers' Alliance report wants a workfare scheme to operate for some 575,000 people at an optimistic cost of over £1 billion.²⁹

There are several reasons to reject both sides of this argument. First, the fact that these schemes operate as both a deterrent and a form of work experience does not make them unfair. Policy Exchange reports have consistently outlined that the "something for something" principle in the welfare system needs to be strengthened and requiring some benefit claimants to engage in work for the financial support they receive can play a role in this approach. In the same way as employees are asked to undertake work by their employers, it is neither unjust nor exploitative to ask benefit claimants to do something in return for the benefits they receive.

However, there are very clear limits to the use of this approach. As another report in this series will outline, the contributory principle, rather than workfare, should be the defining feature of our benefits system. People who have worked, contributed in tax and National Insurance and are then made redundant have earned the support of others to spend an amount of time looking for a new job, especially as they have demonstrated skills that need to be matched to appropriate work in order to maximise growth in the economy.

There are also cost and practicality issues to consider. As with any type of full-time mandatory scheme, workfare can be expensive to administer, so applying it to very large numbers of welfare claimants would be prohibitively expensive.³⁰ Aside from the cost, on a practical level and if taken to

the extreme, it is difficult to contemplate where hundreds of thousands of workfare placements could be found without displacing employment in the formal economy.

In addition to this, on its own, such a large scale scheme would likely prove ineffective at tackling the issues outlined in the introduction to this report. Our recent report, *Cultures of dependency: fact, fiction, solutions*, outlined the very deep barriers to work that jobseekers can face. These might be about a lack of experience, skills or motivation. However, they can equally be about a lack of confidence, undisclosed health conditions and the broader circumstances that their family, friends and communities are in. This means that for many people, workfare schemes will simply not be the most effective tool for helping them into work.

In short, for the majority of benefit claimants, such schemes will do nothing to provide the support they need to move into the long-term and sustainable employment that will ultimately be most effective at reducing the benefits bill, tackling the intergenerational transmission of worklessness and improving living standards. Along these lines, evidence from the USA suggests that, while their system is effective at reducing the total number of benefit claimants, it has contributed to the growth of an underclass of families, detached from both the labour market and the chance of receiving support from the state to re-enter employment.³¹

These are factors that the public also appreciates. As well as asking views on workfare and guaranteed job schemes, our YouGov poll also asked respondents which of a list of groups potentially eligible for workfare schemes should be excluded from the requirements. Table 3 demonstrates that over two thirds of respondents felt that mothers with children under five should be excluded. There was also relatively strong support for excluding fathers with young children (38%) and people with work-limiting conditions (52%).

Table 3: Responses to YouGov poll

Imagining a law was enacted which required people who had been out of work for 12 months or more to do community work, which groups of people, if any, do you think should be excluded from such a law? (% of respondents saying category should be excluded)	
Mothers with pre-school children (0 - 4 years old)	67
People with medical conditions preventing them from working to full-capacity	52
Fathers with pre-school children (0 - 4 years old)	38
Mothers with children of primary school age (4 - 11 years old)	30
People with mental disabilities who are capable of working	25
People with physical disabilities who are capable of working	22
Fathers with children of primary school age (4 - 11 years old)	16
People over 50 with no children under 18	13
Mothers with children of secondary school age (11-18 years old)	10
People under 25 with no children	8
Fathers with children of secondary school age (11-18 years old)	7
None of these	12
Don't know	10

Source: YouGov poll commissioned by Policy Exchange.

Conclusion



While concerns over the use of workfare are completely understandable, the evidence highlighted above from the USA and Australia and from pilots in the UK is enough to suggest that we take a more serious look at the policies. Overall, the arguments suggest that while workfare should have a place in a well-functioning welfare and conditionality system, it needs to be targeted effectively at individuals who are most likely to move into work under the scheme. It also needs to be put in place at points in a claim where it has the most impact and to be designed in a way that avoids unintended consequences.

Policy Proposals



There are a number of areas where the use of workfare could be effective in moving particular individuals or groups of claimants into work. The first is by extending the approach taken through the Community Action Programme pilot for people leaving the Work Programme without finding work. Alongside this, a broader pilot of workfare should be undertaken in order to provide the evidence needed to inform whether the approach is rolled out more widely and that the use of workfare as a replacement for benefit sanctions could be considered.

