

July 2008

**More support, higher expectations:**  
the role of conditionality in improving employment outcomes

A background research and discussion paper

More support, higher expectations:  
the role of conditionality in improving  
employment outcomes

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# Introduction – the objectives of conditionality in the welfare system

1. Over the past two decades, the concept of conditionality has become central to welfare policy in the major economies. Conditionality embodies the principle that aspects of state support, usually financial or practical, are dependent on citizens meeting certain conditions which are invariably behavioural. This aims to encourage people to engage in actions and activities that help themselves. It also draws on the notion that the welfare system rests on a fair bargain of mutual obligations between citizen and state, in simple terms: 'something for something'. The structure and operation of conditionality policy is principally aimed at fostering positive outcomes for individuals and helping to prevent negative ones.
2. As the Government has extended support to help people into work through the New Deals and Pathways to Work, so the scope of conditionality has grown. This approach has been based on a simple principle: more support in return for higher expectations. However, as the benefits system has increasingly asked more of claimants, the expectations placed upon different groups of people have rightly varied depending on their differing needs and circumstances.
3. A more personalised conditionality regime is emerging, matched by more personalised support to help people into work. This aims to create expectations, and potential sanctions, which are appropriate yet challenging for individuals – while being underpinned by basic rules to ensure fairness. Sanctions are a last resort and the Government seeks to mitigate their impacts upon the most vulnerable through the targeted use of hardship payments, and the system of Crisis Loans.
4. The purpose of conditionality is to play a part in achieving the objectives of the welfare system – helping people to find work and escape poverty – whilst underpinning a sense of fairness and shared responsibility. But is it working? The aim of this paper is to consider the evidence of the impact and effectiveness of conditionality in the UK welfare system – understood as the expectations of different groups of people and the potential sanctions they could face.

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5. To answer that question, this paper:
  - reviews the evidence from the operation of conditionality in the UK welfare state over the last decade;
  - considers comparative evidence from other international welfare systems; and
  - draws lessons for future policy from behavioural economics and social psychology.
6. The Department for Work and Pensions is committed to evidence-based policymaking, evaluating our programmes to assess their effectiveness. This paper will help inform the process of improving the Government's conditionality policies so that they make the maximum contribution to helping individuals improve their lives and support the objectives of the welfare system.

# The impact and effectiveness of conditionality for different groups in the UK welfare system

## Job seekers

7. The labour market focus of unemployment benefits was gradually reduced from the late 1960s to the early 1980s. Between 1982 and 1986 it was no longer necessary for unemployed people to visit the then equivalent of Jobcentre Plus offices to sign on. Analysis shows that unemployment grew during this period as a result of reduced job search requirements<sup>1</sup> – as well as the wider economic conditions. The introduction of Jobseeker's Allowance in 1996 marked a major turning point in the contract between unemployed people and the state. Jobseeker's Allowance placed a clear emphasis on the responsibility of claimants to be **available for** and **actively seeking** work and to be prepared to take up the offer of a job at short notice.
8. The introduction of the New Deals, from 1998, codified the bargain of extra support in return for higher expectations for job seekers. Individuals participating in the New Deal are required to agree and sign an action plan setting out the type of work being sought and the activities they will undertake to get a job. This highlights claimants' rights and responsibilities and enables advisers to oversee and direct job search activity. Claimants are required to keep a record of their job search activities and at fortnightly interviews claimants have to confirm that they have been actively seeking work.
9. These increased responsibilities have been matched by extra intensive support, for example, paying for the cost of travelling to job interviews, access to work trials, job grants and an Adviser Discretionary Fund. The New Deals for job seekers now include an escalating ladder of conditionality, depending on the number of times a job seeker refuses to comply – from two, four and then 26 weeks of benefit sanction. There are around 30,000 New Deal sanctions per year representing around one in seven of those who enter the programme.

<sup>1</sup> Van Reenen, J. (2005); No more skivvy schemes? Active Labour Market Programmes and the British New Deal for the Young Unemployed in Context, Institute for Fiscal Studies.

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10. The New Deals have evolved considerably since their introduction, but they continue to involve job seekers being allocated a Personal Adviser with whom they agree an action plan to improve their chances of getting a job. If they remain unemployed they are required to undertake periods of full-time activity to improve employability. We are now implementing a new flexible New Deal, where support and conditions are tailored to individual's needs and circumstances.
11. Evidence on the impact of conditionality for job seekers indicates a positive impact on employment outcomes:
  - introducing a more active benefit regime aided a significant fall in both the level and duration of claimant unemployment. The Jobseeker's Allowance regime reduced the claimant count by about 8 percentage points<sup>2</sup>;
  - fortnightly Job Reviews, the standard 'signing-on' part of the regime, represent good value for money. Frequent, face-to-face contact results in improved off-flows from Jobseeker's Allowance. A Jobcentre Plus pilot excused claimants from fortnightly signing-on for the first 13 weeks of their claim. This resulted in an increase of an extra 6 days on benefit for those who did not have to see a Jobcentre Plus Adviser compared to the comparator group who continued see Advisers every fortnight<sup>3</sup>;
  - over half of claimants say they are more likely to look for work because of the threat of sanctions; three quarters of those sanctioned are only sanctioned once; and most say that they would not repeat the behaviour that led to them being sanctioned<sup>4</sup>;
  - the proportions leaving at different New Deal stages suggest that participants leave because of more intensive support and supervision, and the prospect of mandatory activities, although we cannot disaggregate between the deterrence factor of increased activity and the support and advice provided. However, 11 per cent of New Deal for Young People starters leave before their first New Deal interview and a further 55 per cent leave during the 16-week Gateway stage, at the end of which claimants face the prospect of at least 13 weeks of full-time activities; and

