



community **links**

**Early Action  
Task Force**

# Secure and Ready

Towards an early action  
social security system



**Early Action Task Force**

## **Community Links**

Our purpose is to champion social change. We pioneer new ideas and new ways of working locally and share the learning nationally with practitioners and policy makers. As a result, we are recognised as national leaders in regeneration and social policy.



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This paper is intended to stimulate thinking, and as such neither the Task Force members nor those listed above necessarily support all the proposals contained within it: the content remains the responsibility of the author alone.



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## Summary

*'Out of my benefits every two weeks, I have three pounds left. I got caught shoplifting for a cooked chicken.'*

When she was interviewed by Community Links last year Michelle was ill and distressed. Turned down for Employment and Support Allowance and hit by the spare room subsidy ("bedroom tax") she borrowed money from friends and family, got into debt and committed crime. She said: *'I'm going to see my psychiatrist on Monday and I don't care if he puts me in the hospital...at least that way I'll get fed, won't I. I'll be warm.'*

The Early Action Task Force has consistently made the case that **it is better wherever possible to act early and prevent problems from arising, rather than wait and deal with the consequences.**

This paper is intended to provoke discussion about how we can embed this principle – building a fence at the top of the cliff instead of running an ambulance at the bottom - into the social security system. How could it have better supported Michelle seize opportunities and flourish? How could it do the same for the 50% of us who have received means tested benefits over the last 18 years? (Roantree and Shaw, 2014).

### Social security now

Our social security system – by which here we refer to benefits in the form of cash transfers (e.g. Jobseekers Allowance, DLA/PIP, Child Benefit) and specific support services (e.g. JobcentrePlus, SureStart) - performs a vital social and economic function: redistributing £133bn per year excluding pensions (Rhodes & McInnes, 2014). Most of this redistribution occurs in the form of means-tested benefits to bolster low incomes, and support to manage when crises such as unemployment arise or additional costs are incurred by children or disability. When successful it not only supports those who are insecure, but prevents economic and social insecurity and promotes growth (Sinfield, 2012).

We have identified four key features of the contemporary social security system, some of which are more positive than others:

#### 1) It helps us deal with setbacks

A fundamental role of the current system is to provide security against financial risks posed by a range of issues, such as unemployment or poor health. In this sense it is a system of mutual insurance and social assistance that aims to prevent destitution and reduce poverty.

#### 2) It compensates for failures elsewhere

However, many of the setbacks mentioned above are preventable. A large proportion of social security merely compensates for failures elsewhere. Examples of this include Working Tax Credits (subsiding low wages) and Housing Benefit (subsiding high rents). Failures in other areas, such as healthcare and education, force people into reliance on such benefits. This has both a financial and social cost.

#### 3) It causes costs elsewhere

It might be acceptable to have a social security system that picks up the pieces of problems elsewhere if those people then thrived as a result. Unfortunately this is often not the case. We have identified six factors which mean the social security system causes costs elsewhere:

**It acts too late;** for example under Universal Credit most claimants will have to wait a minimum of five weeks between making a claim and receiving a payment. Many individuals must also wait until they have been unemployed for a year before they receive supposedly intensive employment support via the Work Programme.

**It pays too little to live on;** low incomes leave people extremely insecure and vulnerable to sudden shocks such as ill health, broken household goods, or needing new clothes. This often leads to the erosion of people's resilience and therefore a reduction in their ability to cope.

**It erodes confidence and self-esteem;** the social security system can cause stress and anxiety to individuals resulting in obvious knock-on impacts on their health and confidence.

**It imposes harsh conditionality;** for example the stricter sanctions regime has caused significant and unnecessary hardship, sometimes even preventing people from finding employment. Eligibility assessments for disability benefits can also cause stress to individuals.

**It undermines other forms of security and sources of support;** cash transfers are only one way to achieve security. It can also be fostered through institutions, public services, and social networks. Our current system places very little value on these things beyond an individual's mandate to attend the jobcentre.

**It stigmatises receipt;** negative moralistic judgements are often made about those who claim benefits, even if this is not explicit in policy.

#### 4) It promotes opportunity

Whilst the social security system is often associated with assistance and insurance, it sometimes also provides a platform from which people can seize opportunity. This has been dubbed the 'preventative' impact of the social security system (Sinfield, 2012) and can be seen in terms of redistribution across the lifecycle and those benefits associated with additional costs, for example having a child (Child Benefit).

### Acting earlier for social security

An early action social security system would be predicated on a social investment<sup>1</sup> approach which values investment in people's strengths and capabilities. In doing so it would ensure we are ready both to deal with setbacks and to seize opportunity.

