

## **EAST AYRSHIRE COUNCIL**

### **POLICY AND RESOURCES COMMITTEE : 30 MARCH 2006**

#### **A NEW DEAL FOR WELFARE: EMPOWERING PEOPLE TO WORK**

#### **CONSULTATION RESPONSE**

##### **Report by the Executive Director of Educational and Social Services**

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to advise Committee of Government proposals contained within the Welfare Reform Green Paper and seek the approval of Committee for the proposed response to the consultation.

### **2. BACKGROUND**

- 2.1 The Welfare Reform Green Paper, 'A New Deal for Welfare: Empowering People to Work', was launched on 24 January 2006. At the launch, John Hutton, Secretary of State for Work and Pensions, outlined its purpose, as follows:

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

- 2.2 Publication of the paper signalled the start of a formal consultation period, which runs for twelve weeks from 24 January to 21 April 2006.

### **3. THE CASE FOR REFORM**

#### **3.1 Incapacity Benefit**

- 3.1.1 Since 1997, significant innovations, such as the New Deal for Disabled People and Pathways to Work, have been introduced. The success of Pathways to Work has demonstrated that, with the right help and support, many people on incapacity benefits can move back into work. However, it is perceived that fundamental problems remain, for example:

- Little is done to prevent people moving on to incapacity benefits from work and from other benefits.
- The gateway to benefits is poorly managed with claimants receiving incapacity benefits before satisfying the main medical test.
- Benefits trap people into a lifetime of dependency, the longer a person remains on benefits, the less chance they have of leaving.
- There are perverse benefits incentives, such as paying more the longer people claim.
- Almost nothing is expected of claimants and little support is offered. Those who try to plan their return to work through volunteering and training perceive that

they run the risk of proving themselves capable of work and losing their entitlement.

- The very name of incapacity benefits sends a signal that a person is incapable and that nothing that can be done to help get them back into the labour market.

## 3.2 Lone Parents

3.2.1 Although the lone parent employment rate has fallen in recent years, the number of lone parents out of work and claiming Income Support remains high. Lone parents are much less likely to participate in the labour market than partnered parents with children of the same age. This has a significant impact on the Government's child poverty targets, as most non-working lone parent families live in low-income households.

## 3.3 Housing Benefit

3.3.1 Although much progress has been made in reforming Housing Benefit, it is still perceived as an extremely complex benefit. Delays in processing, and the uncertainty that claimants have about the level of support available, can act as barriers to work. In addition, payment is made directly to the landlord in the majority of cases, which does little to promote personal responsibility and assist tenants in developing the financial and budgeting skills needed when moving into work.

## 4. SUMMARY OF THE MAIN PROPOSALS

4.1 The paper includes a range of detailed proposals for:

- **Reforming incapacity benefit and helping people who are sick or disabled into work by:**
  - replacing Incapacity Benefit (IB), and Income Support (IS) paid on the grounds of incapacity, with a new 'Employment and Support Allowance' for new claimants by 2008, including an enhanced employment support component for those claimants who undertake mandatory work-focused interviews and work-related activity;
  - providing an enhanced support component for those who cannot engage in any activity because of the severity of their condition, though they will be given help and support to find work should they wish (people in this group will not necessarily be those from the current exempt categories); and
  - introducing mandatory work-focused interviews supported by a mandatory action plan of return to work activity for new claimants, with benefit sanctions for those who do not comply, which would reduce the benefit paid in "slices", ultimately to the level of Jobseeker's Allowance. (Existing claimants would remain on their current benefit paid at protected levels but would be encouraged to volunteer for back-to-work help and subject to regular re-assessments to check ongoing eligibility and seek renewed medical evidence, as appropriate.
- **Revising the medical assessment (personal capability assessment) focusing upon ability and support needs (capability and capacity) rather than incapacity by:**

- completing the new medical assessment within 12 weeks in the majority of cases with no one able to receive more than the level of Jobseeker's Allowance before their personal capability assessment has been carried out;
  - providing in-work support to ensure people continue working, with a Return to Work Credit to ensure people really are better off in work;
  - simplifying Statutory Sick Pay (SSP) to enable employers to better manage sickness and address the flow of people from SSP to incapacity benefits;
  - addressing the flow of people from other benefits to incapacity benefits;
  - taking steps to increase awareness of the opportunities on offer, for example through providing information at medical examination centres when claimants attend a review;
  - locating employment advisers in GP surgeries; and
  - engaging with the private and voluntary sectors to establish local back-to-work schemes, for people claiming benefit on the basis of incapacity.
- **Implementing a £360 million roll out of Pathways to Work across the country by 2008.**
    - the scheme which is currently being piloted combines a balanced package of rights and responsibilities, which aims to target a number of the health related, personal and external barriers to returning to work.
- **Extending support to lone parents by:**
    - piloting a new Work-Related Activity Premium for lone parents on IS whose youngest child is aged at least 11 (and consulting on a younger age);
    - increasing the frequency of work-focused interviews from the current once per year to quarterly for those with a youngest child aged at least 11;
    - increasing the frequency of work-focused interviews, for all lone parents who have been on benefit for at least a year and whose youngest child is under 11, from yearly to every 6 months;
    - piloting additional work-focused interviews in the first year of a claim to IS
    - working with employers to develop "work taster" programmes for lone parents; and
    - exploring new ways of increasing the support that Jobcentre Plus can give to lone parents who are moving into or who are already in work.
- **Extending support for older workers by:**
    - improving back to work support for jobseekers aged over 50 years and their partners;

- piloting "face-to-face guidance sessions" to help people to make decisions about work, training and retirement; and
- working with employers to extend flexible working arrangements.

