



Citizens Advice response to Public Accounts Committee inquiry into benefit sanctions

Summary

Citizens Advice supported our clients with over 6,000 issues directly related to benefit sanctions in the last year - and many others indirectly related. We have also spoken to our staff and clients about the impact and effectiveness of the current model of benefit 'conditionality' - particularly whether it meets its aims in making employment support services more efficient in matching jobseekers with suitable, sustainable work.

Our data and evidence - alongside a review of recent academic literature on the effectiveness of benefit sanctions - suggest a number of key points related to the value for money of the current rules for benefit administration:

- 1) We don't know enough about how effective sanctions are, and whether they would be more or less effective if they were less severe
- 2) The current sanctions regime imposes serious hardship, which may shift people's focus away from job search or reduce work incentives
- 3) Repeated or severe sanctions may lead jobseekers to disengage with the employment support system entirely
- 4) Sanctions cannot be evaluated in isolation; to work effectively they must be combined with appropriate support

With Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA) now due to be incorporated into Universal Credit, a review of the effectiveness of current sanctions policy appears timely. Without clear evidence, it is impossible to know whether the use of sanctions is contributing to the intended outcomes of the Department for Work and Pensions' (DWP) working-age employment policy.

Recommendations:

- We agree with the National Audit Office (NAO) that effectiveness should be the key consideration when deciding on appropriate levels for benefit

sanctions.¹ To ensure that the conditionality system leads to the best outcomes in terms of labour market re-entry and engagement with support, DWP should pilot a series of Randomised Control Trials (RCTs) to test lower severity levels and a system without financial sanctions against current arrangements. These should include varying sanction amounts and time periods.

- The DWP should routinely assess the levels of sanction recommendations by individual Jobcentres and Work and Health Programme providers to ensure greater consistency in the application of conditionality and sanctions.
- In the meantime, the government should grant an automatic hardship payment to everyone who receives a sanction, to ensure they are not forced into debt or left destitute. As well as helping with the financial shock in the short term, it may help prevent disengagement with employment support services in the medium to longer term. Hardship payments in Universal Credit should not be repayable, as this creates more financial pressure for jobseekers which may distract them from looking for work.
- A formal yellow card warning system should be introduced, with a warning given in the first instance, rather than an immediate financial sanction. This would make penalties more proportionate and also shift the focus in the system, towards an initial assumption of error or misunderstanding rather than wrongdoing.
- Conditionality and sanctions policy cannot be assessed in isolation and should be combined with reviews on what works in employment support. The DWP should review the process for drawing up more personalised claimant commitments - in light of the effectiveness of an individualised approach to conditionality - and the resources currently available to deliver such a system. Jobcentre Plus is likely to require additional resources - both in terms of Work Coach numbers and expanded training - if it is to achieve its wider aims for working-age employment policy under Universal Credit.

¹ National Audit Office, Benefit Sanctions report, 2016:
<https://www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf>

Background

Welfare benefits provide a safety net for those who are temporarily out of work or unable to work, as well as a vital income top-up for working families. Steady access to these benefits helps people maintain a secure income and reliably meet their living costs.

However, to ensure public money is spent effectively, many of these benefits are not unconditional. People claiming Jobseekers Allowance (JSA) must comply with conditions regulating their work search and attendance at the Jobcentre. Many of those who are entitled to the sickness benefit Employment and Support Allowance (ESA) must regularly meet with a Work Coach to discuss their health condition and whether they are ready to move into work. And under Universal Credit, this system known as 'conditionality' will also extend to those in low-income work for the first time.

