



# HOMELESS LINK'S SUBMISSION

## 21<sup>ST</sup> CENTURY WELFARE CONSULTATION SEPTEMBER 2010

Homeless Link is the national umbrella organisation for frontline homelessness charities in England. Currently we have more than 470 member organisations. Our members include hostels, day centres, outreach and resettlement agencies, housing advice centres, youth projects, health projects, welfare rights groups, regional homelessness networks, refuges, drug and alcohol services and faith run voluntary services. As the collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and to advocate for policy change. Through this work, we aim to end homelessness in England.

### **SUMMARY OF MAIN POINTS**

- Homeless Link welcomes a reform of the welfare system that would make it simpler and more efficient, and increase the level of earnings that benefit recipients can keep.
- We are concerned that the plan is to pay for this level of structural reform from benefit savings and that this will deepen poverty and inequality. We believe the welfare system requires investment and that in the long term this will produce cost savings.
- We would like reassurance that people who present with multiple needs will be accepted as in vulnerable circumstances and treated with understanding that underlying these difficulties there is often an experience of complex trauma. The threat of sanctions will not produce positive behavioural effects for those individuals.
- There is currently adequate conditionality built into the benefit system. Increasing conditionality and sanctions will serve to alienate not incentivise.
- Many homeless people experience multiple personal and structural barriers to entry into the job market. Changes to tapers and disregards will help those who can get into work but will not help those who cannot.
- We urge the retention of a basic safety net at current level for people not in work for whatever reason. Otherwise the message from Government is that destitution is acceptable.

## INTRODUCTION

21<sup>st</sup> century welfare starts by setting out its overall aim to structurally reform the benefit system to make it simpler and more efficient, to have fewer benefits, fewer layers of bureaucracy and to ensure that financial support is firmly focussed on making work pay. The paper recognises that the benefit system is part of an inter-related set of social problems and solutions:

*'The only way to make a sustainable difference is by tackling the root causes of poverty: family breakdown; educational failure; drug and alcohol addiction; severe personal indebtedness; and economic dependency.'*

Homeless Link largely agrees with the above aims. However we would urge the government to see the welfare system, including for those of working age, in its bigger context as a safety net. This provides vital support for example when things go wrong in people's lives, when their mental or physical health is poor, or when they have experienced abuse or neglect in their families. Many of these individuals are playing active roles in their community, contributing vital services. Others are a long way from having the capacity to return to work and will need intensive support for longer periods.

While we also agree that it is important for all these groups not to feel written off into a spiral of dependency and poverty and to have the aspiration to return to work, there needs to be more recognition that for some people this is a long journey involving many with many obstacles. A welfare system that puts work so firmly at the centre of working age support is in danger of further marginalising and impoverishing people who already feel like workforce failures.

For 21<sup>st</sup> Century Welfare to achieve its stated aims, above all there needs to be a demonstrated understanding that some people are a long way from the job market and need to be supported to make that progression at an appropriate pace without threats or sanctions if they fail along the way.

We have largely followed the questions posed in the consultation paper but as an organisation we are more equipped to address some questions than others.

## RESPONSE

### **1. What steps should the Government consider to reduce the cost of the welfare system and reduce welfare dependency and poverty?**

Our overall aim is end homelessness in this country. Research by the New Economics Foundation (nef) indicated an annual cost to the state of £26,000 for each single homeless person.<sup>i</sup>

The government should safeguard investment in specialist services to support and improve the skills and capacity of homeless people and move them over the longer term into employment, which will reduce the cost of the welfare system in the long run. However, there needs to be an acceptance that the support required will in some cases need to be long-term and intensive.

An Economic Cost Benefit Analysis<sup>ii</sup> from Tyneside Cyrenians on the Virginia House Self Build highlights the economic cost benefit achieved by training and then employing three formerly homeless clients on the re-building of a hostel for homeless people. The report details their costs to the Criminal Justice System, the NHS, and Department of Work and Pensions in the five years leading up to their training and those incurred since being in full time employment. It shows that providing training and work opportunities for those who are marginalised from the labour market saves the public purse significant amounts of money through a reduction in criminal activity, medical interventions and dependency upon benefits. Key Findings were:

- The package of training, drug treatment and other support enables three long term unemployed people to sustain full-time employment for a year
- In the five years prior to this intervention, the participants cost the public purse a total of £513,779.
- During their 6 months at the construction training facilitate they cost the public purse a total of £7,131 which included the cost of training and on-going treatment for substance misuse problems.
- Since gaining full time employment the three individuals have cost a total of £7,826 but have paid £3,885 in tax and NI contributions resulting in a net cost of £3,941.
- The annual average cost to the public purse has been reduced by 89% as a result of training, supporting and employing these individuals.