Post Work Programme support



Claimants who leave the Work Programme are currently recycling back on the main JCP conditionality regime. A small number will have access to more intensive support through a programme of ongoing case management. However, it is unlikely that, on its own, this approach will be effective. For those groups who exit the Work Programme without finding a job, two years of intensive support has failed to be successful. A new approach is therefore needed.

Our report, *Route2Work*, outlined a new programme of support for those leaving the Work Programme judged to have the most significant barriers to employment. This would predominantly be delivered by smaller and third sector providers with upfront funding through a transfer to the provider of expected benefit payments to the group of claimants that they take on. *Route2Work* could provide an effective intermediate labour market programme, as well as encouraging the use of social enterprises and social finance in this market. We recommended that 10% of Work Programme leavers should have access to this programme (equivalent to around 65,000 claimants a year).

Alongside this programme of intensive support for those with the most severe barriers to work, it is important to accept that the biggest barrier to work for some claimants is likely to be a lack of work experience or a lack of willingness to engage in support or the world of work. Given some of the positive early results from the pilot of the Community Action Programme, with certain refinements, this approach should play an important part of the system for some claimants. Such an approach would act as both a deterrent and a route for claimants without any significant work history to gain recent experience.

There are a number of broader design issues that need to be addressed to ensure that lessons are learnt from the CAP pilot. Some of the details that the programme should incorporate are outlined below.

- Given the potential cost implications of this approach, the scheme should begin with a modest number of referrals. As with *Route2Work*, 10% of Work Programme leavers should be eligible.
- A major failing of the CAP pilot (that some participants could not be placed) can be addressed by ensuring that suitable candidates are referred. By ensuring that those with the deepest barriers to employment are sent to the *Route2Work* scheme, transfers to CAP can be focussed on claimants whose most significant barrier to employment is a lack of experience or an unwillingness to engage with support.
- Suitable individuals should be identified following an in-depth assessment of barriers, needs and benefit claim history by JCP advisors. This assessment should be aided by Work Programme providers identifying those claimants they believe could benefit from a workfare placement when they are transferred back to JCP.
- Concerns that there could be a lack of willing employers to participate in the scheme and that increasing the number of workfare placements could displace formal employment can be tackled by focussing the placements on community work that is unrelated to existing employment provided by private, public or charity employers.
- To ensure that participants continue to engage in jobsearch, the standard JCP signing-on regime should also continue while the claimant is on the scheme. This would allow providers to focus on delivering the workfare element of the scheme while broader jobseeking support and conditionality would continue to be delivered by JCP advisors.
- A full evaluation of the results compared to the other forms of support given to those leaving the Work Programme should be conducted.



Alongside this workfare scheme for suitable claimants leaving the Work Programme, there would also be value in conducting a formal pilot of workfare arrangements for specific groups of claimants. As a recent DWP report highlights, “...there are few systematic evaluations that isolate the impact of workfare from other elements of welfare-to-work programmes”, meaning that if workfare schemes are to be used more widely, a firmer evidence base should be built.

This pilot should take place across a number of JCP districts, with suitable control areas set up in order to facilitate accurate measurement of the impacts of the policies. There should be two routes of referral for claimants within the pilot districts:

- **Day one referral of young claimants with little or no work experience.** This would build on the existing scheme being piloted in London and work on a similar basis. Referrals should target young people with little or no work experience and active jobsearch activity and support should continue alongside the work placement.³²
- **Referral during a Jobseeker's Allowance claim.** JCP advisors in pilot areas should have the ability to refer claimants judged to have minimal barriers to work, but who are limited by a lack of recent work experience. There should be two trigger points for consideration of referral to the scheme. This would be after three and six months for those entitled to income-based JSA and contribution based JSA respectively, with advisers communicating the timing of these referrals in advance. Rather than the approach taken through the mandatory work activity programme (which targets those thought to be playing the system), this would be used to give claimants work experience.