Recent development of sanctions policy

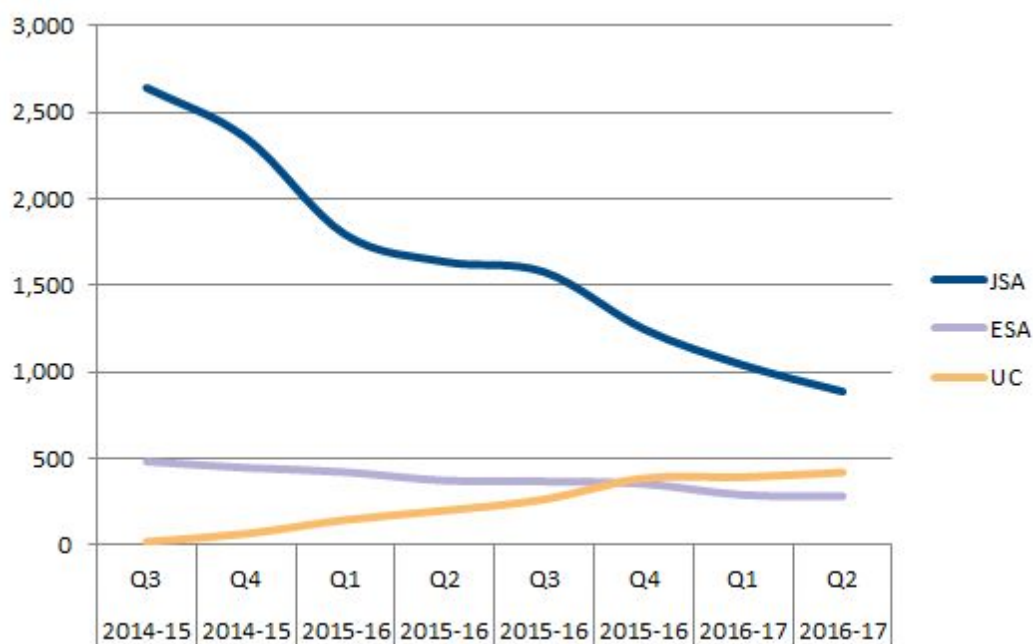
Since October 2012, the conditions associated with receiving out-of-work benefits have become increasingly stringent. The minimum sanction for income-related JSA has increased from two to four weeks. This might be imposed for a jobseeker arriving late for a work coach meeting. A 'high level', 13 week, sanction can be imposed on those leaving a job without good reason or not applying for suitable jobs on the advice of a Work Coach. The maximum sanction – for repeated 'high level' non-compliance – is now complete withdrawal of benefits for three years. People in the 'work-related activity group' (WRAG) of ESA also face stricter conditions. Those who fail to comply with conditions now receive an open-ended sanction, followed by a fixed period sanction when they re-comply.

Whether or not this stricter regime was based on evidence of effectiveness has not been made clear. The government set out its justification in the 'Welfare that Works' White Paper of 2010. This stated that: "Having strong and clear sanctions are critical to incentivise benefit recipients to meet their responsibilities. Currently, we believe that some sanctions are set at too low a level and the consequences of failing to comply with requirements are not always clear."²

² Department for Work and Pensions, *Universal Credit: Welfare that Works*, 2010: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

When first introduced, the changes led to a dramatic increase in sanction rates; at the peak in 2014, one in five people receiving JSA was being sanctioned every year. Since then, however, we have seen a large reduction in the proportionate number of sanctions - Citizens Advice data on the numbers of people we are supporting with sanctions reflect this trend. This is welcome, but vigilance is needed to ensure that this number does not rise again. This is particularly the case as conditionality expands to encompass new groups of people within Universal Credit - for example those in work. Our figures indicate a steady increase in people coming to us for help with Universal Credit sanctions (see Figure 1 below).

Figure 1: Citizens Advice data on sanctions issues, by benefit, 2014-2016



To assess the effectiveness of the conditionality system, it first makes sense to consider its aims, as well as the risks posed by a system that is poorly-administered. We can then review the current system on these terms. Finally, we consider the lessons that should be drawn from recent sanctions policy as new models begin to roll out under Universal Credit.

Aims and risks of benefit sanctions

Conditionality is intended to ensure that the public money spent on welfare benefits and employment services effectively supports people to return to stable, sustainable work. On the one hand, government offers financial and employment-related support and, on the other, those who receive it are expected to do what they reasonably can to find work. If operating effectively,

sanctions underpin a system which ensures people find suitable and sustainable work more quickly and efficiently than they otherwise would do.

However, there are also clear risks of a poorly-administered or overly severe sanctions regime:

- 1) Sanctions are only one part of a wider system - they are unlikely to be effective unless combined with appropriate employment support.
- 2) If financial sanctions are too severe, they may shift people's focus away from job search as they struggle to meet basic costs and bills.
- 3) Severe or repeated sanctions may cause people to disengage from the benefit and employment support system entirely, meaning they no longer receive any assistance and may be at greater risk of homelessness and debt.

Overall, high rates of sanctions tend to suggest wider failures of the system - either through overly rigid and punitive conditions or an inability to engage with and support those it is intended to reach.