1. The phrase 'social investment' has recently been adopted to describe the provision of (usually private) finance to achieve social goals. That is not how it is used in this paper, in which we adopt the meaning common to the social security literature

#### 1) Ready to seize opportunity: social investment

Social investment could take the form of, for example, building houses to bring down the housing benefit bill, offering universal free childcare to allow more parents to work, raising wages via labour market interventions, improving public health and workplace wellbeing, or investing more in education and skills.

#### 2) Ready to deal with setbacks

Whilst social investment should reduce demand for social security, many of us will still rely on it at some point in our lives. The question therefore becomes how could the system act earlier to prevent problems from escalating and ensures a quick recovery from misfortune? The social security system should therefore:

**Act earlier** by ensuring support, including both financial assistance and effective services, is in place to stop us tumbling over the edge of the cliff. This could include earlier support for those who are at risk of unemployment and faster assessment for disability benefits.

**Institute a presumption of willingness** which would see conditionality and sanctions used only once people had proved themselves unwilling to engage. Some would argue that, in theory, this is how the system already works. However, in practice it often assumes quite the opposite and far more than just those who are unwilling to engage are subject to conditionality (see for example Miscampbell, 2014b).

**Extend the universal approach** to reduce the risk of people who need support not accessing it and reduce stigma for those being supported.

**Recognise the value of relationships** with statutory staff when accessing services, with close friends and family for a whole range of support, and with wider networks for access to jobs and opportunities

**Value other forms of contribution** beyond the labour market such as caring and volunteering.

**Pay enough to live on** and ensure that individuals and families can reach a minimum standard of living

The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. This amount, and how it is split between government departments, is set at Spending Reviews. Annually managed expenditure, or AME, is more difficult predict or control; it is spent on programmes which are demand-led – such as welfare, tax credits or public sector pensions. Public spending rules make it very hard to invest upfront to yield future benefits, or to invest in departmental spending (DEL) in order to save money in the social security (AME) budget.

To remove these barriers government should:

Introduce **ten year social and capital investment plans** in the next spending review, alongside **ten year tests** and **better impact assessments**, to reveal the true benefits of upfront investment, both in social security to yield savings elsewhere, and in departmental budgets which will reduce the social security bill. **The Public Accounts Committee should lead an enquiry into the use of impact assessments and, in government, the Green Book** (Treasury guidance for spending by government departments). **Early Action spending should be treated like capital spending** to prevent social investment being cut, setting off a damaging spiral of rising demand on the social security budget that will lead to damaging cuts in individual benefits to try and stay within the budget.

**Tackle departments working in silos by devolving power** to local areas, crucially with a mechanism for local areas to retain some of the savings to the social security budget brought about by local investment in other services.

**A loan fund** – to which local agencies could bid – provides a transition mechanism. **Earn back deals**, such as the one pioneered by Manchester’s combined authority (GMCA 2014) which sees the Treasury pass on some of the proceeds of extra economic growth, could be a model for a longer term solution. Ultimately elements of social security spend could be devolved entirely, with appropriate national minimum standards, to give local areas the flexibility and incentive to invest.

**Reform the welfare cap:** in its current form it discourages government from upfront social investment to reduce the social security bill and encourages cuts to individual entitlements that may only end up compounding social problems and pushing up costs elsewhere in government spending. If the welfare cap is to continue, levels of spending should be considered in parliament alongside an assessment by the OBR of whether or not the Government has an effective early action investment plan which will enable it to live within the cap over time. If so, the parliament could decide to allow rises in the short term, confident that costs will fall to a sustainable level and that cuts will not simply push costs elsewhere.

When Community Links interviewed Rita last year she was ill and distressed. Made redundant after six years work, she was claiming Jobseekers Allowance and hoping to use her journalism degree to restart a career. She had been sanctioned several times, often incorrectly but until she spoke to Community Links she had no idea she could appeal. When she did she was successful. At one stage the sanctions had left her destitute, unable to afford food or gas. Her Jobcentre advisor told her not to apply for a hardship payment because she *'probably wouldn't get it.'* She couldn't afford to travel to job interviews she had been offered.

A year later, after being diagnosed with depression, Rita has stopped claiming Jobseekers' Allowance, scarred by the hostility she encountered and the repeated sanctions. She is relying on the support of friends, family and her church while volunteering to gain work experience. In substantial rent and council tax arrears, she is terrified of being evicted. She now prioritises spending on food, after last year: *'it was such a shock when I couldn't afford to buy food for weeks. I had just never imagined that would happen to me.'*

The social security system is not working for Rita. Being made redundant sent her into a crisis in which the benefits system, instead of helping her quickly recover, has been complicit. As well as the dramatic personal impact, it has caused knock-on costs for the NHS, courts, and the local authority.

This paper aims to provoke thought and encourage discussion about how the UK's social security system should change. It asks: how does it help or hinder the five million working age people relying on it at any one time? How could we better use the £133bn spent on non-pension benefits? How could it act earlier, to prevent problems from arising rather than waiting and dealing with their consequences? How could it have helped Rita to thrive, instead of leaving her struggling to survive?