<sup>2</sup> Manning, A. (2005); *You Can't Always Get What You Want: The Impact of the UK Jobseeker's Allowance*; Centre for Economic Performance, LSE.

<sup>3</sup> Eccles, J. and Lloyd, R. (2005); *The Qualitative Evaluation of the JSA Intervention Regime Pilots*, DWP Research Report 300.

<sup>4</sup> Peters, M. and Joyce, L. (2006); *A review of the JSA sanctions regime: Summary research findings*, DWP Research Report 313.

- analysis undertaken on the impact of New Deal 25 Plus shows that making the Intensive Activity Period (a minimum of 13 weeks full-time activity) mandatory in 2001 and bringing it forward to 22 months rather than 28 months led to a doubling of the job entry rate to about one-third of all participants<sup>5</sup>. Mandating the Intensive Activity Period for 50 to 59 year olds also reduced the average number of days for which people claimed Jobseeker's Allowance by 49 and increased the average number of days in employment by 25.
12. The number of people in receipt of incapacity benefits trebled between the 1970s and the 1990s to 2.7 million. Whilst voluntary programmes such as the New Deal for Disabled People are effective, take up is low. From October 2001 it became a requirement for new claimants of Incapacity Benefit to attend a Work Focused Interview at the beginning of their claim.

### **Disabled people or those with health conditions**

13. In 2003 Pathways to Work, which provides a single gateway to financial, employment and health support, was introduced on a mandatory basis to 10 per cent of the new Incapacity Benefit caseload. It was available nationally from April 2008. Along with a range of voluntary support<sup>6</sup>, this increased conditionality, as all new Incapacity Benefit claimants were required to attend a further five Work Focused Interviews. Failure to attend leads to a sanction although this can only be applied once a home visit has occurred.
14. The most severely ill and disabled customers are not required to attend interviews, but can choose to voluntarily take up the available support.
15. Work Focused Interviews last around 45 minutes, approximately once every month, depending on individuals' circumstances. Interviews cover people's health; current attitudes to working; expectations for the future; and the compulsory completion of an Action Plan, outlining steps to move towards work.
16. Pathways to Work is based on the principle that if government increases the personalised, evidence-based support available to disabled people to help them return to work, it is reasonable and fair for claimants to engage with that support

<sup>5</sup> Dorsett, R. and Smeaton, D. (2008); Mandating the Intensive Activity Period for Jobseekers aged 50+: final report of the qualitative evaluation, DWP Research Report 500.

<sup>6</sup> Pathways to Work also includes voluntary support through New Deal for Disabled People, Condition Management Programme, Return to Work Credit and access to specialist disability programmes.

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in return. From October this year, we will be expanding the application of this principle with the introduction of the new Employment and Support Allowance which will replace incapacity benefits. This will be backed up by a revised medical test – the Work Capability Assessment. The Work Capability Assessment takes account of up-to-date thinking on disability, rehabilitation, and the modern working environment – focusing on what a person can do, rather than what they can't. Those customers placed in the Employment and Support Allowance Work Related Activity Group will be required to attend six Work Focused Interviews and engage with support through Pathways to Work.

17. Evidence of our approach to conditionality across incapacity benefits has been strongly positive:

- Pathways to Work increases an individual's chances of being in employment 18 months after the start of the claim, from 28 per cent to 35 per cent<sup>7</sup>;
- for existing customers – many of whom have been out of work for long periods and with significant barriers to work (claims of between one and three years) – Pathways to Work was found to significantly increase employment entry. Among interviewees within the first six months of Pathways to Work's roll-out, the probability of having entered employment was increased by three to four percentage points, and the probability of leaving Incapacity Benefit was increased by four to five percentage points. For example, for those having a Work Focused Interview three months after roll-out, the proportion employed increased from 2.8 per cent to 6.3 per cent, and the proportion in receipt of Incapacity Benefit was reduced from 87.1 per cent to 82.1 per cent<sup>8</sup>;
- following attendance at the mandatory meetings, more than half (53 per cent) agreed to look for work or undertake research into jobs, while others agreed to undertake activities such as exploring training or other voluntary support. Almost all customers (93 per cent) were happy to carry out the actions agreed with their adviser, and in the majority of cases (81 per cent) they did so<sup>9</sup>;

<sup>7</sup> Bewley, H. *et al* (2007); The impact of Pathways to Work, Policy Studies Institute, DWP Research Report 435.