Government policy has acknowledged some of these risks; its 2010 White Paper states that, in setting conditions, advisers should "ensure that the requirements they place on a recipient are reasonable for that person, taking into account their particular capabilities and circumstances". This means "reasonable mitigating circumstances" should be taken into account, and "hardship payments will be available to benefit recipients in need who receive a sanction".³ Yet, as we set out below, there is substantial evidence that these mitigation measures are not always being used effectively, or are insufficient to minimise risks.

Has current sanctions policy been effective?

At Citizens Advice, we helped our clients with over 6,000 issues directly related to benefit sanctions in the last year. We also support them with wider challenges they are facing - for example, more than one in five people coming to us about sanctions also need advice on debt. In this submission, we've used this data and case studies about people who've been to see us, alongside surveys of our advisers, staff and clients who have experienced the impact of sanctions.

³ Department for Work and Pensions, *Universal Credit: Welfare that Works*, 2010: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

Our evidence suggests a number of concerns about the efficiency and effectiveness of the current sanctions system, indicating far more needs to be done to tackle the risks set out above. We set these out in more detail below.

1) We don't know enough about how effective sanctions are, and whether they would be more or less effective if they were less severe.

Our system of conditionality - whereby people entitled to JSA lose the entirety of their benefit income for at least four weeks - is punitive by international standards. In Germany, people lose 10 per cent of their unemployment benefits for minor compliance failures, or 30 per cent of their benefits for more severe breaches. In Australia, minor compliance failures, such as failing to attend an interview, may result in suspension of benefit until jobseekers re-comply. Three compliance failures within a 12-month period may result in an eight-week suspension, but this will only be imposed after a comprehensive compliance assessment has been undertaken.

It is not clear whether the UK's model is more effective than those other systems internationally where sanctions are less severe.⁴ We surveyed 275 staff and volunteers at Citizens Advice about their understanding of the impact of sanctions on our clients. Opinion was split on the extent to which they felt conditionality motivated people to look for work - while just over two in five thought a sanction made jobseekers a little more motivated, over half thought sanctions either made no difference to motivation or made people less motivated.⁵

Between March and September 2015, we also surveyed 255 Citizens Advice clients who had received a sanction while claiming JSA or ESA. When we asked those who had been sanctioned, 71% either felt the sanction made no difference to their motivation to find work, or actually made them less motivated.⁶

International research and analysis suggests that some form of conditionality system does improve short-term job-finding rates⁷, but there is little evidence that a more punitive regime increases rates correspondingly. A study in Switzerland found that warnings alone and actual enforcement of sanctions were equally effective in reducing the time it takes to find a job.⁸ We have little clear evidence on whether this also applies to the UK;

⁴ National Audit Office, Benefit Sanctions report, 2016:

<https://www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf>

⁵ Citizens Advice staff and volunteer survey, March 2015, n = 275

⁶ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

⁷ Boockmann, B., Thomsen, S.L., & Walter, T. (2014). Intensifying the use of benefit sanctions: an effective tool to increase employment?. IZA Journal of Labor Policy

⁸ Arni, P, Lalive, R and van Ours, J; 'How Effective Are Unemployment Benefit Sanctions? Looking Beyond Unemployment Exit'; Institute for the Study of Labor (IZA) Discussion Paper (IZA DP No. 4509; 2009); pp 32-33

the NAO recently highlighted the fact that the DWP has not used its own data to evaluate the impact of benefit sanctions⁹, while others have suggested there was “no evidence that increased use of sanctions in Jobcentre Plus districts between October 2012 and June 2014 led to decreased unemployment or increased employment”.¹⁰ It appears to be the *existence* of a system of conditionality - rather than the severity of the possible sanction - that leads to any impacts on job-seeking behaviour.

While reducing the time taken to find a job is an obvious benefit of conditionality, the evidence also suggests that this needs to be offset against certain disadvantages. Several studies in Sweden, Switzerland and Germany find that, for those who move into work while subject to conditionality, there is some evidence that they enter lower quality jobs than they would otherwise: people become prepared to take unsuitable work.¹¹ Webster acknowledges that sanctions increase job searching and exits from benefit, but argues that they also lead to “worse matches of people to jobs, lower productivity, wastefully large numbers of job applications” and other unintended consequences.¹²

This suggests that the additional pressures under a system of conditionality and sanctions sees jobseekers lower their expectations and makes them prepared to accept reduced earnings, less job security and weaker matches with employers. There’s some evidence this also has longer-term consequences; a recent evidence review found that “the longer-term outcomes for earnings, job quality and employment retention appear unfavourable”.¹³

The Department has produced insufficient evidence of the effectiveness of the stricter conditionality regime in operation since 2012. In light of the risks sanctions pose - discussed in more detail below - it is vital that different models of conditionality are far more rigorously evaluated. It is also important that the Department uses its data to evaluate the way in which the policy is being applied across the country at present, to ensure fairness and consistency.