Homelessness agencies, which understand the complexity of the problems their clients face, are in the best position to identify clients who have the potential to move into work and develop programmes which will support them to do so. The Places of Change programme<sup>iii</sup>, delivered by the Homes and Communities Agency, has been a catalyst for change in the culture of hostels by funding projects that bring opportunities for homeless people to move out of hostels and into work and a settled home. Below are a number of examples of specialist work programme developed by homelessness agencies:

**The Homeless to Work programme**, funded by the Mayor through the London Development Agency (LDA), will see outreach teams working directly with homeless in London offering them opportunities to gain skills and training 'This joint approach is allowing them to bring together the expertise and knowledge of both the London Development Agency and DWP to target a part of society that is often neglected by mainstream systems. Homeless Londoners represent a particularly hard to reach group of workless, many have drug or alcohol related problems or mental health issues. The one to one support they'll get from Homeless to Work will provide them with important tools to help them overcome many of the barriers to getting off the streets and into safe, secure accommodation and sustainable jobs.'

### **Porchlight - Kent**

**Employability and volunteering programme (EVP)** – this is a 4 month course open to service users which is OCN accredited. Service users have to complete a number of classroom days and a number of written assignments and spend time doing volunteering / work placement within Porchlight projects (hostels, outreach, community projects). The first programme started in November 2009 and finished in February 2010. A total of 8 completed

the course and of these, 7 applied for jobs and were successful. One decided to continue volunteering. The second EVP started in May 2010, and there have 8 people on this course.

**Trainee programme** – It was decided that within Porchlight a new level of frontline worker was needed, a trainee support worker. It was decided to earmark these posts for ex-service users. The posts are 6 months, part time and are funded by the Future Jobs Fund. In March 2010, Porchlight's first intake of trainees were employed; 6 started, of which 5 were from the EVP programme and one from the job centre. They are going well and all trainees were people who had been on benefits for a long time and it was the first opportunity for them to gain employment in a long time. A second intake of trainees will be in September, offering another 6 jobs for ex-service users.

**Youth homeless education programme** - this is a new one year project funded by the Future Jobs Fund and 10 local authorities in Kent. It employs 3 workers who are all ex-service users and one co-ordinator. Two of the workers were on the EVP and one came from the job centre. All had been long term unemployed. The staff go into schools in Kent to talk about homelessness and is a key part of various local authorities' homeless strategies around prevention.

Porchlight aim to have 20% of their work force as ex service users,

**St Mungo's Pathways to Employment** programme was first established in January 2008. As part of this scheme, St Mungo's provides work and learning services along with activity programmes, which are delivered on-site at their hostels. Within three weeks of arriving at a hostel, a new resident has an occupational health check, carried out by a key worker. This check which also assesses their existing skills and abilities as well as their aspirations and the steps they need to be 'work ready'. With the support of a key worker, clients devise their own Pathways to Employment plan and following the health check have an opportunity to participate in an activity programme to help them prepare for employment. Once a client has produced a pathways plan, they are referred to an on-site vocational guidance and coaching specialist with whom they work out how best to achieve their aims and ambitions. These plans will then be dissected into achievable stages and the clients seeking employment will receive sustained support from their assigned specialist.

Reducing welfare dependency and poverty in homeless client groups requires investment in specialist training schemes and support services. Cost benefit analysis is an increasingly used tool to demonstrate the cost effectiveness of support systems for vulnerable groups. A 2009 report on the financial benefits of the Supporting People (SP) programme<sup>iv</sup> estimated that the net financial benefits from the Supporting People programme is £3.41 billion per annum against an overall investment of £1.61 billion. The welfare system cannot be seen in isolation but in interaction with the tax system and with other agencies of state support. It also has to be seen in the context of the state of the economy. When the economy is strong and jobs are plentiful the welfare state can shrink, when there are more people seeking jobs than there are jobs the welfare state has to step in with support. Currently there are 1.5m actively seeking work, 300,000 registered vacancies and no substantive recovery forecast until 2014.<sup>v</sup>

**2. Which aspects of the current benefits and Tax Credits system in particular lead to the widely held view that work does not pay for benefit recipients?**

Homeless Link recognises the problem identified in the paper that work does not always reward sufficiently. There is currently no economic incentive to work for a few hours. The earnings disregard is minimal. The rate at which earnings in excess of the disregard are deducted from benefits can mean that people keep less than 10p for a pound increase in their pay because of the amounts lost through tax and withdrawal of benefits and tax credits. We welcome the fact that the government is planning to address this long term difficulty with the benefit system, which does clearly lead to the view that work does not pay.

In addition to this participation tax rate there are in-work costs. In particular, travel costs and childcare costs can be prohibitive. This is an increasing concern as changes proposed in housing benefit changes will mean that people on benefit will be pushed out to live in cheaper areas where there is less work. If people have to travel, for example from Barking and Dagenham into central London their weekly travel costs with a travel card will be £36.80, prohibitive for those on low incomes. In addition they lose any passported benefits such as free prescriptions. Compensation for these losses clearly means that work needs to be made to pay by increasing the disregard and changing the tapers. A travel cost and childcare cost disregard would be one way of addressing this issue.