<sup>8</sup> Bewley, H. *et al* (2008); Evidence on the effect of Pathways to Work on existing claimants, Policy Studies Institute, DWP Research Report 488.

<sup>9</sup> Bailey, R. *et al* (2007); Pathways to Work: customer experience and outcomes: Findings from a survey of new and repeat incapacity benefits customers in the first seven pilot areas, National Centre for Social Research, DWP Research Report 456.

- Pathways to Work significantly reduced the probability of respondents reporting that they had a health condition or disability that limited their ability to carry out their everyday activities 'a great deal' by 11 percentage points<sup>10</sup>;
  - most customers accepted the need to attend the first Work Focused Interview, and those that were interested in work valued the subsequent interview. Advisers and customers found that their relationship improved over the series of mandatory interviews, and customers participated more fully<sup>11</sup>;
  - customers were generally aware of the Pathways to Work sanctions regime, realising that non-attendance at their mandatory interview could lead to a financial penalty. Some customers admitted the main determinant in the decision to attend their Work Focused Interview was the threat of sanctions<sup>12</sup>; and
  - a cost benefit analysis found that for every £1 invested the return to the exchequer was £1.50<sup>13</sup>.
18. Pathways to Work assists people back into work and increases participants' positive attitude about themselves and their capability – an aspect we will be building upon with the introduction of the Employment and Support Allowance. However, experience shows that requiring people to participate is effective in improving take up – and is ultimately popular with customers.

### **Lone parents**

19. Traditionally lone parents faced no conditionality in order to receive Income Support. The introduction of Work Focused Interviews in 2001 saw the first mandatory element for lone parents. These interviews aim to encourage and assist lone parents to address barriers to work and move towards sustainable employment, through accessing a range of support options. In particular, the interviews are intended to increase the number of lone parents taking part in the New Deal for Lone Parents programme. Lone parents are required to attend

<sup>10</sup> Bewley, H. *et al* (2007); The impact of Pathways to Work, Policy Studies Institute, DWP Research Report 435.

<sup>11</sup> Corden, A. *et al* (2006); Pathways to Work: Findings from the final cohort in a qualitative longitudinal panel of incapacity benefit recipients, Social Policy Research Unit, DWP Research Report 398.

<sup>12</sup> Mitchell, M. *et al* (2008); Qualitative research exploring the Pathways to Work Sanctions Regime, DWP Research Report 475.

<sup>13</sup> Adam, S. *et al* (2007); A cost-benefit analysis of Pathways to Work for new and repeat incapacity benefits claimants, Institute for Fiscal Studies & Policy Studies Institute; DWP Research Report 498.

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all interviews, and failure to attend without good cause can lead to a benefit sanction.

20. The lone parent Work Focused Interview regime has been enhanced over time, based on evaluation evidence, to introduce frequent mandatory review meetings. Since April 2008 all lone parents who have a youngest child aged 13 or under are required to attend 6-monthly interviews. When their youngest child reaches 14 the meetings become quarterly. Since October 2005 lone parents have also been required to agree an action plan with their Personal Adviser, setting out the steps they are going to take to prepare for work. Although it is mandatory to complete an action plan, the actions within it are not.
21. The evidence suggests the Work Focused Interviews have been effective in moving lone parents towards work:
  - the net impact of the mandatory interviews on entry to New Deal for Lone Parents has been large and strongly statistically significant: the conversion rate onto New Deal for Lone Parents from the initial mandatory Work Focused Interview is 18 per cent, and 16 per cent from subsequent Work Focused Interviews;
  - around one third of participants felt the mandatory Work Focused Interviews were positively motivating: particularly younger customers already seeking work and long-term customers lacking in confidence. The impact was more limited on those not wishing to work<sup>14</sup>;
  - the mandatory interviews were typically reported to reduce the proportion of lone parents receiving Income Support by around two percentage points. They have been particularly effective at encouraging existing claimants and new or repeat claimants with very young children to leave Income Support<sup>15</sup>;
  - additional mandatory review meetings at 6 months were introduced from April 2002, for all new and repeat claimants of Income Support<sup>16</sup>. Advisers were generally positive that this timing was effective in preventing customers from 'settling in' to a life on benefit;

<sup>14</sup> Thomas, A. (2007); Lone Parent Work Focused Interviews: A synthesis of findings, DWP Research Report 443: 5-6.

<sup>15</sup> Cebulla, A. and Flore, G. (2008); The New Deal for Lone Parents, Lone Parent Work Focused Interviews and Working Families' Tax Credit: a review of impacts, DWP Research Report 484: 3.

<sup>16</sup> Thomas, A. (2007) Lone Parent Work Focused Interviews: A synthesis of findings, DWP Research Report 443: 27.