Almost seven decades after Beveridge ushered in our modern social security system social solidarity which sustained it has been eroded. Three quarters of the public now think 'a large number of people' falsely claim benefits and over half think most unemployed people could find a job if they really wanted one (Baumberg, 2014).

It is characterised as both unfair and unsustainable across the political spectrum. The Chancellor George Osborne purportedly spoke for 'hard working families' when he asked 'Where is the fairness, we ask, for the shift-worker, leaving home in the dark hours of the early morning, who looks up at the closed blinds of their next door neighbour sleeping off a life on benefits?' (Osborne, 2012). The Leader of the Opposition Ed Miliband echoes these arguments by castigating those he sees as purposefully 'idle' and claiming that out of control costs are no longer sustainable (Miliband, 2012).

Astute political campaigning has kept the issue in the public mind; Television programmes like Benefits Streets have brought the debate, albeit distorted, to prime time; tabloids rarely miss an opportunity to highlight some perceived abuse of the system; benefit receipt is increasingly associated with individual failure or even deceit and dishonesty. Social security is seen as abused and out of control; largesse incompatible with belt-tightening Britain.

Much of this story distorts the truth. Prior to the recession spending on working age benefits was falling and we spend less than the OECD average on cash transfers, both as a proportion of GDP (TUC, 2013). Benefit fraud remains extremely low, estimated at 0.7% of the budget (DWP, 2014). Social security spending increased during the recession - as it is designed to - and has remained high during the slow recovery but in the long term the biggest contributor by far to rising spend is the much-loved state pension, particularly since it was bolstered via the 'triple-lock' even as working age benefits have been cut (Riley & Chote, 2014). In many ways this is a crisis of political convenience rather than of public finances.

Nor is public support for the social security system necessarily as terminal as some fear: Baumberg (2014) analysing the 2014 British Social Attitudes survey argues that although there has been a historical hardening of attitudes,

*'it is crucial to stress that considerable support for the benefits system remains – a fact that is often lost when the longer-term trends are reported...People do not believe that benefits on their own are particularly generous; few people believe that unemployment benefits provide more than enough to live on...[and] majorities of people still believe that the government should be mainly responsible for ensuring people have enough money to live in retirement, if they become unemployed, or if they become disabled.'*<sup>2</sup>

This indicates an opportunity to challenge the widely perceived yet not completely pervasive hardening of attitudes towards the social security system.

The crisis might not be as acute as some claim – our redistributive system of cash transfers is not destined for the history books just yet - but it is not performing adequately for the 21st century, as Chapter 1 explores. Chapter 2 examines the theoretical underpinnings of our current system, arguing that a reformed system should set as its overarching goal that we are ready, both to deal with setbacks and seize opportunities. Chapter 3 draws out some of the implications for its design and delivery. Chapter 4 explains the spending rules which, we suggest, are a substantial barrier to change and chapter 5 sets out how they could be different. Finally Chapter 6 uses employment support as a case study to illustrate the ideas in the report.

This paper argues that long term sustainability and popular support for social security rests on it acting earlier. We have restricted the discussion to benefits for working age people. In a previous paper (Horwitz, 2014) the Task Force looked at the implications of an early action approach for later life, including pensions and benefits.

2. And neither is moral concern over social security a new phenomenon: Responding to a 1956 BBC survey two in five believed that the British way of life was deteriorating and the most common reason given was 'too much welfare and care' (Marshall, 2014).

## 1. Social security now

The Early Action Task Force asks how we can build a society that prevents problems arising rather than one that – as at present – devotes considerable resource to picking up the pieces: how do we build fences at the top of the cliff rather than running ambulances at the bottom?

According to one popular interpretation the social security system is the ambulance: late, acute spending at the bottom of the cliff, creating ‘dependency’ and trapping people in poverty. It is seen as (at best) ‘passive’ protection for poor people and (at worst) the bill for failure.

It is often where the savings from acting earlier elsewhere in public services are assumed to accrue - for example investment in the early years is often justified on the basis of welfare savings later in life.

On the other hand the social security system was envisaged primarily as collective insurance, to protect against the financial consequences of unemployment, ill health and other misfortune: a fence at the top of the cliff, saving people who trip up from tumbling over.

Which is it and does it matter?

Looking at it through this lens, this chapter argues that in its current incarnation our system mostly **helps us deal with setbacks**, providing social assistance to prevent destitution and reduce poverty, an element of mutual insurance against risk, and support with the extra costs of disability and childcare.

But many of these setbacks are preventable, so in reality the system is often left **paying the price for failures elsewhere in public provision**.

Moreover, it often does a **very poor job of helping deal with these setbacks**, with detrimental impacts for individuals (like Rita) and knock-on costs for other public services.