⁹ National Audit Office, Benefit Sanctions report, 2016:

<https://www.nao.org.uk/wp-content/uploads/2016/11/Benefit-sanctions.pdf>

¹⁰ Reed, H. “How effective are benefit sanctions?”, Oxfam, 2014:

<http://policy-practice.oxfam.org.uk/publications/how-effective-are-benefits-sanctions-an-investigation-into-the-effectiveness-of-337096>

¹¹ van den Berg, G., and J. Vikstrom. “Monitoring job offer decisions, punishments, exit to work, and job quality.” Scandinavian Journal of Economics (Forthcoming); Arni, P. et al (2009) “How Effective are Unemployment Benefit Sanctions?” Centre for Economic Policy Research.

¹² Written evidence submitted by Dr David Webster, Honorary Senior Research Fellow, Urban Studies, University of Glasgow to the Work and Pensions Committee, 2014:

<http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworkpen/479/479vw36.htm>

¹³ Watts, B., Fitzpatrick, S., Bramley, G. and Watkins, D. (2014) Welfare sanctions and conditionality in the UK. York: Joseph Rowntree Foundation.; van den Berg, G., and J. Vikstrom. “Monitoring job offer decisions, punishments, exit to work, and job quality.” Scandinavian Journal of Economics (Forthcoming)

Recommendation: Effectiveness should be the key consideration when deciding on appropriate levels and arrangements for benefit sanctions. To ensure that the conditionality system leads to the best outcomes in terms of labour market re-entry and engagement with support, DWP should pilot a series of Randomised Control Trials (RCTs) to test lower severity levels and a system without financial sanctions against current arrangements. These should involve varying sanction amounts and time periods. The DWP should also routinely assess the levels of sanction recommendations by individual Jobcentres and Work and Health Programme providers to ensure greater consistency in the application of conditionality and sanctions.

2) The current sanctions regime often imposes serious hardship, which may shift people's focus away from job search or reduce work incentives

The stricter sanctions regime introduced in 2012 increased the financial penalties - and therefore the financial shocks - on households subject to them. For those not in employment and already living on very low incomes, this can have a wide range of consequences.

Our survey of Citizens Advice staff and volunteers highlighted a range of negative impacts following sanctions, including poorer mental and physical health and deteriorating relationships. Fewer than one in ten believed it was common for clients to start working when they had been sanctioned, reporting they more commonly borrowed money, cut back spending on food and other essentials, or fell into arrears with bills. Such issues were also raised in our survey of people who had experienced sanctions directly.

"I left a job that I loved to become a full-time carer to my 5 year old grandson after his mother died a year ago. Yes, it was my fault I forgot to turn up for the interview - I totally got my days muddled, it was a genuine mistake. Being sanctioned and left without money for four weeks I felt was extremely harsh. Consequently I got into debt, felt very stressed, I found it a struggle to put food on the table. I felt worthless and inadequate."

Maureen, entitled to JSA, sanctioned for four weeks¹⁴

The risk is that short-term destitution leads people to shift their focus from job search to more basic matters of day-to-day survival.¹⁵ When we surveyed those sanctioned on how it had affected them, the most

¹⁴ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

¹⁵ Eardley et al (2005) "The Impact of Breaching on Income Support Customers", SPRC Report 5/05

commonly-cited response (55%) was cutting back spending on food. Just 1% reported that their immediate response was to begin formal work.¹⁶

One of the wider themes in clients' responses was the numbers reporting the need to borrow money or get into debt. 47% reported borrowing informally from family and friends. However, significant proportions reported debt and arrears:

- Over one in four (28%) stopped paying gas, electricity or water bills
- Over one in three (36%) stopped paying other bills
- More than one in five (23%) fell into rent arrears
- The same number (23%) fell further behind with existing debt repayments
- 17% fell into Council Tax arrears
- Just under one in ten (9%) borrowed from a payday lender

A high incidence of debt and arrears highlights another serious risk to the cost effectiveness of sanctions policy. Citizens Advice analysis on the impact of problem debt finds a range of negative consequences for financial stability, relationships and mental and physical health - all with cost implications for local and national services. Yet significantly, **debt and arrears also pose a direct disincentive to move into work.**¹⁷ This calls into question the effectiveness of sanctions as a work incentive - once in debt, a jobseeker may see any additional earnings from employment eaten up by interest repayments.