The system also needs to be made simpler to understand so that a benefit recipient can immediately understand the financial consequences of taking work. Currently it is so complex that only specialist advisers have the skills to correctly advise them. Key workers in hostels report that they tend to avoid the question:

*'When I'm asked about these things I dodge them ... I don't want to get involved in this because it's a minefield.'* Staff interview

*"We can't do it on our own. I don't think really it's particularly our area of responsibility...I just don't think it's that accessible and I don't think it's, I just don't think it's clear. It's confusing to me and I spend a lot of time trying to understand...I spent a whole afternoon on the phone to try and get a very simple bit of advice from the Job Centre Plus and without success, and it's very frustrating."* Staff interview<sup>vi</sup>

Work by nef<sup>vii</sup> suggests that in addition to a straightforward 'better off' calculation 'to make this relate better to the way people behave in real life, the concept of 'loss aversion' needs to be introduced to understand how people made decisions to work or not. This approach draws on cognitive psychology and the relatively new field of *behavioural economics* to show that people value what they lose more than what they gain. That means people give the prospect of losing something (like benefits) greater significance than the prospect of gaining something else (like pay), even when it is an identical amount. This is important for policy-making, because it is not enough to make someone marginally better off when they are in work, compared to when they were on benefits. Loss aversion strongly affects the tipping point at which people decide to take up work.'

This research identified that there are clear economic gains possible in the UK from reforming the benefits system to encourage homeless people to take up employment. The case for intervention is compelling. The study estimated that it will cost government £190m in first year to incentivise people with low levels of loss aversion, an average of £9,520 per person in the first year, falling to £816 per person in year 4. When this is compared with the annual costs of

homelessness to the state, this still represents a total saving to government of £1,715m over the four-year period).

However there is also evidence that calculations about whether they are better off in work is not what is determining whether homeless people are working. Studies consistently show that 70%-80% of homeless and formerly homeless people want to be in paid employment.<sup>viii</sup> They face a multitude of personal and structural barriers to work. A calculation of whether they are better off in work is one of the latter hurdles in their path.

*Financial gains – I think from personal experience that comes last on the list. Because that really is not what is driving them. It's really this sense of meaning.” Staff interview<sup>x</sup>*

### **3. To what extent is the complexity of the system deterring some people from moving into work?**

The complexity of moving on and off benefits can be as great a deterrent as the realisation that work may not make a person better off. Research done for the DWP<sup>x</sup> on easing the transition into work showed that nearly all benefit recipients have these concerns.

Their concerns are not misplaced. Work Matters<sup>xi</sup>, a report by St Mungo's points out that the gap between receiving benefits and receiving wages can be fraught with risk and uncertainty, as well as the gap between a final pay package and the return to benefits. So too can the gap between the last pay packet and going back on to benefits should that person lose their job. Individuals can also have benefit sanctions imposed for leaving a job voluntarily without 'just cause' or losing it because of misconduct.

The inflexibility of the benefits system contrasts markedly with the flexibility of the modern labour market and the patterns of recurrent unemployment as many people move regularly in and out of work. In the decade up to 2008, half of the men and one-third of the women making a new claim for Jobseeker's Allowance (JSA) had previously made such a claim less than six months earlier, indicating that many people are not leaving benefits for sustainable jobs. The labour market has changed profoundly on both the demand and supply sides. De-industrialisation has replaced a landscape of full-time, secure 'jobs for life' with a 'more dynamic and insecure working environment characterised by casualisation, low pay, and deskilled work in the new economy sectors.'<sup>xii</sup>

People with a history of homelessness, a lack of work experience and minimal skills and qualifications are bound to be the most prey to casual and insecure work and often with some fluctuation in available hours. In which case, the complicity of the system compounds the challenges these circumstances present.

Benefit recipients interviewed for 'Easing the transition into work'<sup>xiii</sup> expressed a high level of interest in financial and non-financial forms of assistance to help them over the bridge of going into work. Approximately nine in ten respondents, who were not currently working but wished to do so, expressed interest in both forms of transitional support. In terms of specific forms of non-financial assistance, interest was very high in obtaining help sorting out in-work benefits, help with what extra payments can be claimed, and help sorting out getting the right tax code.

**4. To what extent is structural reform needed to deliver customer service improvements, drive down administration costs and cut the levels of error, overpayments and fraud?**

Bringing benefits together into one system with the same withdrawal rate and one agency to inform of changes could clearly deliver service improvements and in the long term drive down administration costs. It is essential that if all benefits come from one source that administration is efficient. People living at subsistence level are completely dependent on benefit arriving on time for food and heating. This anxiety may increase with one central system particularly if clear inefficiencies remain.

Putting in place such substantial reform is bound to be costly to implement. We are concerned that these costs will be found from within the benefit system and will impact on vulnerable people and result in hidden costs to other services. Any cuts in income related benefits will cause severe poverty as all benefits are already below the 60% relative poverty threshold. There is no indication of the cost of the reforms, the timescale, and what the proposals mean for levels of benefits. Clearly we welcome a driving down of administration costs and a cut in the level of error overpayments and fraud. However we would like some transparency about how much this will cost and where the money will come from. We also consider it is important to disaggregate the costs to the country of benefit error and benefit fraud. They are often lumped together but it is our understanding that the loss through error is greater than that through fraud.

**5. Has the Government identified the right set of principles to use to guide reform?**

It is useful to have a set of principles to guide the reform. The set of principles proposed clearly emanate from the overall aim of putting work at the centre of working age support. However there is very little integration with other aspects of government policy such as the emphasis on the Big Society, personalisation or even any integration with the single work programme in the proposed principles.