Finally it has an important if under-rated role in helping us **seize opportunities**, reducing risks and redistributing across the life course.

We look at each in turn.

### 1) Dealing with setbacks –social assistance and mutual insurance

At its core the social security system provides security against the financial risks associated with unemployment and ill health, and against the risk of destitution brought about by low wages, unaffordable housing, or changing family circumstances. It does this via the provision of cash transfers delivered according to a range of eligibility criteria (based on prior contributions, income, family status, health, and more).

The vast majority of the budget is accounted for by payments to compensate for low income (tax credits at £27bn per year and housing benefit at £24bn), to meet the costs associated with disability and if necessary the consequent loss of earnings (Disability Living Allowance and Personal Independence payment at £13.4bn and incapacity benefits at £13bn<sup>3</sup>), payment to recognise the extra costs of bringing up children (child benefit at £12bn) and finally Jobseekers Allowance (in this context a meagre £5.1bn) to replace income lost through unemployment (Rhodes & McInnes, 2014).

These all, in various ways, support people to deal with the setbacks of unemployment or ill health, or cope with the extra costs associated with disability and children.

<sup>3</sup> This figure includes Employment and Support Allowance, incapacity benefit, severe disablement allowance, and the incapacity part of income support (Rhodes & McInnes, 2014).

This social assistance and insurance function is integral to individuals' lives and to the UK economy. The IFS (estimated that over an 18 year period 48% of the British population received a means tested benefit. 5.3m people of working age were receiving some form of social security in February 2014 (DWP, 2014b) and one in six of the workforce – 3.8m people - have claimed Jobseekers Allowance in the past two years. About 1.4m children were lifted out of poverty by tax credits in 2011/12 (MacInnes et al, 2013).

To illustrate the scale of the transfers involved, the UK has the second highest rate of child poverty of the 27 EU countries before taking into account taxes and transfers – we only pull ourselves up the table because our system is the most redistributive of all 27 countries.

## 2) Compensates for failures elsewhere

Viewed from this distance the scale and achievements of the social security system are considerable. Unfortunately many are also unnecessary, compensating for failures elsewhere in public delivery or society's institutions.

Housing benefit is one of the fastest-rising aspects of social security, the rise driven almost entirely by rising rents which increase both the numbers of people eligible for support and the amount they receive (Wood, 2014). Government's response has been to tighten eligibility (for example through the spare room subsidy) and reduce generosity (in pegging Local Housing Allowance to 30% rather than 50% of market rent) but there is little evidence this is a sustainable solution. The real problem is a chronic shortage of housing, which remains unaddressed while government spend 95% of their housing budget subsidising rent, and only 5% supporting house building (Cooke & Davies, 2014).

Tax credits and, to an increasing extent, housing benefit function to bridge the gap between low wages and higher living costs. Just as housing benefit subsidises rising rents, so tax credits subsidise low wages. In some sectors this might be necessary but many low-wage sector employers could be paying more without

significantly impacting on their profits and so are effectively being subsidised by state support (Pennycook & Lawton, 2013). Similarly, labour market insecurity in the form of short-term, temporary or zero-hour contracts imposes a considerable burden on the social security system as people are forced to claim frequently and repeatedly. Of those people who leave Jobseekers Allowance 60% claim again within a year (CSJ, 2013). Some see this as a necessary component of the modern labour market and try and design a social security system to cope (so-called 'flexicurity') but this itself has costs, explored below.

Thirty-four billion pounds each year is spent on benefits related to illness and disability. We can find no direct research on what proportion, if any, of these could have been prevented. Nonetheless, as an indication, there is considerable hope for the preventative impact of public mental health programmes and 46% of people claim ESA for 'mental and behavioural disorders'. There is scope to reduce illness more generally through improved public health and yet only 4% of the national health budget is spent on prevention (Butterfield et al, 2009). In a previous paper (Horwitz, 2014) the Task Force argued that disability in later life could be significantly reduced through better preventative activity. It is clear that health, and particularly mental health are intricately linked with unemployment (Waddell & Burton, 2006) in what, for many people, can be a vicious cycle.

Almost one fifth of all 18-24 year olds are not in education, employment or training, almost half of whom do not hold GCSE-level qualifications. Social security for under 25s cost £8.5bn in 2011/12 (Cooke, 2013). Failures in the education system and in the support available to make the transition from school to work impose considerable costs on the social security system which can last long into the future – the scarring effect of youth unemployment can last a lifetime.

Failures or faults in housing supply, wages and the labour market, healthcare, and education all force people into situations where they need to fall back on the social security system for assistance. This might be necessary if the alternative is worse; for example if forcing wages higher increased unemployment. It also

imposes a social cost in the form of stigma and insecurity, and a fiscal cost which the state believes itself increasingly unable to meet.