- mandatory quarterly Work Focused Interviews for certain lone parents with children aged 12 or over were piloted in five areas from September 2004. These pilots ended in October 2006. The evidence on these meetings is more mixed, with customers closest to the labour market being most receptive to the increased level of support<sup>17</sup>; and
  - compulsory participation in Work Focused Interviews has increased rates of participation in New Deal for Lone Parents. The evidence appears to suggest that the combination of mandatory interviews and New Deal for Lone Parents has continued the downwards trend of the number of lone parents receiving benefits<sup>18</sup>.
22. New Deal for Lone Parents is a highly successful programme in moving lone parents off benefits<sup>19</sup>. Studies have found that the proportion of lone parents who exited either Income Support or all three work-related social security benefits was about 20 to 25 percentage points higher for those who participated in New Deal for Lone Parents than for non-participants measured over three to nine months. Over three and four years, this additional rate of benefit exits declined only marginally to 17 and 19 percentage points respectively<sup>20</sup>.
23. The impact of New Deal for Lone Parents is greater for existing customers than for new or repeat customers. Generally, more disadvantaged lone parents, such as more long-term customers, appeared to benefit more from New Deal for Lone Parents than other lone parent groups.
24. Due to this success, upcoming changes intend to increase the requirement for lone parents to engage in back-to-work activities. Lone parents who are claiming

<sup>17</sup> Ray, K. *et al* (2007); The Lone Parents Pilots: A Qualitative evaluation of Quarterly Work Focused Interviews (12+), Work Search Premium and In Work Credit, DWP Research Report 423: 23-24; Hossain, M. and E. Breen (2007); New Deal Plus for Lone Parents qualitative evaluation, DWP Research Report 426: 39-40; Jenkins, S. (2008); Extension of the New Deal Plus for Lone Parents pilot to Scotland and Wales: qualitative evaluation, DWP Research Report 499: 27-28.

<sup>18</sup> Carcillo, S. and Grubb, D. (2006); From Inactivity to Work: The Role of Active Labour Market Policies OECD.

<sup>19</sup> Lessof, C *et al* (2003); NDLP: Findings from the Quantitative Survey, Dolton, P *et al*, (2006); The econometric evaluation of New Deal for Lone Parents. The key difference between the evaluations was that the later of the two (by Dolton *et al*.) applied a stricter definition of benefit exit after programme participation than the initial study (by Lessof *et al*.) had. It discounted repeat participation and observed exits not just from Income Support, but also Jobseeker's Allowance and Incapacity Benefit. This resulted in somewhat smaller impact estimates.

<sup>20</sup> *ibid*

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Income Support solely based on being a lone parent will have to move onto a more appropriate benefit when their youngest child is: 12 and over from November 2008; 10 and over from October 2009; and 7 and over from October 2010.

### Partners

25. Prior to 2001, partners of benefit recipients had no conditions attached to their entitlement to benefit. Since 2001, younger, childless couples on Jobseeker's Allowance have been required to make joint claims, and both are required to meet the labour market requirements of the benefit. The introduction of this approach represented the first concerted effort to mandate partners' labour market participation. That requirement has been gradually extended until it now applies to all childless couples on Jobseeker's Allowance.
26. Since April 2004, partners of customers claiming Income Support and Incapacity Benefit (with and without children) and Jobseeker's Allowance claimants with children have been required to attend a single Work Focused Interview six months into their partner's claim period. Since April 2008, partners of customers with children claiming Jobseeker's Allowance, have been required to take part in repeat Work Focused Interviews for partners every 6 months<sup>21</sup>.
27. The purpose of the interview is to discuss the possibility of working and to encourage partners to join the voluntary New Deal for Partners.<sup>22</sup> If a partner does not attend or participate in the interview, a sanction may be placed on the claimant's benefit. Any action beyond participation in the interview is voluntary.
28. So far, evidence of the effectiveness of such mandatory Work Focused Interviews for Partners is mainly based on customers' and frontline staff's perceptions of the process. More research is needed about the impact on actual job outcomes:
  - Joint Claims for Jobseeker's Allowance appear to have increased slightly the chances of exiting Jobseeker's Allowance;

<sup>21</sup> Exclusions apply to Incapacity Benefits credits only cases, where Carer's Allowance is the only benefit received, and Jobseeker's Allowance joint claimants.

<sup>22</sup> New Deal for Partners was introduced in April 1999, and enhanced in April 2004 to offer the same range of support as the New Deal for Lone Parents. New Deal for Partners is available nationally and offers a package of individually tailored guidance and support from a Personal Adviser to help partners find work. It also offers access to financial assistance such as funding for training courses and access to the Adviser Discretionary Fund.

- Joint Claims for Jobseeker's Allowance have been most effective with those who were already motivated to work, and least effective with those who were not motivated to find work, particularly those with more entrenched barriers to work;
- there is little evidence of the one off mandatory Work Focused Interviews for Partners helping to change actual behaviour, by increasing the number of partners in work or looking for work;
- Work Focused Interviews for Partners are most effective for those partners seeking full-time work or self employment<sup>23</sup>. Those looking for work felt that the Work Focused Interviews had helped them in a number of ways; increasing their awareness of job opportunities, encouraging them to consider jobs they might not have done beforehand, and making them more motivated to find a job; and
- Work Focused Interviews for Partners were often seen as increasing partners' confidence and their knowledge of the support available.