We suggest a number of other principles that we believe should guide the reforms.

**Valuing unpaid work in the community**

From the perspective of Homeless Link the principles proposed here fail to value people's activities other than paid work. Ideas about the Big Society chime with ideas that have been working well in the homeless sector. The Places of Change programme<sup>xiv</sup> has enabled the sector to make fantastic strides in making hostels into places used by the local community and in integrating homeless people into those communities. It has resulted in huge increases in homeless people volunteering and entering education and pre-employment training.

Places of Change projects have shown a 60% increase in the number of people moving on positively. This includes:

- 500 now in work
- 600 entering further education
- 1,000 in pre-employment training
- 400 in volunteering

Assuring someone who has been homeless or slept rough can be the author of their own life, helping them to build self-esteem and self-confidence, and developing soft-skills are all vital components of an effective welfare-to-work strategy. The journey back to the labour market can be a long and difficult one.

Valuing unpaid work in the community or as carers of children or other family members does not appear in 21<sup>st</sup> Century Welfare paper's principles. This is at odds with the aspiration of a Big Society. This is pointed out by the new nef<sup>xv</sup>: 'committing time to unpaid local activity would put many at risk of losing benefits that depend on actively seeking full-time employment.' Community Links cite a specific example :

'The most important asset communities have is people. In poor areas there are many people with skills and the time to work in and contribute to those areas. However the one barrier to stop them getting involved is the earnings disregard. For example, Local PCTs will pay for local representatives to sit on their boards, however if you're on benefits you can't, and yet they are the people that often have the time to commit.'<sup>xvi</sup>

It should be built into the principles that volunteering and/or caring responsibilities can help people who have been long-term unemployed to develop the skills and confidence they need to move back into the work place. This should be regarded as an acceptable alternative for people who are building up to a return to work. One idea that has been proposed is the development of a community allowance payable on top of benefits for work in the community.

### **Personalisation**

The coalition government has committed to continuing and extending the personalisation agenda and yet this does not appear in the principles outlined in the 21<sup>st</sup> Century Welfare paper. Voluntary and Community Sector (VCS) providers such as St Mungo's and Business Action on Homelessness stress the importance of adopting a personalised approach to help address homeless people's needs and build their confidence, centred around a key worker who has a holistic understanding of the needs of each client. Recent work on the work focused interview<sup>xvii</sup> found that a client focused approach as opposed to a process led approach offered a far greater likelihood of engaging people and helping them to take steps to work. This identified that a personalised approach did not equate with being soft, that the most effective interviews are collaborative, directive, proactive, positive and challenging, but the key is to adapt to and focus on the individual. This requires a skilled and motivated workforce.

As part of a personalised approach Homeless Link would like to work with the government on putting in place a supportive tracking system to show the individual journey drawn from an individual perspective but showing "distance travelled" away from exclusion and towards work. The Homeless Outcomes Star<sup>xviii</sup> is an approach to measuring change when working with vulnerable people. This approach could be adapted to work specifically around progress towards employment with providers and government. Indeed, a coherent tool for tracking progress across multiple dimensions could be a major contribution to understanding and meeting the needs of people who experience multiple disadvantage in the labour market

The evidence shows that work programmes for people who have experienced homelessness have to go beyond pre-employment support and finding job opportunities. They also need to provide support to settle into and sustain employment. Current research by BAOH is examining the vital role emotional resilience plays in job sustainment and the greater

emphasis needed on the provision of in work support.<sup>xix</sup> Greater personalisation and a reduction in complexity do not need to be at odds with each other, but there is a risk that the latter will overtake the former if personalisation is not included in welfare reform plans.

### **Protecting the most vulnerable**

21<sup>st</sup> Century Welfare states that its aim is not to reduce the levels of support for people in the most vulnerable circumstances. 'Vulnerable circumstances' are not defined and our concern is that many of our client group who are vulnerable will not be defined as such. We do not have figures for the numbers of homeless people claiming JSA but as an indication 26% of St Mungo's' residents are claiming JSA, nearly all of whom have been doing so for over a year. 23% of these have a significant medical problem, 51% experience mental health difficulties, 43% use alcohol problematically and 57% misuse drugs, with the majority having more than one of these issues concurrently. The measures proposed in the Emergency Budget targeting people claiming JSA for over a year by reducing housing benefits is likely to expose many of these individuals to serious risk of harm.

Homeless Link is a member of the Making Every Adult Matter Coalition (MEAM)<sup>xx</sup>As MEAM points out, multiple needs are often difficult to identify and understand. When accounted separately, individual needs may not require significant support but when they are present in the same individual the effect is to amplify the support needs.