### 3) Causes costs elsewhere

An ecosystem in which social security picked up the tab for decisions made elsewhere might be acceptable if people then thrived as a result. But all too often social security is designed and delivered in a way that lets people down, entrenching problems, worsening health, stifling ambition and ultimately costing more, both in continued social security payments and by creating demand for other public services. Paradoxically, the social security system often causes insecurity.

It does this in several ways:

#### Acts too late

Prompt intervention is vital to prevent a setback turning into a long-term crisis. Even very short periods without an income, or without the certainty of an approved claim, can plunge people further into difficulty, perpetuating insecurity and eroding readiness. Yet our system can wait months or even years before acting, often deliberately, driven by the belief that delays will discourage unnecessary claims and save money. In some cases the system is designed to 'act late', in others it is more a result of operational failure. Either way the result is the same, further eroding people's readiness and making it harder for the system to help them.

For example, the Trussell Trust estimate that half of people accessing food banks do so because of administrative problems with social security payments or because they have been refused a crisis loan (CAP et al, 2014). Furthermore, the introduction of Universal Credit will result in a minimum five week delay between first claiming social security and receiving payment, which the TUC (2014) predict will increase arrears, use of foodbanks and payday loans. They further suggest that 'worries about money are likely to distract new claimants from looking for work.' Government is currently proposing to lengthen the delay in entitlement to JSA and ESA from three to seven days after unemployment in order to 'discourage people from claiming benefit

when they only have a short gap between jobs or a short period of sickness' (DWP, 2014d), albeit with the savings vaguely earmarked for other forms of support.

The OECD conclude that with regard to ill health 'the benefit system lacks a focus on early intervention, which could prevent more people from needlessly moving into benefits and support quick return to work' (Andre et al, 2013). An employee who falls ill can enter a nine-month process of statutory sick leave and the Employment and Support Allowance assessment process before they receive any support (Lawton et al, 2014).

The Work Programme - for its flaws, discussed below - is nonetheless only available to people who have been unemployed for anywhere up to a year, despite the fact that the more time spent out of work worsens health and can further reduce the chances of finding employment. In particular, youth unemployment can significantly reduce future earnings and job prospects (Gregg & Tominey, 2004).

In some instances support is late because of poor administration or bad decision making rather than policy design. Over 700,000 people claiming ESA are still waiting for an assessment (BBC, 2014b), and Citizens Advice staff report waiting times of six to eight months (Citizens Advice, 2014a). Only one in five people have received a decision on their claim for Personal Independence Payment since it was introduced (DWP, 2014c). This insecurity can prevent people making plans and moving forward, and in some cases worsen health and wellbeing.

#### Pays too little to live on

The social security system, combined with low wages and insecure employment, leaves many working and out-of-work households living in poverty. Receiving a low income makes people extremely insecure to sudden financial shocks (like ill health, needing new clothes or to replace broken household goods). The value of unemployment benefits relative to wages has plunged by almost half in the last forty years (Eaton, 2011), and the IFS have shown that cuts to the real value of family benefits are the main reason why child poverty will rise in the coming

years. This is not just an issue for people out-of-work - the majority of the thirteen million people living in poverty are in working households.

Cuts to benefits can have a very direct impact on the public finances; for example the bedroom tax could end up increasing the housing benefit bill by forcing people into the more expensive private rented sector (Brown, 2013). They can also have a less direct (and less easily measurable) impact for example in increased health costs or the costs of claims of increased duration. Child poverty is estimated to cost the UK £29bn a year, including £20bn in additional demand for services and benefits and reduced tax receipts (Hirsh, 2013).

### Erodes confidence and self-esteem

For a substantial number of people the social security system can be a source of stress and insecurity. Participatory research carried out with mothers in Lambeth characterised the Jobcentre as unsupportive and distressing (Skills Network, 2014). One participant said:

*'You go in...it's like.... I don't even know what colour it is. Maybe it's just me, it's like a grey cloud. It's like there's a grey cloud. That's all I can see...there's been a good few times since I've been there that I've left and I've been in tears.'*

Describing their experience to Community Links, people felt that the atmosphere at Jobcentre Plus was *'hostile, suspicious, unsupportive and inefficient.'* (Graham & Horwitz, 2013).

This has an impact on individuals' health and wellbeing and ultimately their security. The story of Rita, featured in the introduction, illustrates this powerfully.

The eligibility tests for ESA and PIP have attracted particular criticism. For example, research with people undergoing the Work Capability Assessment found 95% reported a deterioration of health due to the assessment, 29% of whom classified this as severe (Centre for Welfare Reform, 2014). One man, later supported by Mind, described his experience as 'so traumatic that I really didn't think I'd be able to recover from it, let alone talk about it' (Mind,

2013). Of those claiming ESA for an illness 40% also have a secondary mental health problem (Wood, 2014).