### **Key lessons**

The above evidence shows us that the following factors are important in shaping an effective conditionality regime:

- regular face-to-face interaction with specialist advisers: including Work Focused Interviews; engagement with Jobcentre Plus Personal Advisers; and assessment by medical experts;
- raising expectations on individuals in the context of increasing the personalised support to address particular barriers to work; and
- escalating expectations on individuals the longer they are claiming benefits – including more intensive activity such as full-time work-related activity.

<sup>23</sup> Coleman, N. Seeds K. and Edwards G. (2006); Work Focused Interviews for Partners and Enhanced New Deal for Partners: Quantitative Survey Research, DWP Research Report 335.

## Evidence from international conditionality regimes

29. Around the globe the emphasis on linking participation in active labour market programmes to the receipt of benefit is increasing. International organisations such as the OECD and EU recommend countries implement activation policies where benefit recipients are expected to look for work or participate in a programme to promote their job prospects<sup>24</sup>: the ‘something for something’ approach.
30. The OECD collates evidence on activation policies from its member states and the evidence suggests that effective policies lead to positive employment outcomes:
  - reductions in unemployment benefit caseloads in the US, Denmark, the Netherlands, Australia and New Zealand, as well as the UK, have been linked to the introduction of activation policies<sup>25</sup>;

### **Learning from Denmark’s experience<sup>26</sup>**

Denmark has implemented a flexicurity model, which is characterised by flexible dismissal rules and security through generous unemployment benefits.

The system relies on active labour market policies, with the first condition that it is the individual’s duty to find work and participate in the labour market. The second condition focuses on monitoring and sanctions, where unemployed people are asked to make themselves available for work and fulfil a number of criteria in order to receive benefits. If they do not they risk losing payments for some time; the length of time depending on the seriousness of the breach of expectations. Since 1993, unemployment rates have fallen from 12 per cent to 4.5 per cent.

Evidence from Denmark also suggests that sanctions work – men and women are 50 per cent more likely to leave unemployment and find work following a sanction.

<sup>24</sup> OECD Employment Outlook, 2005.

<sup>25</sup> OECD Employment Outlook, 2006.

<sup>26</sup> Svaver, M. (2007); The Effect of Sanctions on the Job Finding Rate: Evidence from Denmark, Institute for the Study of Labor.

- international evidence demonstrates that sanctions can be very effective, and have a positive effect on re-employment rates – from both imposing sanctions, and having a regime that includes them. Sanctions can be effective in enabling customers to find a job, and in moving claimants to more formal job search activities. There is popular support for sanctions, even amongst sanctioned customers<sup>27</sup>. Whilst sanctions involve paying less money to customers, overall they are an effective tool and in the UK increased conditionality policies are aimed at encouraging participation, not at sanctioning people;
  - compulsory participation in long-term programmes can encourage people to leave benefit **before** they join programmes which would have made them increase their level of activity;
  - there is evidence that schemes requiring participation in full-time work experience as a condition of receiving benefit, such as the Workfare schemes in US, Canada and Australia, can have a positive effect on employment outcomes, when effectively targeted, and when activity supports the development of skills and employability<sup>28</sup>. In general, OECD countries have seen a general movement away from subsidised employment in favour of job search assistance and tighter monitoring of work availability and work activation programmes; and
  - however, the evidence of the impact of conditionality in US welfare reform from the late 1990s is more mixed. For example, requiring people to work for their benefit contributed to reducing the numbers on welfare – aided by a strong economy and other measures to make work pay. However, absolute child poverty rose in Wisconsin between 1998 and 2004<sup>29</sup>, suggesting that elements of this policy approach – such as time limiting benefits – would not further our long term goals.
31. As well as being used in an increasing number of countries, activation policies are being extended to a wider set of benefits. The focus of conditionality has traditionally been unemployed customers actively seeking work, but there has been a move to extend such activation strategies to recipients of what were previously considered inactive benefits, such as lone parents, disabled people and those with health conditions, where there may previously have been no requirements or expectation to look for work.

<sup>27</sup> Zandvliet, K. *et al* (2006); Effectiviteit van Sancties bij Arbeidsmarkt – en Reïntegratiebeleid: Lessen uit het Buitenland, SEOR for the Dutch Ministry of Social Affairs and Employment.

<sup>28</sup> Forthcoming Crisp.R, Fletcher.R (2008); A Comparative Review of Workfare Programmes in the United States, Canada and Australia, Hallam University, DWP Research Report.