These risks are compounded by the fact that **sanctions tend to fall disproportionately on the most vulnerable people with the greatest barriers to moving into work.** One study found that homeless people are ten times more likely to be sanctioned than others on JSA or ESA in the UK.¹⁸ People with mental health conditions are more likely to be sanctioned than people with any other kind of health condition or disability.¹⁹ Research by DrugScope found those with substance misuse issues, learning difficulties, literacy problems and

¹⁶ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

¹⁷ Citizens Advice, "A Debt Effect?", 2016:

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/The%20Debt%20Effect.pdf>

¹⁸ Crisis, "Benefit Sanctions and homelessness: a scoping report", 2015:

http://www.crisis.org.uk/data/files/publications/Sanctions%20Report%202015_FINAL.pdf

¹⁹ Department for Work and Pensions, "ESA Sanction Decisions for Individuals by Disease", 2015:

<https://www.gov.uk/government/publications/esa-sanction-decisions-for-individuals-by-disease-mar-2012-to-mar-2015>

difficulties with English not being their first language were all more likely to face sanctions.²⁰

"I completed this survey for my brother, who has a learning disability. He lost his benefit for two weeks for not completing enough actions to find a job; his learning disability is obvious. Unfortunately he felt so bad about the sanction, believing he had done something wrong, he did not tell anyone in the family in time to appeal."

Respondent to Citizens Advice client survey on sanctions²¹

Higher rates of sanctions amongst more vulnerable groups lead to several knock-on effects. Our experience suggests these groups are likely to possess fewer resources to help them through a period of financial hardship - many lack the social networks and financial skills to prevent themselves from falling into serious debt or destitution. The second is that these groups are those who most need employment support; as discussed below, high rates of sanctions increase the risk that they disengage from this wider support structure.

One of the Government's stated concessions to avoid the debilitating effects of destitution was the use of hardship payments for those in need. However, Citizens Advice evidence suggests that this system is not working effectively; awareness of hardship payments is low and they are frequently not reaching the most vulnerable people. When we surveyed clients who had been sanctioned, two in five did not know about hardship payments and a further 18% had applied for one but it had not been awarded. Only 28% reported receiving a hardship payment.²²

The Government has acknowledged these issues to some extent; it was recently announced that jobseekers who are homeless or have a mental health problem will be eligible to access hardship payments immediately upon receiving a sanction, alongside those who have children or a long-term health condition.²³ While this is welcome, this support is not automatic - people continue to rely on Jobcentre staff to make them aware of hardship payments and the application process. We feel this leaves open the risk that some will not receive the help they need.

²⁰ DrugScope and Homeless Link, "Independent Review of JSA Sanctions", 2014: <https://drugscopelegacysite.files.wordpress.com/2015/06/drugscopehlsbjasa.pdf>

²¹ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

²² Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction n=255

²³ Department for Work and Pensions Press Release, "Homelessness and mental health conditions to be supported by hardship fund", 16 November 2016: <https://www.gov.uk/government/news/homelessness-and-mental-health-conditions-to-be-supported-by-hardship-fund>

Recommendation: The government should grant an automatic hardship payment to everyone who receives a sanction, so that they can afford essential bills and are not left destitute. As well as mitigating some of the financial shock in the short term, it may help prevent disengagement with employment support services in the longer term. Plans to make hardship payments repayable under Universal Credit - unlike current arrangements for JSA and ESA - should be reconsidered. Repayments create additional financial pressure for jobseekers, which may distract them from looking for work or regaining financial stability after a sanction.

3) Repeated or severe sanctions may lead people to disengage with the employment support system entirely

Sanctions are designed to be part of a wider system of employment support, with which those claiming out of work benefits are expected to engage.²⁴ Yet this also means that the functioning and administration of sanctions will affect the quality of people's interactions with that wider system. To reach the overall goal of encouraging people to move into suitable work as quickly as possible, **it is crucial we take an evidence-based approach to this policy.**

Two risks to this goal arise when conditionality becomes stricter. The first is that **jobseekers come to see conditionality as fundamentally unfair - this colours their view of the wider system and they become less willing to engage with it as something there to support them.** Surveying Citizens Advice staff and volunteers on the current sanctions system, less than one in four agreed that the clients they worked with "could avoid sanctions if they wanted to". Only one in three felt that "clients understand what they need to do to fulfill their claimant commitment".²⁵

This is supported by evidence from our clients who had experienced sanctions. One in six could not give a reason for why they were sanctioned and fewer than one in ten agreed with the statement "I could have avoided a sanction if I'd wanted to". Just 5% believed the sanction they had received was fair.