A Crisis (2012) survey of homeless people undergoing the WCA found that 81% felt negative about their experience, 40% thought the healthcare professional didn't believe them and 30% thought they weren't being taken seriously. It is little surprise then that of those found fit for work, three quarters appealed, at extra cost to the Ministry of Justice and the DWP.

### Imposes harsh conditionality

One manifestation of this institutional suspicion is in the rapid recent increases in the use of financial sanctions to punish people deemed not to have complied with the behavioural conditions tied to accessing support. The number of job seekers referred for sanctions doubled between 2010 and 2012 (JRF, 2013). Over four times as many people receiving employment and support allowance were sanctioned in the first quarter of 2014 compared to the same period in 2013 (BBC, 2014c). At its peak in October 2013, 7.3% of people claiming the relevant benefits were sanctioned, compared with a steady low of 2% to 2.5% prior to 2008 (Watts et al, 2014). One third of homeless people receiving JSA have been sanctioned and the majority of these report being pushed into 'debt, food poverty and survival crime' (Holland, 2013). 68,000 people have their Jobseekers Allowance wrongly sanctioned each year and overturned on appeal (Miscampbell, 2014b)

Evidence from the UK and the US suggests that people are usually unaware of the circumstances under which they can face sanction; in other words very few people actively choose to flout the conditions of benefit receipt - instead people are sanctioned for a lack of understanding. This seems to be particularly true of the most vulnerable group accessing support (Watts et al, 2014), and exacerbated by the increasing discretion afforded to frontline advisors, who can be under managerial pressure to issue more sanctions (Wintour, 2013).

The evidence on the effectiveness of sanctions is patchy, with virtually no robust evidence from the UK. International studies show they tend to lead to more people leaving the social security system and more people getting jobs but there is little evidence that these gains are sustained and several studies suggest detrimental long term outcomes including lower earnings, less sustained employment and higher crime and impacts on child welfare (Watts et al, 2014).

Citizens Advice (2014b) report that sanctions push people away from, rather than towards the job market. The JRF find that sanctions are successful in pushing people off benefits but not necessarily into decent work, and European studies find that sanctions actually lead to worse employment outcomes with people more likely to be back on benefits (Griggs & Evans, 2013).

### **Undermines other forms of security and sources of support**

Security is not achieved solely via cash transfers. Security is provided by the institutions that surround the individual and family – state provision such as cash transfers or health services, but also social networks, employment contracts, trade unions, clubs and charities, places of worship and education, and much else. To take just one example, close friends and family, who can look after the children in an emergency, lend money or a hand, are an extremely important source of security.

Our current system however attaches little value to services or institutions outside of an individual's relationship with the Jobcentre. One of the most distressing consequences of the household benefit cap (of £500 per week for families) has been the relocation of families away from supportive networks and friends. These can be an essential source of security in situations where state support can appear miserly, unreliable, and hostile (Skills Network, 2014).

Labour market regulation is another important source of security for the majority of workers - employment contracts, sick leave, maternity and paternity leave. Yet the 'work-first' approach adopted by statutory employment support

services can see people who would benefit most from some extra security forced into the least secure parts of the labour market, in short term, temporary or zero-hour contracts.

### **Stigmatises receipt**

Although never made explicit in policy, the judgements made of people claiming social security payments - in the media, by politicians and in popular culture - are arguably a manifestation of the underlying belief that stigma will deter act as deterrent, lessening the 'moral hazard' of a cash transfer system. It certainly functions as such: anywhere between £7.5bn and £12.3bn in benefit payments went unclaimed in 2009/10 (DWP, 2013) in part because of the stigma associated with accessing support (Baumberg et al, 2012). Stigma also undermines confidence, and worsens outcomes (Horwitz, 2011). Fifteen percent of people claiming benefits say they have experienced verbal abuse, while 4% (which equates to 200,000 people nationwide) reported experiencing physical abuse because they are getting support from social security. Sixteen percent had been refused a property by a landlord or letting agency, and 18% been treated less favourably by a potential employer (Who Benefits, 2014). As well as the extremely detrimental impact on individuals, all of these are likely to impose costs on, for example, the police, local authorities, and the social security bill itself.

### **4) Promotes opportunity**

We have argued that the social security system is traditionally associated with assistance and insurance but that these roles are sometimes unnecessary and often performed ineffectually. Nonetheless where it fulfils these functions well it offers something else - a platform from which people can seize opportunity. This has been termed the 'preventive' impact of the social security system - preventing insecurity as well as ameliorating its impact (Sinfield, 2012).

Being insured in the event of unemployment - albeit only meagrely under the current regime - makes people more willing to risk changing jobs or industries, underpinning a functioning labour market (Sinfield, 2012).