The Work Capability Assessment is not a holistic assessment of all the factors which impact on a person's ability to work. Business Action on Homelessness estimate that only 16% of the homeless population are work ready. Those that are work ready still face the barrier of not being the employees that employers necessarily want, due to stigma. We would like some reassurance that people who present with drug and alcohol problems, mental health difficulties, and chaotic behaviour will be accepted as in vulnerable circumstances. There needs to be recognition built into the welfare system that underlying these individuals' difficulties there is often an experience of complex trauma and that the threat of sanctions will not produce the positive behavioural effects required. What is necessary is more intensive support and understanding. There is current pressure to take people off ESA resulting in some homeless people being moved onto JSA when in reality they are a very long way from the job market. The high success rate of appeals against this decision (40%) shows that the WCA is not an effective fit for work test.<sup>xxi</sup>

### **Case Study from Bournemouth Churches Housing Association: Kevin**

- Kevin was placed on ESA after suffering a serious assault whilst sleeping rough.
- Kevin has a number of issues including deafness in one ear, autism (high functioning), and alcohol dependence.
- Kevin's claim was assessed and the medical team who assessed him deemed him as being fit for work. He was taken off ESA and put on JSA.
- Kevin's appeal has so far been unsuccessful on the grounds that either there has not been enough detail or that incorrect paperwork has been submitted. This is despite a letter from his GP confirming that he is alcohol dependant.
- As a result Kevin has not been in receipt of benefits for 2 months whilst a decision is being made with regard to his appeal.
- In order to receive JSA Kevin must sign on fortnightly and prove he has been looking for work. Due to difficulties with doing this (has not submitted correct dates

on job application proof form) he has had his JSA stopped on two occasions – once for two weeks and another time for one week.

- Kevin has been informed that if he goes to the Job Centre smelling of alcohol they may refuse to allow him to sign on as he is not in an appropriate state to sign on for JSA due to being under the influence of alcohol. As an individual who is alcohol dependant with the other complex issues it has been very difficult to keep Kevin in the service as he feels it would better for him to return to sleeping rough.
- His ESA appeal is set for 21<sup>st</sup> September.

Turning to the proposed set of principles we agree that it is important that taking all types of work outweighs the risks but we think there should be more positive encouragement of part time work. (see points made at Q8)

### **Fairness between different groups of benefit recipients and between recipients and the taxpayer**

The proposed withdrawal rates at 65% is a marginal tax rate not experienced by even the most highly-paid people. Homeless Link feels a taper of 55% would be more reasonable and more effective as an incentive.

At the Liberal Democrat conference Treasury Chief Secretary Danny Alexander announced plans to attack offshore havens and other tax "dodges". Likening tax evaders to benefit cheats, he told the party's conference the measures could raise £7bn a year by 2015, helping to cut the deficit. This measure could help to pay for the benefit system and will rebalance the perception that benefit fraud is targeted while the more lucrative target of pursuing tax fraud is ignored.

It is our perception that the type of language used about benefit claimants such as referring to 'a lifestyle choice' adds to the stigma and feeds into a media culture that feels legitimised in referring to claimants as scroungers. Living on benefit long term, experiencing not being able to replace essential goods such as washing machines when they break down, not being able to participate in social life or buy presents for friends and families is not 'a lifestyle choice' made by people who have other choices in life.

We agree with the outlined principle that other systems of support for basic needs are considered. This is one of the reasons we are so concerned about the proposed 10% cut in housing benefit for claimants that have been on JSA for over a year. This has not taken into account interaction with other support systems and the impact of the cost of increased homelessness on other state systems. The June 2010 Budget forecast that this measure will save £100 million in 2013/14, rising to £110m by 2014/15, relative to maintaining the current system<sup>xxii</sup>. The National Housing Federation estimates that 202,000 people are at risk of being made homeless purely as a result of the benefit cut of 10%<sup>xxiii</sup>. Using the estimate of the costs of homelessness from nef, 202,000 more (single) homeless people would entail a £3.4 billion cost to the state annually.<sup>xxiv</sup>

The principle of promoting responsibility and positive behaviour by improving incentives and reinforcing conditionality runs throughout the 21<sup>st</sup> Century Welfare document. However, there appears to be a strong assumption within the document that people will behave rationally, in their best interests, and that if everyone puts in effort everyone will be rewarded with a full time

job. For a number of reasons, including the current and expected job market, it is clear that these assumptions are flawed.

The recent joint guidance from the NMHDU and the CLG 'Meeting the psychological and emotional needs of people who are homeless' points to emerging clinical evidence demonstrating a high prevalence of early neglect and abuse in the homeless population. Experiencing a traumatic childhood may mean people develop problems in later life, particularly with attachment, emotion regulation and interpersonal skills. This cluster of difficulties is often diagnosed as personality disorder. It is currently estimated that the prevalence of personality disorder is 60% of adults living in hostels in England.<sup>xxv</sup>

People with complex trauma who have experienced homelessness may for example:

- self-harm or have an uncontrolled drug and/or alcohol problem
- appear impulsive and not consider the consequences of their actions
- appear withdrawn or socially isolated and reluctant to engage with help which is offered
- exhibit anti-social or aggressive behaviour
- lack any structure or regular daily routine

This behaviour is not amenable to benefit incentives or sanctions but needs a skilled therapeutic approach.

A policy that takes a blanket approach to people out of work, which does not recognise how much work it will take some individuals to bring them to a point where they can take employment will fail this client group. A recent report by the National Audit Office on the Government's Drug Strategy found that only 8% of those drug users receiving help to get a job were able to get a job and keep it for 13 weeks, and at a cost of £11,600 per person helped.<sup>xxvi</sup>

While we do not ignore the need to improve incentives for many groups, these proposals focus on targeting the behaviour of individual claimants whilst ignoring barriers to employment such as lack of jobs, lack of a home, childcare, personal barriers, employer discrimination and below poverty level wages.