<sup>29</sup> US Census Bureau Data – under 18's in poverty

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32. Whilst international evidence on the appropriate conditionality for inactive groups is in its early stages, the OECD has shown that there could be extensive benefits from extending activation policies to inactive groups. A number of countries have already strengthened the work availability requirements of lone parents and partners, and tightened conditionality for disabled people, and those with health conditions<sup>30</sup>. In the Netherlands, for example, the disability benefit system has been recently reformed so that it is now only available to those deemed as being 'completely incapable' of working. Those assessed as being partly disabled are required to look for suitable part-time work to make up the difference in income lost due to their disability. This reflects changes in society which mean we now better understand the capabilities of disabled people and the increasing success of rehabilitation and other policies which support disabled people in the workplace.
33. Overall, international evidence supports the extension of conditionality and activation policies. There are also lessons that the UK can continue to learn from experiences in specific countries. For example, we can learn more from countries, like Denmark and the Netherlands, about how best to support people on the journey from inactive to active benefits and then ultimately into work.

<sup>30</sup> OECD Employment Outlook, 2006.

## Insights from behavioural economics for conditionality policy

34. The impact and effectiveness of conditionality policy rests on its capacity to affect the way individuals make decisions and behave – in the context of the wider welfare system. This places conditionality at the forefront of new evidence and emerging debates about theories of public policy and behaviour<sup>31</sup>.
35. Rational choice theory tends to make unrealistic assumptions about human behaviour. For instance it rests on a belief that people act according to a set of rational criteria in the pursuit of well-defined objectives and preferences. It also assumes they have access to comprehensive information which leads them to accurately compare alternatives. In such a rational world people's preferences would reflect the true costs and benefits of all the available choices. However, such a 'rational' context for human behaviour is rarely, if ever, true in practice. This means that people may not make decisions which are in the best interests of them and those around them.
36. This gap between rational choice theory and real life is partially filled through insights offered by sociology and psychology. These disciplines help to offer explanations of people's actual decision-making behaviours. The combination of insights offered by sociology, psychology and classical economic theory is known as behavioural economics.
37. Behavioural economics shows us that rather than making decisions based on 'rational' factors, people are just as likely to make decisions based on what they have always done previously, what instinct or impulse tells them to do, or what they perceive their neighbours or friends generally do. People may also fail to get around to taking action on the things they know they should through inertia, or due to short-sightedness they may fail to see the value of things that are in their best interests over the long term. All of this means that in some instances, people make choices that are consciously opposed to their 'objective' self interest.

<sup>31</sup> This section draws heavily on insights from: Cialdini, R. (1984); *Influence*; Cialdini, R. Martin, S. and Goldstein, N. (2007); *YES! Fifty Secrets from the Science of Persuasion*, Thaler, R. Sunstein, C. (2008); *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Prendergrast, J. Foley, B. Menne, V. and Karalis Isaac, A. (2008); *Creatures of Habit? The Art of Behavioural Change*, Social Market Foundation, which are recommended for further reading.

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38. Therefore the public policy challenge in relation to conditionality is to better understand what influences people to act the way they do. For example, creating a culture where the clear expectation is that everyone who is capable of working does so. Good outcomes are also more likely to emerge from individuals identifying and pursuing their career goals, in light of their wider family circumstances. Government's role is to support and enable this, whilst ensuring people meet their responsibilities, or mutual obligations. This chimes with evidence that UK citizens increasingly favour policy solutions which focus on increasing personal responsibility across a range of policy areas including the labour market<sup>32</sup>.
39. Conditionality is one way in which the Government tries to encourage active citizenship and support individuals to pursue actions which lead to positive outcomes for themselves and their families. Often conditionality is considered in a very narrow way, as the potential economic sanctions attached to benefits. However, conditionality is a common feature of our everyday lives. In the broadest terms, there are consequences that stem from our actions.
40. Conditionality in the welfare-to-work system will be most effective where it is based upon an understanding of the factors which influence an individual's decision making:
  - **aversion to loss** – both financial loss and potential social and psychological losses, such as the threat of losing the high regard with which we are held in the community, although this threat may weaken as customers' length of claim increases;
  - **authority** – we are likely to respond to legitimate leaders. Jobcentre Plus Personal Advisors can be seen as having legitimate authority derived from the state and their expertise;
  - **reciprocity** – a sense of obligation to give something back when we have been given something ourselves, such as benefits; and
  - **social proof** – responding to behaviours others demonstrate. So knowing others have found jobs makes it more likely an individual will move into work.

<sup>32</sup> Halpern, D. Bates, C. Mulgan, G. Aldridge, S. Beales, G. Heathfield, A. (2004); Personal Responsibility and Changing Behaviour: the state of knowledge and its implications for public policy, Cabinet Office.