Once we are receiving support, its impact in staving off poverty and stabilising an otherwise precarious financial position means we are better ready to seek out opportunities when they arise. For example, about 1.4m children were lifted out of poverty by tax credits in 2011/12 (MacInnes et al, 2013), significantly increasing their life chances.

The two major non means-tested elements of the working age system recognise and help to meet the extra costs associated with having children (child benefit) and being disabled (DLA / PIP), meaning people are better able to maintain participation in community life, society and the labour market.

And finally an important and underappreciated function of the social security system is to redistribute across an individual's lifecycle, ensuring via the state pension and other older age benefits that we are ready to thrive in retirement. The IFS have shown that intrapersonal redistribution (i.e. redistribution across periods of life) accounts for over 10% of the total even after just 15 years (Roantree & Shaw, 2014)

## 2. Building readiness

How do we explain the seemingly contradictory nature of public provision in this area? On the one hand it helps prevent setbacks and seize opportunity, on the other hand it devotes considerable resource to compensating for failures elsewhere in public systems and in turn actively contributes to social issues which then consume resources elsewhere.

Drawing neat theoretical conclusions about our sprawling and disjointed social security system is a slippery job. It has been layered-up, added to and overhauled by successive governments over many decades; the shadows of virtually every theory on social welfare lurk in it somewhere. Nonetheless, it is possible to characterise its most important features, in part by comparing it to other systems around the world.

Morel et al (2012) distinguish between Keynesian, neoliberal and social investment welfare states. Each of the approaches aim to achieve something different. The discussion below is therefore not necessarily an argument about their effectiveness in achieving said aims, but rather a way to highlight the different emphasis we wish to encourage with an early action social security system.

The **Keynesian approach** blames unemployment on a lack of demand, and sees social security payments as a vital counterpoint, acting as ‘automatic stabilisers’ for individuals and the economy, injecting cash to maintain demand. This could be characterised as an insurance perspective of social security. Sinfield (2012) has argued that this stabilising function is a vital form of preventative intervention, but has been eroded in the UK as the real value of benefits has fallen.

In contrast, the **neoliberal approach** blames unemployment on a lack of labour supply, caused by high labour costs, overregulation and social security itself acting as a disincentive to work. Hence the prescription: deregulated labour markets, low rates of support, and increased behavioural conditions attached to benefit receipt. The UK adopted much of this approach in the 1980s, although as Adrian Sinfield notes, echoing the Keynesian view, ‘rather than protecting against insecurity, the inbuilt effect of systems with low benefits and increased conditionality automatically adds to the unsettling, destabilizing effects of increased unemployment’.

Finally the **social investment approach**<sup>4</sup> sees unemployment as the symptom of a mismatch between the jobs available (both now and in future) and the workforce’s current skills and capabilities. The solution is public investment in upfront skills and support. It has clear echoes of early action, emphasising upfront investment to yield a ‘triple dividend’ of people living thriving lives, costing public services less and being in a position to contribute more (Early Action Task Force, 2011).

In social democratic systems like those of the Nordics, the Keynesian belief in social insurance sits alongside this commitment to social investment, leading to systems with high levels of support both in advance of and during crises.

In contrast the UK, argue Morel et al (2012), combined a recognition of the importance of social investment in skills with a neoliberal attitude to social security itself, under the last government’s ‘**Third Way**’. Hence the real value of the main unemployment benefits continued to fall and conditions for receipt of various benefits became more stringent, but extra public funding was invested in support, particularly employment support.

4. The phrase ‘social investment’ has recently been adopted to describe the provision of (usually private) finance to achieve social goals. That is not how it is used in this paper, in which we adopt the meaning common to the social security literature

The authors explain these two different views of the role of cash transfers: ‘In the third way perspective, spending on unemployment benefits for instance is considered as an unproductive social expenditure, whereas in the social-democratic perspective, such benefits can be seen as a means of protecting the human capital of working adults and of preventing the unemployed from being caught up in a spiral of debt and poverty.’

This analysis is useful firstly because it provides coherence to some of the features of our current system described above. Our system helps deal with setbacks (the classic social insurance function) but - driven by its neoliberal bent - features low rates of support, conditions attached to benefit receipt, and institutional suspicion of people’s motives which all undermine individual security and in many cases cause knock-on costs elsewhere. The fact that much of the demand for social security could be prevented with action elsewhere emphasises the importance of the social investment approach although calls into question the extent to which our current system has adopted it. Both are explored in the next chapter.

The current trajectory for social security policy cements the neoliberal half of this equation – reductions in generosity combined with greater behavioural conditions on accessing support and harsher sanctions if these are deemed not to have been met. This is the opposite of an early action approach, which would instead concentrate on social investment, and on a social insurance and social assistance which increase security.