In turn, few felt that the sanction had had a positive impact on their engagement with DWP; around three in five felt the sanction had made no difference to their willingness to follow Jobcentre rules or apply for more jobs. One in five actually

²⁴ Department for Work and Pensions, *Universal Credit: Welfare that Works*, 2010: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

²⁵ Citizens Advice staff and volunteer survey, March 2015, n = 275

felt the sanction had made them *less* likely to look for work and nearly two in five (37%) reported the sanction had made them less confident about finding a job that they could do.²⁶

"I think sanctioning jobseekers is counterproductive to what the government claims to want to achieve from it. In my experience, it does not encourage people to find work quicker. It makes them more nervous and anxious, much less confident about finding work and wastes their time and energy - that should be spent looking for work - on trying to find a way to live."

Darrell, entitled to JSA, sanctioned for 13 weeks

"The Jobcentre are too quick to sanction and too slow to change the decision. I was 90 seconds late for my interview as my lift got stuck in traffic. Would staff lose a month's pay for being 90 seconds late?"

Ian, entitled to ESA-WRAG, sanctioned for 4 weeks²⁷

The second risk is that **financial penalties are so severe and long-lasting that jobseekers come to see the system as no longer offering sufficient financial stability to make engagement worthwhile**. A range of international evidence from the USA, Germany and Denmark all identify links between strict conditions and sanctions and an increase in the rates of people leaving job-seeking benefits but not entering work.²⁸ The period following the tightening of the UK's conditionality rules in 2012 saw an increase in the use of sanctions and also a large increase in people leaving JSA. While this might suggest the policy was effective, monitoring the final destination of these benefit leavers is crucial. Loopstra et al point out that the majority of those who lost JSA due to a benefit sanction "did not flow into employment but to destinations unrelated to work".²⁹

"I was sanctioned for a missed appointment which was not actually my error. I was told to wait until [the Work Programme provider] had moved their address, and they would send me the new appointment details. But nobody made a note of the cancelled first appointment and I got sanctioned for not attending. At this point I just gave up. The Jobcentre works against people and not for them."

²⁶ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

²⁷ Ibid.

²⁸ Wu CF, Cancian M, Wallace G. "The effect of welfare sanctions on TANF exits and employment." *Child Youth Serv Rev*, 2014; Hillmann, K and Hohenleitner, I., "Impact of welfare sanctions on employment entry and exit from labor force: Evidence from German survey data", Hamburg Institute of International Economics (HWWI), 2015; Diop-Christensen, A., "Is 'Making Work Pay' Effective for the 'Unemployable'? The Impact of Benefit Sanctions on Social Assistance Recipients in Denmark", *Journal of European Social Policy*, 2015.

²⁹ Loopstra, R., Reeves, A., McKee, M., and Stuckler, D., "Do punitive approaches to unemployment benefit recipients increase welfare exit and employment? A cross-area analysis of UK sanctioning reforms", University of Oxford, 2015: <http://www.sociology.ox.ac.uk/materials/papers/sanction120115-2.pdf>

Michelle, entitled to JSA, participating in the Work Programme, sanctioned for four weeks³⁰

Complete disengagement from the benefits and support system can create a number of long-term costs for both the individual and the state. For individuals, particularly those with greater barriers to work, the risk is that they lose out on necessary help to access the labour market and are at much greater risk of long-term unemployment, homelessness and debt. For government, the costs these elevated risks for individuals pose to local and national services are likely to far outweigh any savings from a lower JSA caseload.

The challenge then is to make sanctions clearer and fairer wherever possible. Ensuring an automatic hardship payment would help maintain jobseekers' stake in the system when sanctioned. Yet we also found that - while most of those we surveyed did not feel they could have avoided the sanction they had received, nearly half (46%) felt they could have avoided it had they been given a warning. We feel a formal warning system presents an opportunity to make the system fairer, promote better engagement with DWP and improve the relationship between Work Coaches and jobseekers.

Recommendation: A formal yellow card system should be introduced which provides claimants with a genuine warning in the first instance, rather than an immediate sanction. In October 2015, the DWP began to trial a system in which jobseekers were offered two weeks notice before a sanction was imposed, during which they would be able to appeal. However the move was criticised by the Employment Related Services Association (ERSA) as "unlikely to go far enough".³¹ We agree with their view that the first offence should result in a formal written warning (i.e. a yellow card), rather than a sanction.