41. This understanding enables us to achieve behaviour change through the application of conditions on benefit receipt alongside financial rewards and sanctions<sup>33</sup>:
- **personal affiliation** – people are more receptive to ongoing relationships, emphasising the importance of the relationship with Jobcentre Plus Personal Advisors;
  - **interpersonal and community influences** – active labour market policies lead to an increased expectation that all people who are able to work should be actively looking to do so; and
  - **breaking habits and routinising** – we are likely to continue doing something that becomes part of the norm, so we encourage people to maintain the routine of working.
42. Designing and delivering effective conditionality policies rests on a sophisticated understanding of the factors affecting individual decision making. This includes seeking to resolve potential tensions, such as between encouraging and empowering personal responsibility on the one hand and stronger intervention to change people's behaviour. Fewer people would be in work in the UK if out-of-work benefits were provided with no reciprocal obligations. Our experience suggests that people welcome the encouragement to access support and improve their prospects of employment.

<sup>33</sup> *ibid*

## Conclusion – the policy lessons from a decade of conditionality in UK welfare

43. Since the introduction of Jobseeker's Allowance over a decade ago, the UK welfare system has asked more of people in return for benefits, with greater support matched by higher expectations. This has seen the emergence of a distinctively British welfare model, that reflects and draws on some of the most effective international regimes, such as in Denmark and the Netherlands, where big investment in active labour market programmes is combined with strong requirements to participate. The dual outcome in these countries is high levels of employment and low rates of poverty.
44. The evidence presented in this paper suggests that conditionality has played an important role in increasing employment and reducing the numbers on out-of-work benefits, as part of an increasingly active welfare system. The Government committed to this approach through the introduction of Jobseeker's Allowance, where conditionality has been effective in supporting people to take steps to get into work and is seen to be fair by customers themselves. We are now widening this approach to other groups – lone parents, disabled people and those with health conditions – where the evidence is still emerging but the early signs are promising.
45. To summarise, the main lessons from research are that conditionality policy should:
  - help people overcome the issues that may stop them moving towards employment;
  - involve regular contact, particularly for those closest to the labour market;
  - recognise the importance of strong and trusting relationships with Personal Advisers;
  - be combined with personalised support tailored to individuals' needs and circumstances;
  - have challenging expectations, stretching people to achieve goals (ideally ones they have identified themselves) – backed up by clear consequences;
  - aim to use clear messages about expectations to prevent people reaching the stage of being sanctioned;

## Chapter 5 • Conclusion – the policy lessons from a decade of conditionality in UK welfare

- have sanctions that escalate for those who repeatedly fail to co-operate with back-to-work activities; and
  - ensure that expectations are reasonable and that sanctions are proportionate – mitigating risks for vulnerable groups.
46. As we further develop our conditionality policies – matching more support with higher expectations at each stage – we want to draw on lessons from the UK as well as evidence from across the social sciences and other international approaches. Our aim is a more personalised conditionality regime which is appropriate, effective and challenging for individuals in the context of a more active and supportive welfare system.

## Annex A

### Current conditionality regimes

Customer Group	Conditions/Requirements	Sanctions
Job seekers	<p>The conditionality requirements are:</p> <ul style="list-style-type: none"> <li>• be actively seeking work;</li> <li>• be available for employment for a minimum of 40 hours per week immediately, unless an advisor agrees a restriction in these conditions due to certain circumstances;</li> <li>• have a current Jobseeker's Agreement, which will identify a minimum of three steps to be taken each week to find work; and</li> <li>• attend the Jobcentre Plus office when required to satisfy the above requirements.</li> </ul> <p>From April 2009 further requirements will include:</p> <ul style="list-style-type: none"> <li>• a mandatory back-to-work session after 6 weeks;</li> <li>• a mandatory additional interview for some claimants after 13 weeks; and</li> <li>• up to 3 mandatory back-to-work activities for all customers reaching 26-52 weeks of a claim.</li> </ul>	<p>Customers can receive a variable sanction for between one and 26 weeks benefit which can occur if a job seeker:</p> <ul style="list-style-type: none"> <li>• leaves a job voluntarily;</li> <li>• is dismissed from a job for misconduct; or</li> <li>• refuses suitable employment.</li> </ul> <p>If a customer fails to take part in certain mandatory activities such as a New Deal Option or Intensive Activity Period, the job seeker can receive a fixed sanction for:</p> <ul style="list-style-type: none"> <li>• two weeks for the first failure;</li> <li>• four weeks for the second failure; and</li> <li>• six weeks for the third.</li> </ul> <p>All sanctions are subject to job seekers not being able to show good cause.</p>