Both routes should be mandatory and non-compliance should lead to benefit sanctions. For the pilots to be effective, the specific nature of workfare programme should be flexible and varied across the pilot areas. For instance we believe that the:

- Length of workfare placement should be allowed to vary in order to test how the severity of workfare might change the impacts;
- Communication with the claimant regarding when a workfare referral will be given should vary in order to test how discretionary, hard deadlines, timing or messaging might affect the impacts;
- Number of hours per week required to work should be made flexible in order to test how the severity of workfare might change the impacts; and

- Nature of the work should be monitored and allowed to vary in order to assess whether particular sorts of work (for example community work versus work in charities) are more appropriate.

A detailed and comprehensive evaluation strategy should be developed by DWP. The number of JCP districts to act as pilot areas and the total number of participants should be informed by the evaluation strategy to ensure that the results are both statistically and externally valid.

Workfare as a non-financial sanction



In some cases, workfare schemes might also be used as a sanction for those identified as being non-compliant with the system of benefit conditionality. This means that instead of having benefits cut, claimants subject to a sanction would be required to attend a period of workfare activity. An obvious advantage of using workfare as a sanction is that, unlike financial sanctions, it would not place families into poverty. For this reason, it would be useful to test whether this non-financial sanction was more effective at increasing compliance with the JSA regime and moving claimants into work while better protecting vulnerable dependents from the impacts of a sanction.

A trigger point for this approach might be where claimants have been sanctioned but are applying for hardship payments. While essential, these hardship payments negate the impact of the sanction, making the process costly to administer and less effective in changing behaviour. A future Policy Exchange report will consider this, and other non-financial sanctions, in more detail.



¹April-June 2007. Working and Workless Household 2013 release, ONS, <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-322240>

²ONS August 2013. Aged 18-24; and aged 24 and under claiming for over 12 months.

³January to December 2012. Workless House for Regions Across the UK 2012, http://www.ons.gov.uk/ons/dcp171778_326396.pdf

⁴For example, see 'Labour market polarization and elementary occupations in Europe: Blip or long-term trend?', CEDEFOP 2011.

⁵Labour Force Survey 1981-2008.

⁶Labour Force Survey, Authors' own calculations.

⁷Plunkett, J, 'Gaining from Growth: The final report of the Commission on Living Standards', Resolution Foundation 2012.

⁸Oakley, M., & Tinsley, M., (2013). *Outcomes, not just income: improving Britain's understanding and measurement of child poverty*. Policy Exchange, London.

⁹British Social Attitudes Survey 2013, NatCen 2013, http://www.bsa-30.natcen.ac.uk/media/37580/bsa30_full_report_final.pdf

¹⁰'Fraud and Error in the Benefit System', DWP 2013, <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-preliminary-201213-estimates>

¹¹For example, see 'No rights without responsibility', Policy Exchange 2011, http://www.policyexchange.org.uk/images/publications/no_rights_w-o_responsibility.pdf

¹²See Immervoll, p.33. Also Georg Worthmann, 'After labour market reform; Welfare to work and personalisation in Germany' In Dalia Ben-Galim and Alice Sachrajda, *Now it's Personal: Learning from welfare-to-work approaches around the world* IPPR, London, 2010

¹³*An Overview of Research Related to Wisconsin Works*, Demetra Smith Nightingale and Kelly S. Mikelson, Urban Institute, March 2000, p25

¹⁴*Welfare Reform: The Wisconsin Story*, Chapter 10: The Effects of Reform, Table 10.2 (L.M. Mead, 3rd draft, December 2002) http://www.nyu.edu/gsas/dept/politics/faculty/mead/WI_pdf_files/Effects_of_Reform.pdf.

¹⁵*"Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work"* June E. O' Neill, M. Anne Hill, Centre for Civic Innovation at the Manhattan Institute, July 2001

¹⁶A recent paper for the OECD by Herwig Immervoll estimates one-third ('Minimum income benefits in OECD countries', *op cit*). See also: D. Besharov and P. Germanis, 'Welfare reform four years later' in Besharov et al, *Ending Dependency* (London, Civitas, 2001); R. Rector and P. Fagan, 'The continuing good news about welfare reform' *Heritage Foundation Backgrounders* 1620, Feb 2003. For a painstaking meta-review of many different studies, summarising the impact of financial incentives, mandatory work conditions and sanctions on both employment and family patterns, see Jeffrey Grogger and Lynn Karoly, *Welfare reform: effects of a decade of change* Harvard University Press, 2005.