### **Improving application of conditionality**

Conditionality is already a strong element of our current system. Benefits have to be earned in return for undertaking certain activities. Far from strengthening conditionality, our belief is that conditionality needs to become part of a personalised supportive approach used by well trained advisers who take into account the personal barriers experienced by claimants as well as local labour market conditions.

In the quarter ending February 2010 there were 256,000 referrals for JSA sanctions and disallowance decisions. There were 219,000 decisions made, of which 127,000 were adverse (i.e. a sanction or disallowance was applied).<sup>xxvii</sup> If applied in a routinised manner, conditionality can lead to people applying for jobs they are not qualified for, or have little hope of getting. It can be actively counter-productive, serving to frighten people and making it harder for them to engage with programmes that could support them into work. Homeless Link is very worried about any increase in sanctions. The impact on people who are on that journey towards work can be very destructive and act as a disincentive to further engagement.

We agree that the tax credit and benefit system needs to be affordable. However we also need to recognise that when the economy is not strong and jobs are not plentiful that no amount of incentives to individual claimants can create jobs that are not there and pushing people into destitution is not the answer. We share the concern of the Citizen's Advice Bureau that planning 'to fund the reforms from within the current budget is not practical without undermining the aims of the reforms, hitting many of the poorest in society hardest and undermining the strengths of our current system.'<sup>xxviii</sup>

There has been speculation in the media that some of the reforms take time and could be up to four years away. Improvements to making work pay, changing the disregard and tapers do need to be introduced swiftly. However, as full scale structural reform is costly, we feel that a more steady, measured approach could wait until the economy is stronger.

**6. Would an approach along the lines of the models set out in chapter 3 improve work incentives and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider?**

Homeless Link welcome the favoured option of a universal credit bringing out of work and in work support together into a single system. A simpler application process and a more straightforward better off calculation would be very welcome. As discussed, we understand that a taper of 65% is the one under consideration. This may not provide enough incentive to encourage people into part time work unless there is a more substantial earnings disregard, such as 55% as discussed. On a minimum wage of £5.93 a 65% taper will mean that a person is gaining £2.28 in the £, or would earn £18.24 for eight hours work. Taking into account work related costs and loss aversion this is unlikely to be much of an incentive. It is important to build in some transitional protection so that people keep their benefits until they are in receipt of their wage packet and keep passported benefits until their income reaches a level substantially above benefit level. We also suggest a travel cost and childcare costs disregard.

Changed tapers and disregards are helpful for people who manage to get into the labour market. However the employment rate of homeless people is very low, Research has found that only 2% of homeless people describe themselves as being in full time employment.<sup>xxix</sup> Likewise, 4% of St Mungo's residents were in paid work in 2010, 15% of them had never worked and two thirds had been out of work for five years or more.<sup>xxx</sup> The changes are unlikely to affect people who are a long way from the labour market. The main changes that will potentially affect them are likely to have negative effects, including changes such as increased conditionality and sanctions, more restricted move-on housing choices due to the Local Housing Allowance cap, reduction in housing benefit after a year on JSA, a more stringent test for DLA, and the possibility of means testing of other universal benefits.

**7. Do you think we should increase the obligations on benefit claimants who can work to take the steps necessary to seek and enter work?**

As stated in the earlier section we believe there is more than adequate conditionality already built into the system. We do not believe that there is evidence that increased conditionality has an impact on the employment rate in homeless people. A one size fits all policy for JSA claimants regardless of the extent to which they are job ready has a negative impact. People who are on the journey to becoming work ready are likely to feel disillusioned and a failure if

conditions are imposed which never result in progress or sanctions put in place which are punitive. An independent report commissioned for the DWP from David Freud<sup>xxxii</sup> warned that a distinctive group, characterised by multiple disadvantage, does not receive the attention it deserves because of the government's client group approach.

Research with homeless people<sup>xxxiii</sup> identified a range of potential barriers to employment which often combine to produce multiple disadvantages in the job market:

- Low self-confidence
- Multiple needs
- Ongoing physical or mental health problems
- Patchy or non-existent employment records
- Age
- Behavioural problems and substance misuse
- Offending and criminal records
- Lack of practical necessities
- Low level of basic skills such as numeracy and literacy
- Lack of qualifications
- Learning disabilities
- Fears about working

This group require personalised and holistic support, opportunities to gain skills, opportunities to undertake training and take up volunteering opportunities, activities to boost their confidence and to foster aspiration and ambition. One of the findings of the research with homeless people was that the voluntary nature of work placements has a powerful effect on clients.

*'Experiencing the workplace is often powerful for BAOH clients who are on placements, mainly because they know they are there because they want to be. They also valued the fact that others were there for similar reasons. This compared very favourably to experiences that people had on courses where people were forced to attend.'*<sup>xxxiii</sup>

The better alternative to increased conditionality for this client group is increased personal support, both in building up to entering the job market and in-work support or mentoring to help them to sustain the job if they are successful in gaining employment.