<p>Disabled people and those with health conditions</p>	<p>The conditionality requirements are:</p> <ul style="list-style-type: none"> <li>• new claimants (with exceptions for the most severely disabled) are required to attend a Work Focused Interview at week 8 of their claim; and</li> <li>• in Pathways to Work, most of those attending the first Work Focused Interview will be expected to attend a further 5 interviews at approximately monthly intervals.</li> </ul> <p>From 2009 further requirements will be:</p> <ul style="list-style-type: none"> <li>• Pathways to Work interviews and the new Work Capability Assessment will become mandatory for all existing Incapacity Benefit claimants aged under 25.</li> </ul>	<p>A benefit claimant can be sanctioned for failure to attend a Work-Focused Interview.</p> <p>The sanction is 20 per cent of the single rate for a customer aged 25+ on incapacity benefits.</p>
<p>Lone parents on Income Support</p>	<p>The conditionality requirements from April 2008 are to:</p> <ul style="list-style-type: none"> <li>• attend and participate in mandatory Work Focused Interviews: when the initial claim is made; thereafter every 6 months;</li> <li>• attend and participate in quarterly Work Focused Interviews if their youngest child is aged 14 or over and have been on Income Support for 12 months; and</li> <li>• agree an Action Plan with their Personal Adviser.</li> </ul> <p>Further requirements to be introduced by the end of 2008 include:</p> <ul style="list-style-type: none"> <li>• quarterly Work Focused Interviews for lone parents in their last year of eligibility for Income Support;</li> <li>• Work Trials to be extended for up to six weeks for customers taking part in New Deal for Lone Parents.</li> </ul>	<p>People who fail to attend and participate in their initial Work Focused Interview without good reason have no entitlement to Income Support.</p> <p>People who attend their initial Work Focused Interview but subsequently fail to attend have a sanction of 20 per cent of the personal allowance rate for a single person aged 25+ applied to their Income Support.</p> <p>The sanction remains in place until the customer attends a Work Focused Interview.</p> <p>If people fail to attend multiple Work Focused Interviews, more than one sanction can be applied.</p>

## Annex B

### The development of conditionality policy in UK welfare

Date	Conditionality Policy
October 1996	<b>Jobseeker's Allowance introduced:</b> unemployed people required to actively seek work, sign a Jobseeker's Agreement, and attend fortnightly interviews. New power to sanction claimants for 2 weeks and subsequently 4 weeks for any further offences.
1998	<b>New Deal for Young People introduced:</b> fixed, but escalating, sanctions for participants who fail to attend regular interviews or take part in one of four mandatory programmes.
July 2000	Two week full-time <b>Gateway to Work course for New Deal for Young People</b> participants.
2001	<b>New Deal for 25 Plus strengthened:</b> participants up to the age of 49 must start a more intensive regime of help and support 22 months into a claim.
2001	<b>Jobseeker's Allowance Joint Claims introduced:</b> both members of childless couples must meet the requirements of the benefit.
April 2001	<b>Initial Work Focused Interview introduced for lone parents:</b> for new and repeat clients with youngest child aged at least 5 years and 3 months, and existing customers with a youngest child aged 13 –15.
October 2001	<b>Initial Work Focused Interview introduced for new Incapacity Benefit customers.</b>
April 2002 and April 2003	<b>Additional groups of lone parents eligible for initial Work Focused Interview:</b> in 2003, all new and repeat customers, and existing customers with a youngest child aged at least 5 years and 3 months.
2003	<b>Pathways to Work for new Incapacity Benefit customers introduced to 10 per cent of the UK:</b> all participants are required to attend an initial Work Focused Interview; most are then required to attend another 5 interviews.
April 2004	<b>Partners of benefit claimants required to attend a Work Focused Interview:</b> partners of customers claiming Income Support and Incapacity Benefit (with and without children) and Jobseeker's Allowance (with children).
April 2004	<b>All groups of lone parents to have an initial Work Focused Interview.</b>
February 2005 to July 2007	<b>Pathways to Work for existing Incapacity Benefit customers introduced to 10 per cent of the UK:</b> customers receiving Incapacity Benefit for up to 6 years required to attend 3 Work Focused Interviews (some claimants are exempt).
April 2005	<b>Quarterly Work Focused Interviews introduced for lone parents with older children</b> (youngest child aged 14-16).

Date	Condition
October 2005	<b>Lone parents required to agree a mandatory action plan</b> as part of their Work Focused Interview.
October 2005 to December 2006	<b>Pathways to Work for new Incapacity Benefit customers extended to 40 per cent of the UK.</b>
April 2007	<b>Six-monthly Work Focused Interviews introduced for some lone parents</b> (youngest child aged 5-13).  <b>New Deal Plus for Lone Parents pilot areas only – quarterly Work Focused Interviews introduced for some lone parents</b> (youngest child aged 11-13).
July 2007	<b>Requirements for claimants aged over 50 years strengthened:</b> participants aged 50 and over must start a more intensive regime of help and support, lasting for up to 13 weeks, 22 months into a claim.
April 2008	<b>Lone parent review meetings introduced for additional groups:</b> lone parents with a youngest child aged 0 – 4 have an initial Work Focused Interview and then a review every 6 months. This completed the roll-out of 6-monthly Work Focused Interviews for lone parents with children aged 13 and below.
April 2008	<b>Repeat Work Focused Interviews introduced every 6 months for partners of parents on Jobseeker's Allowance.</b>
April 2008	<b>National roll-out of Pathways to Work for new Incapacity Benefit customers completed.</b>

This report can be accessed online at:

**[www.dwp.gov.uk/conditionality](http://www.dwp.gov.uk/conditionality)**

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ISBN: 978-1-84763-571-6

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Published by the Department for  
Work and Pensions

July 2008

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