¹⁷Martin, J.P., and Grubb, D., (2001), *What works for whom: a review of OECD countries experience with active labour market policies*. Office of Labour Market Policy Evaluation Working Paper No.14.

¹⁸Daguerre, A., and D. Etherington. Active labour market policies in international context: what works best? Lessons for the UK. Department for Work and Pensions, 2009, p. 13.

¹⁹More details in Peter Saunders, 'Australia: From Entitlement to Employment' In Lawrence Kay and Oliver Hartwich (eds) *When Hassle Means Help* Policy Exchange 2008

²⁰<http://www.dwp.gov.uk/docs/2010-work-for-your-benefit.pdf>

²¹<http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/day-one-support-young-people/>

²²Bryson, A., Lissenburgh, S., & Payne, J., (1998). *The first project work pilots: a quantitative evaluation*. Policy Studies Institute, London. http://research.dwp.gov.uk/asd/asd5/working_age/wa1999/esr10rep.pdf

²³<http://www.independent.co.uk/opinion/the-tories-were-right-workfare-really-works-1280874.html>

²⁴'Support for the very long term unemployed trailblazer', DWP ad hoc analysis, December 2012. http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2012/20121203_svtu_ad_hoc_stats_publish.pdf

²⁵Evaluation of Mandatory Work Activity, Research Summary. DWP, December 2012. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193331/823summ.pdf

²⁶ DWP, (2012), .Evaluation of Support for the very long-term unemployed trailblazer. DWP research report No. 824.

²⁷ See Saunders, P., (2004). *Australia's Welfare Habit*. Centre for Independent Studies. chapter 5.

²⁸ <http://www.adamsmith.org/blog/welfare/policies-for-2010%3A-workfare/>

²⁹ Philp, C., (2013). *Work for the dole: a proposal to fix welfare dependency*. The Taxpayers Alliance.

³⁰ For instance, with an initial (optimistic) outlay of over £1 billion, the recent Tax Payers' Alliance proposal would fall into this category.

³¹ Blank, R., and Kovak, B., (2008), *The growing problem of disconnected single mothers*. <http://www.irp.wisc.edu/publications/focus/pdfs/foc252e.pdf>

³² <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/day-one-support-young-people/>

Acknowledgements



The author would like to thank The Hadley Trust for their continued support of our work on welfare reform and the labour market.

About Policy Exchange



Policy Exchange is the UK's leading think tank. We are an educational charity whose mission is to develop and promote new policy ideas that will deliver better public services, a stronger society and a more dynamic economy. Charity Registration Number 1096300.

The authority and credibility of our research is our greatest asset. Our research is independent and evidence-based, and we share our ideas with policymakers from all sides of the political spectrum. Our research is strictly empirical and we do not take commissions. This allows us to be completely independent and make workable policy recommendations.

For more information please contact us at: Clutha House, 10 Storey's Gate, London, SW1P 3AY. Alternatively we can be contacted on 020 7340 2650 and at info@policyexchange.org.uk

About the Economics and Social Policy Unit



The work of Policy Exchange's Economics and Social Policy unit ranges from growth and the UK economy to reforming the care system. We focus on growth, the labour market, welfare reform and the place of the UK in the global economy. We believe that the Government must support those with the greatest disadvantages and boost living standards across society.

Sometimes this will mean direct action from the state, but it will also mean ensuring that households are given the responsibility to provide for themselves where they can and that businesses are provided with a stable and competitive framework within which to operate. Importantly it means the Government taking the long view to put in place structural reforms to improve how our economy and labour market function in an increasing globally competitive environment.

Trustees



Daniel Finkelstein (Chairman of the Board), Richard Ehrman (Deputy Chair), Theodore Agnew, Richard Briance, Simon Brocklebank-Fowler, Robin Edwards, Virginia Fraser, Edward Heathcoat-Amory, David Meller, George Robinson, Robert Rosenkranz, Andrew Sells, Charles Stewart-Smith, Patience Wheatcroft, Simon Wolfson.