#### **8. Do you think that we should have a system of conditionality which aims to maximise the amount of work a person does, consistent with their personal circumstances?**

Homeless Link believe that people need to feel control over their own lives and should not be subject to someone else deciding how many hours they should work. Homeless people are usually extremely motivated to work and if able to most people would probably choose to work full time. However some people choose to balance work with family responsibilities or other activities. Likewise, some people are aware of their own vulnerabilities and capacities and choose for personal reasons not to take full time employment. Certainly, a return to work after a long period away from employment is extremely stressful. People develop strategies to cope with stress and being able to feel in control of the level of work they do is an important factor. The current WCA is not very effective at understanding the impact of multiple need or

fluctuating conditions which does not reassure us that a decision about maximising work consistent with personal circumstances will be sensitively handled.

**9. If you agree that there should be greater localism what local flexibility would be required to deliver this?**

A more localised system has advantages. The current separation, for example between remote call centres, Jobcentre Plus frontline staff and decision makers needs to be realigned so that decision making is devolved down to local areas, staff are offered enhanced training and conditions, and are given the skills and resources have knowledge of the local labour market and service infrastructure.

However the system suggested of universal credit is a centralised system, moving away from any locally administered benefits. It is currently difficult to see how this potential conflict of aims will be resolved. It is important that the efficiency of delivery and administration and the level of personalisation are not subject to a postcode lottery.

**10. The Government is committed to delivering more affordable homes. How could reform best be implemented to ensure providers can continue to deliver the new homes we need and maintain the existing affordable homes?**

Homeless Link have already made it very clear in our response to the Work and Pensions Select Committee on the impact of changes to Housing Benefit<sup>xxxiv</sup> that any cuts in Housing Benefit will have an immediate impact on accommodation and related support providers. Many registered providers, including many homeless services, receive over 60% of their income from housing benefit. With these changes, the removal of Supporting People funding ring-fencing (as well as potential further cuts and VAT increases from January 2011, many providers, including homelessness services offering accommodation may face insolvency and collapse. Certainly, the plans to introduce a 10% cut in housing benefit for people who have been on JSA for over a year could result in the impossible choice between charities taking a 10% drop in their rents or evicting their tenants onto the street. This is likely to lead to a large increase in homelessness.

The uprating of Local Housing Allowance rates on the basis of the Consumer Price Index (CPI), rather than on the basis of local rents will mean that over time LHA rates will be eroded as rents generally rise faster than CPI. Additionally, the link between housing benefit and rent will be broken and, as rents rise at different levels in different parts of the country (due to economic factors and the local housing market), benefit levels will cease to reflect local rent levels. These policies announced in the emergency budget are opposed to a goal of delivering more affordable homes and will most likely increase the number of homes which are unaffordable for people on low incomes. People in the private rented sector are already often paying part of their benefit to meet rent and therefore cutting back on other essentials such as food and heating. A recent survey of 100 Housing Benefit recipients revealed almost a quarter (24%) of those who had experienced shortfalls between their benefits and their rent said it had contributed to them becoming homeless.<sup>xxxv</sup> In the context of these changes it is difficult to give credibility to the commitment to delivering more affordable homes.

**11. What would be the best way to organise delivery of a reformed system to achieve improvements in outcomes, customer service and efficiency?**

For homeless people we would endorse one of the conclusions of St Mungo's 'Work Matters' report:

*'A strong critique of the current system is that it imposes one welfare to work pathway for JSA claimants regardless of the extent to which they are work ready.'*<sup>xviii</sup>

The distance from the labour market of some homeless people must be taken into account in a reformed system.

## **12. Is there anything else you would like to tell us about the proposals in this document?**

The reform proposed is the biggest structural change to benefits since the beginning of the welfare state. In that context the consultation is too low on detail, particularly on the cost of the change and where the money will come from. We suggest a fuller consultation on universal credit if that is the favoured system, where the implications are more fully spelt out. While we have outlined our concerns, we would also emphasise our support for some of the ideas in principle. However, without an indication of tapers, disregards, what will happen to passported benefits, and what may be cut to pay for these changes, it is difficult for stakeholders to make a proper assessment of the impact on benefit recipients.

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<sup>i</sup> New Economics Foundation (2009) *Work it out – barriers to employment for homeless people*, p. 47. Available at: <http://www.bitc.org.uk/resources/publications/homelessness.html>. Comparable estimates for the cost to the state of single homeless people have also been provided by MEAM (<http://www.meam.org.uk/wp-content/uploads/2009/09/MEAM-report.pdf>) and the New Policy Institute ([http://www.crisis.org.uk/data/files/publications/HowManyHowMuch\\_full.pdf](http://www.crisis.org.uk/data/files/publications/HowManyHowMuch_full.pdf)).

<sup>ii</sup> Clare Wigmore (2009) *Virginia House Self Build Economic Cost Benefit Analysis*, Tyneside Cyrenians.

<sup>iii</sup> See [http://www.homesandcommunities.co.uk/places\\_of\\_change](http://www.homesandcommunities.co.uk/places_of_change)

<sup>iv</sup> Caggemini for Communities and Local Government (2009) *Research into the financial benefits of the Supporting People programme 2009*.