4) Sanctions cannot be evaluated in isolation; to work effectively they must be combined with appropriate support

While sanctions may have some impact on jobseekers' motivation, they are unlikely to realise the government's aim of moving people into sustainable employment unless they are combined with effective employment support. This is particularly the case for those with additional barriers to work,

³⁰ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

³¹ ERSA Press Release: "ERSA welcomes potential changes to the benefits system, but warns they don't go far enough", 22 October 2015: <http://ersa.org.uk/media/news/ersa-welcomes-potential-changes-benefit-system-warns-they-don%E2%80%99t-go-far-enough>

such as basic skills gaps, work-limiting health conditions or limited work experience.

Our survey of Citizens Advice staff and volunteers asked them how far they believed sanctions under the current system helped or hindered people in their wider goal of job search. Asked about a first sanction, only just over one in five believed it helped the jobseeker, with 27% believing it made no difference and over half reporting a negative impact. When applied to a second or subsequent sanction, less than one in ten believed it helped a jobseeker in any way, with nearly half feeling it hindered “a lot”.³²

What’s more, there is little evidence that those who are sanctioned are solely those who have disengaged with job search or do not take it seriously. Our survey of people who had been sanctioned found nearly two in three agreed with the statement that ‘almost any type of paid work is better than not working’ and 75% felt they were ‘happier in paid work’. The majority (63%) reported that they understood what they needed to do to fulfil their claimant commitment, yet only 7% agreed they could have avoided their sanction. Just 6% agreed with the statement that ‘being sanctioned increased the chances of finding work I could do’.³³

This all suggests that the current model of sanctions is becoming increasingly detached from a system that is intended to provide positive help to people, supporting them to find, train for and secure suitable work. There is a risk that the conditionality intended to underpin this system is now beginning to undermine it.

Government’s attempts to better link the conditionality and support side of employment services have recently been based on the idea of the Claimant Commitment. This replaced the old Jobseeker’s Agreement for those entitled to JSA. It is a document that must be signed when someone opens a new claim, setting out what they will be expected to do to look for work and the support they will receive in return. Jobcentre Work Coaches are supposed to set conditions collaboratively with the claimant, allowing their circumstances to be taken into account and ensuring the requirements are achievable.

However, **it is not yet clear how effective the Commitment has been at promoting greater understanding between jobseekers and the Jobcentre, or in ensuring individuals’ conditions are appropriate.** In March 2016, Citizens Advice surveyed 488 people with a health condition or disability claiming either ESA in the WRAG or JSA. Only 27% reported having signed a Claimant

³² Citizens Advice staff and volunteer survey, March 2015, n = 275

³³ Citizens Advice clients who have sought face-to-face or web advice about a JSA or ESA sanction. Fieldwork March-September 2015, n=255.

Commitment (others claimed they had not or were unsure). Of this 27%, 44% felt their health condition or disability was not taken into account when conditions were set and less than one in five felt their condition was 'fully taken into account'.

This suggests there is more to be done to ensure the employment support system fosters a genuine dialogue between Work Coaches and jobseekers. As the Government set out in its 2010 White Paper, it was always intended that 'reasonable mitigating circumstances' be taken into account when enforcing conditions. Moving away from a rigid, rules-based approach and focusing instead on more supportive relationships between individuals and Work Coaches will help to develop a culture with a focus on support, rather than enforcement. We feel this will make the system more effective at what should be its primary goal - of helping people into work.

Recommendation: Conditionality and sanctions policy cannot be assessed in isolation and should be combined with analysis of what works in employment support - particularly the most appropriate balance between support and enforcement. The DWP should review the process for drawing up claimant commitments in particular, focusing on the relative effectiveness of more personalised requirements and whether Work Coaches possess the necessary discretion and skills to determine where sanctions are likely to be effective. Any review should also encompass the training required by Jobcentre Plus to administer support and sanctions effectively. The Government is likely to need to invest considerably more resources in Jobcentre Plus - both in terms of Work Coach numbers and their training - in order to achieve its wider aims for working-age employment policy under Universal Credit.