- **Reforming housing benefit by:**

- rolling out the Local Housing Allowance (LHA) to the deregulated private rented sector.

- **Achieving an 80% employment rate for people of working age by:**

- reducing the number of people on incapacity benefits by 1 million;
- helping 1 million older workers into employment; and
- helping over 300,000 lone parents into work.

## **5. POLICY/LEGAL IMPLICATIONS**

5.1 Consideration will require to be given to policies in relation to sickness and absence management, health at work and Housing Benefit.

5.2 Parliament is now considering legislation to introduce a new duty on local authorities to secure a sufficient supply of childcare to meet working families' needs.

5.3 The Department For Work and Pensions proposes to work proactively with employers to:

- develop work-taster programmes for lone parents;
- extend flexible working opportunities to older workers.

It is proposed that local authorities work in partnership with other agencies, including the private and voluntary sectors, to provide back to work programmes.

5.4 The reform of Housing Benefit with the introduction of the Local Housing Allowance will have a significant impact on the Council

## **6. FINANCIAL IMPLICATIONS**

6.1 Nil.

## **7. COMMUNITY PLANNING IMPLICATIONS**

7.1 Nationally, the proportion of the working-age population in receipt of incapacity benefits (or older equivalents) has increased from around 3% in the 1960s to over 7% today. Within East Ayrshire, there are currently 7,915 IB customers representing 11.2% of the working age population.

7.2 The proposals set out in the Paper will if enacted impact on activity undertaken through the Eliminating Poverty and Improving Health Action Plans.

## **8. RECOMMENDATIONS**

8.1 The Policy & Resources Committee is asked to:

- i) Note the proposals for welfare reform and the implications for the Council and its Community Planning Partners;
- ii) Approve the draft response to consultation;
- iii) Remit the Executive Director of Educational and Social Services to submit the consultation response when agreed; and
- iv) Otherwise, note the content of the report.

**John Mulgrew**  
**Executive Director of Educational and Social Services**  
**Enc (1)**  
**3 March 2006**

### **LIST OF BACKGROUND PAPERS**

1. A New Deal for Welfare: Empowering People to Work' – January 2006

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**IMPLEMENTATION OFFICER: JACKIE DONNELLY**

## DRAFT RESPONSE

There were twelve separate question headings within the consultation questionnaire.

### **What else should we consider to give the right incentives to employers to provide increased health support to their workforce?**

*Establishing programmes aimed at improving occupational health and preventing workplace injuries are helpful, but employers, particularly those in the small to medium enterprise category, also require additional support and encouragement to facilitate retention of employees with health problems, which may not be workplace related, particularly mental health problems.*

*Given that a significant proportion of Incapacity Benefit claimants cite mental health as the main cause of their incapacity, employers require to be open minded, flexible and attentive to the needs of their workforce and any measures to assist in this process, must be promoted, encouraged and supported.*

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

*This can best be done by working through the new Community Health Partnerships (CHPs) where the majority of health professionals involved in this area of activity are now located. Since CHPs are largely co-terminous with local authority boundaries and should be working within the framework of Community Planning, this will also ensure a local focus on issues such as availability of suitable employment and training and development opportunities. Through partnership working GPs will be enabled to identify alternative responses for patients which are not benefit based.*

*It must also be recognised that there is potential conflict between the new role envisaged for GPs and their first responsibility to their patient.*

### **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?**

*Removal of what are perceived as being the more complex aspects for employers of Statutory Sick Pay and the introduction of simpler methods of assessment, are in general to be welcomed.*

*However, care should be taken to ensure that any resulting ability of employers, to manage sickness more effectively through accessing support that 'helps them to get sick employees back to work quickly', is undertaken sensitively as the perception of a coercive approach could be counter productive.*

**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?**

*A wide range of suitable activity is highlighted, which would provide structured and effective routes back into work. However, it must be emphasised that to provide the high quality of support that will be necessary there will require to be sufficient resources and well-trained staff. If tougher conditions are to be placed on claiming incapacity benefit, then there has to be an assurance that fast and appropriate support can be delivered*

*The increased compulsion and sanctions may also cause people still unwell to sign up to work plans for fear of losing benefit; therefore, advisers will require to ensure that the 'suitable activities' are realistic for individuals.*