<sup>v</sup> CAB spokesperson (2010) *Today Programme*, Radio 4, 10/09/2010

<sup>vi</sup> New Economics Foundation (2008) *Work it out: Barriers to Employment for Homeless People*.

Research conducted by nef for Business Action on Homelessness, available at [www.bitc.org.uk/go.rm?id=27008](http://www.bitc.org.uk/go.rm?id=27008)

<sup>vii</sup> See endnote 6.

<sup>viii</sup> Homeless Link (2010) *Ending homelessness together: 10 years, 10 steps, one ambition*.

<sup>ix</sup> See endnote 6.

<sup>x</sup> See <http://campaigns.dwp.gov.uk/asd/asd5/rrep186.pdf>

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- <sup>xi</sup> St Mungo's (June 2010) *Work Matters*. Available at:  
[http://www.mungos.org/press\\_office/623\\_transform-back-to-work-help-for-unemployed-vulnerable-people-with-a-first-step-capability-assessment-says-st-mungo-s](http://www.mungos.org/press_office/623_transform-back-to-work-help-for-unemployed-vulnerable-people-with-a-first-step-capability-assessment-says-st-mungo-s)
- <sup>xii</sup> See [http://www.oxfam.org.uk/resources/policy/right\\_heard/struggling-with-the-system-welfare-reform.html](http://www.oxfam.org.uk/resources/policy/right_heard/struggling-with-the-system-welfare-reform.html)
- <sup>xiii</sup> See <http://campaigns.dwp.gov.uk/asd/asd5/rrep186.pdf>
- <sup>xiv</sup> See endnote 3.
- <sup>xv</sup> See <http://www.neweconomics.org/publications/ten-big-questions-about-the-big-society>
- <sup>xvi</sup> See <http://www.community-links.org/uploads/editor/EP12.pdf>
- <sup>xvii</sup> Roy Sainsbury, for IPPR (2010) *Personalisation at the front line: looking within the work focused interview*.
- <sup>xviii</sup> See <http://www.homelessoutcomes.org.uk/default.aspx>
- <sup>xix</sup> BAOH (2010) *Promoting emotional resilience for the workplace*.
- <sup>xx</sup> See <http://www.meam.org.uk/>
- <sup>xxi</sup> See Homeless Link's response to The Work Capability Review Call for Evidence, available at:  
<http://www.homeless.org.uk/sites/default/files/Homeless-Link-Submission-for-the-WCA-Call-for-Evidence-Sept-2010.pdf>
- <sup>xxii</sup> HM Treasury (2010) *Budget 2010* (complete document), p.40. Available at:  
[http://www.hmtreasury.gov.uk/junebudget\\_documents.htm](http://www.hmtreasury.gov.uk/junebudget_documents.htm)
- <sup>xxiii</sup> National Housing Federation (2010), *Housing benefit cuts put 200,000 at risk of homelessness, campaign group warns*, press release, 5th July 2010. Available at:  
<http://www.housing.org.uk/default.aspx?tabid=212&mid=828&ctl=Details&ArticleID=3046>
- <sup>xxiv</sup> See Homeless Links evidence to the select committee on the impact of changes to Housing benefit for details of the calculation: [http://www.homeless.org.uk/sites/default/files/HL\\_Evidence\\_HB.pdf](http://www.homeless.org.uk/sites/default/files/HL_Evidence_HB.pdf)
- <sup>xxv</sup> See <http://www.nmhd.org.uk/silo/files/meeting-the-psychological-and-emotional-needs-of-people-who-are-homeless.pdf>
- <sup>xxvi</sup> National audit office (2010) *Tackling problem drug use*.
- <sup>xxvii</sup> A JSA claimant can have their claim sanctioned (payment is temporarily suspended) or disallowed (entitlement ends) if they are deemed not to have just cause for failing to fulfil the conditions of their claim. Sanctions can be 'varied length' or 'fixed length' and last between 1 and 26 weeks in duration. Disallowances result in the claim ending.
- <sup>xxviii</sup> CAB press release 30/7/2010
- <sup>xxix</sup> Opinion Leader Research for Crisis (2006) *Homeless people and learning & skills participation, barriers and progression*, p. 8, 10
- <sup>xxx</sup> See endnote 11.
- <sup>xxxi</sup> David Freud (2007) *Reducing dependency, increasing opportunity: options for the future of welfare to work*, DWP.
- <sup>xxxii</sup> nef (the new economics foundation) for Business Action on Homelessness (BAOH) (2008) *Work it out - barriers to employment for homeless people*.
- <sup>xxxiii</sup> See endnote 32.
- <sup>xxxiv</sup> See [http://www.homeless.org.uk/sites/default/files/HL\\_Evidence\\_HB.pdfappendix\\_1](http://www.homeless.org.uk/sites/default/files/HL_Evidence_HB.pdfappendix_1)
- <sup>xxxv</sup> Crisis (2010) *Crisis' response to the DWP consultation – Supporting people into work: the next stage of Housing Benefit reform*
- <sup>xxxvi</sup> See endnote 11.