Future challenges to be addressed

As new systems begin to be rolled out under Universal Credit, a review of the effectiveness of current sanctions policy appears timely. **There is a risk that the roll-out of Universal Credit - which will replace JSA and ESA - may lead to an increase in sanction rates.** There are a couple of reasons for this:

- 1) Universal Credit will become the first benefit to be delivered entirely online. Individuals will be expected to manage their claim, record their job-seeking activity and complete basic tasks by logging into their account on a computer. Citizens Advice research with people due to move onto

Universal Credit found two in three required help with getting online.³⁴ We are concerned that, without significant additional support and greater awareness on the part of Work Coaches, many of these clients will be vulnerable to sanctions, as illustrated in our client case below.

Citizens Advice client experience: Support needs under Universal Credit

Ahmed is 52 and had been claiming Universal Credit for seven weeks when he came to Citizens Advice. He has basic computer skills, but is not confident in navigating the internet. Ahmed's Work Coach had instructed him to apply for a job using an online form. However, he had found the process difficult and the application failed to send. As a result, he had been sanctioned for three months. He had received no previous sanctions.

Ahmed explained he had not been offered any support in filling out online application forms. He felt his Work Coach had not discussed the skills he would need or carried out any checks to ensure that he had these. He also felt he was not told who he could approach if he had a computer problem. Ahmed was now struggling to survive without any income. Citizens Advice helped him apply for a hardship payment and referred him for charitable support.

- 2) Under Universal Credit, conditionality will be rolled out to large numbers of working people for the first time. Those in work but whose weekly gross earnings fall short of a threshold (equivalent to around 35 hours work per week at national minimum wage - though this can be reduced for those with caring responsibilities or a physical or mental health impairment) will be expected to work more hours, find a second job to supplement their income, or get a new job with higher pay. If they do not engage in action to do so they are potentially subject to sanctions. The DWP are currently trialling how this will work in practice. As Citizens Advice research in this area has found, many current tax credit recipients are not confident they can easily increase their incomes from work.³⁵ However, there are also distinct risks to work incentives in applying financial penalties to those already in employment; the case study below illustrates how this can affect a current tax credit claimant when payments are suspended.

³⁴ Citizens Advice, "Universal Credit Managing Migration Pilot - Final Results", 2013: https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-universal-credit-mmp-final-results---full-report.pdf

³⁵ Citizens Advice, "Welfare Reform and Working People", 2016: <https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Welfare%20reform%20and%20working%20people.pdf>

Citizens Advice client experience: Risks of financial sanctions for those in work

Ashley came to Citizens Advice in the West Midlands about her Tax Credit payments. Ashley is 21 and lives alone with her 18-month-old child. She has been working for a telecoms company for the last four years; she originally worked 20 hours per week, but had recently increased this to 30 hours.

This change had created various difficulties with her benefits; her employer had failed to pay her new wage the first month, so had given her additional money the following month. This and problems with her childcare had affected her Housing Benefit and her Child and Working Tax Credits payments had been stopped.

The cancellation of her Child and Working Tax Credits had caused a sudden and substantial drop in Ashley's income. She was being chased for rent arrears and was struggling to pay for food. She now did not know how to cover her childcare bills and therefore to stay in work.

If sanctions were to increase under Universal Credit for the reasons outlined above, they pose serious risks to the effectiveness of the new benefit, which aims to increase incentives to enter and progress in work.

First, financial sanctions applied to those already in work could directly reduce their incentives - and even ability - to remain in work. Second, there is currently no evidence that increasing sanction rates for those out-of-work has a clear positive impact on finding suitable, sustainable employment. And third, the structure of Universal Credit means sanctions could increase rates of debt and destitution; people receive income replacement and housing benefits within a single payment. This means that people facing sanction may be tempted to use housing payments to cover food and other essential costs, increasing the risks of serious rent arrears or homelessness.

Next steps

In this context, we are calling for a thorough review of the effectiveness of the current sanctions system, before millions more individuals and families move onto Universal Credit. We believe the current model poses a number of serious but little-evaluated risks - to the wellbeing of the jobseeker and their family, engagement with employment support, and therefore to the effectiveness of taxpayer-spending in this area.

We would like to see a fairer and more proportionate system, based on extensive trialling and evidence of what works. The least punitive system that motivates effective jobseeking behaviour is the most appropriate, given the importance of financial stability to both jobseeking and work incentives. Everyone should be given a fair chance to meet the requirements placed on them, the appropriate skills and tools to help them in their job search, and emergency assistance to ensure that sanctions do not lead to severe detriment for those affected.

Contact

Beth Foley
Senior Policy Researcher, Families, Welfare & Work
beth.foley@citizensadvice.org.uk
03000 231185