*In addition, the particular difficulties and needs of people with mental health problems require to be recognised. The proposals introduce an element of compulsion that could add to the anxiety and stigma which they currently face, and could in fact worsen their mental health problems and impede their recovery. To properly support people with mental health problems back into meaningful employment the reforms should:*

- require that medical assessments are carried out by professionals with mental health expertise;*
- understand that people with mental health problems often need a significant period of time to build up confidence before returning to a working environment; and*
- recognise that people with mental health problems frequently face a barrier of discrimination from potential employers.*

*It must also be recognised that people with health problems, especially mental health problems, often have fluctuating capacity; therefore, the system will require to be flexible enough to respond to this.*

**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?**

*Continued recognition that people who are unable to work require additional help is to be welcomed. There is concern, however, over the criteria that will be used to determine 'severe' conditions and whether staff will have the expertise to make the decisions.*

*Incapacity Benefits claimants cannot be neatly divided into those who can easily get a job and those who are too sick or impaired ever to work. Instead, there is a range of people between these two extremes and people's circumstances can and do change.*

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

*The focus on incentives to return to work for people of all ages and dependents is welcomed. In relation to the proposal to abolish adult dependency increases, however, it will be important to recognise that many dependents in this context are also carers. It will, therefore, be necessary to ensure appropriate compensation to carers unable to work.*

**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?**

*It has been recognised for some time that many people in receipt of Incapacity Benefit would welcome the opportunity to take up whatever level of work their illness or disability allows. They have, however, been reluctant to risk disallowance by showing potential for work. The proposals to improve work incentives are, therefore, welcomed.*

*Changes to the 'linking rules' are long overdue. There must always be a safety net to support people who are prepared to try work but for whom things go wrong, often because they underestimate the limitations of their condition. Although these rules have existed for some time they are overly complex and bureaucratic.*

*We would support the use of volunteering as a path into work. It allows the development of work-related skills and experience as well as building confidence, which can be seriously affected by ill-health. A person's ability to work in a voluntary capacity, however, should not be interpreted automatically as confirmation that the person is fit for work. Voluntary work is less structured and allows for flexibility when conditions fluctuate.*

*In the context of someone returning to their previous employment, the use of part-time work and flexible hours is already established practice in public sector organisations. It is more difficult to see how this would operate effectively when people are moving from benefit into new employment. Employers are often constrained by business needs. Work trials have the potential to be a more manageable option although employers would require to take account of the additional support needs of people who have been out of the labour market for some time.*

*The Return to Work Credit will go some way to ensuring that people are not financially disadvantaged by taking up work and will support in the transitional period from benefit to work.*

**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?**

*Reflecting current practice whereby many women return to work when children are very young supported by the availability of high quality childcare, the Work-Related Activity Premium should be available to women whatever the age of their children but on a voluntary basis until children are aged 11 years.*

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

*It is crucial that advisers deal with people on an individual basis and provide packages of support tailored to individual need. In this context, it would be reasonable to extend the six-month Work-Related Activity Premium period where it is recognised that effective steps are being taken that will lead to real employment prospects.*

**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 voluntary sector and private providers have much to offer and the expertise to meet the needs of diverse service user groups. Utilising their services would provide a wider range of options and real choice for service users. It is essential; however, that robust monitoring and evaluation procedures are in place to ensure that national standards of service provision are met.*

*It is doubtful that payment by results is the appropriate means to ensure quality of provision. Supporting service users with complex needs into employment is not about meeting simple numerical targets.*

**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?**

*The potential and advantages of partnership working have been clearly demonstrated through the Community Planning process. Partnership working to address employment issues should properly sit within the framework of Community Planning, through which mechanisms are in place to involve all stakeholders. Although this proposal has the potential to tackle the problems faced in cities, it is clearly also the way forward for other areas, and in the rural setting, in particular, it is crucial that all partners work together to ensure the best possible outcome for service users. In this regard, any additional resources should also be targeted to address rurality.*

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

*Private sector landlords are concerned that the payment of benefits to tenants instead of landlords will lead to an increase in outstanding rent arrears. The role of the local private sector, in helping meet housing demand and tackling increasing levels of homelessness, is already being increased and, while this is giving some early success in the deposit guarantee and lead tenancy schemes, landlords are already nervous about the effects of the mandatory registration scheme, which is being introduced to help tackle Anti Social Behaviour. The introduction of the Local Housing Allowance (LHA) may prove to be another disincentive to some small-scale private landlords although it is too soon to say that with any certainty.*

*We are concerned with the proposal to introduce the LHA across council tenancies. The majority of tenants are presently in receipt of housing benefit. Considerable efforts required to manage rent arrears levels at present. The payment of LHA direct to tenants could impact negatively upon these efforts.*

*Two of the changes proposed, relating to capping the amount of LHA that tenants can receive (and keep) above the level of their rent and making the allowance available to new claimants only, are likely to complicate rather than simplify the housing benefit system.*

*In addition, applying the LHA to new claims only would be unfair, since similar tenants would be treated differently, on the basis only of when they had made their claim.*