## Readiness

Looking beyond social security, the Early Action Task Force has described the pursuit of ‘readiness’ as the overarching goal for public provision:

‘We picture a society which is defined ... by reference to its strengths. Its people are ready and able to benefit from opportunity, to learn at primary school, to thrive in secondary, they are job-ready at 17 and when the time comes they are ready and able to be good parents. Because we all experience difficulties at some

point in our lives, they are ready and able also to manage adversity – to cope with losing a job or a relationship, to rebuild after illness or bereavement, to adapt to change.’

This concept maps well onto the possible functions of social security outlined above: a system which ensures we are ready to deal with setbacks (the traditional social insurance function) but also ready to seize opportunities and thrive (the social investment and assistance perspectives). Being ready is a function of our individual capabilities but more significantly also of the opportunities we have been afforded and the environment in which we are trying to succeed.

The concept of ‘resilience’ has gained in popularity recently to describe the ability to cope with misfortune. The London Borough of Newham even directly calls for a ‘welfare state that builds resilience’ (LBN, 2012). Community Links has also highlighted how recent welfare reforms have undermined many people’s resilience (Roberts & Price, 2014). Security in the face of setbacks and the resilience to cope are certainly vital. But they are not sufficient if we are to thrive.

We need to be ready, both to deal with misfortune but also to seize opportunity. The next chapter examines how government spending rules stand in the way of achieving both.

## Towards a new vision

This section is split into three chapters, each of which suggest ways in which the social security system could change so that it emphasizes early action. Chapter 3 looks at the current biases in public spending rules and argues that there are four problems we must overcome to ensure social security is seen as an investment rather than a bill. Chapter 4 examines how social investment relates to demand for social security, and how the system could be better designed and delivered to protect against setbacks and reduce costs elsewhere. Finally, Chapter 5 places these arguments into the specific context of employment support in order to illustrate how it could work in one area.

### 3. Overcoming the barriers to change

The bellwether question for judging the public's support for the social security system in the British Social Attitudes survey asks whether people agree that 'the government should spend more money on welfare benefits for the poor even if it leads to higher taxes.'

The answer is ritually interpreted as showing flagging support for redistribution. But the wording is significant here - by equating higher social security spending with higher taxes it denies outright the possibility of successfully investing upfront to yield savings in future years.

Consider the possibility that investment in disability benefits could improve health outcomes, saving the NHS money and ultimately lowering taxes. Or that more generous unemployment benefits early in a claim might help people back to more sustainable work, with benefits for years to come. Neither is conclusive but both are plausible, both are examples of early action, and neither is countenanced in the phrasing of this vital question.

The point is made even more strongly in the follow up question that asks for more detail and says: 'Bear in mind that if you want more spending, this would probably mean that you would have to pay more taxes. If you want less spending, this would probably mean paying less taxes.'

What about cuts to benefits which worsen health or increase homelessness, with their consequent costs to the public purse and ultimately to taxation? A focus group participant in a piece of Fabian Society research put it well when he compared the social security system to a balloon – squeeze it in one place and it tends to pop out somewhere else (Doron & Tinker, 2013).

Public opinion surveys are one thing. More serious is the way in which this same assumption – that extra spending always costs more and cuts always save money - is built deeply into the way public spending is administered. This institutional bias against early

action – hidden in the administrative thickets of the way government is organised and run – is vital in explaining why early action remains a common sense idea that is rarely adopted in practice. The social security system is at the heart of the problem. In short, our spending rules promote short-termism and reinforce institutional silos, making it extremely hard to invest now in order to save in future, or to invest in one area of spend in order to save in another.

Four features of our public spending rules explain this bias:

#### 1) Short term budgets

Spending reviews have relatively short planning horizons. Policy changes are judged for the impact on this year's budget, or perhaps next year's, but rarely further ahead. Upfront investment might yield savings or benefits beyond this but there is no incentive to pursue these policies, since those savings will go unrecognised. In fact the incentive is in the opposite direction – to cut now even if it costs more later, because those future costs will be somebody else's problem.

#### 2) Capital / resource budgets

Governments have long recognised the problem this short-term focus poses for spending on infrastructure, where significant upfront investment is justified only by looking at the benefits reaped over many years. This is why a separate capital budget was created, distinguishing capital spend from the everyday resource spend needed to run departments. The capital budget effectively establishes a ring-fence around cash set aside for infrastructure investment. Departments can add to it from their resource budget but not take from it.

Government's public-facing description of the public expenditure system explains capital spending simply as 'money that is spent on investment and things that will create growth in the future' (HM Treasury, 2014). However

it does not include the social spend – for example in education, or public health, or social security – that is arguably investment and will create growth; it is restricted to spend that increases the public sector’s fixed assets. By ring-fencing ‘investment’ spend but excluding social investment the capital budget reinforces the view that resource spending does not yield benefits in the future.

### 3) AME / DEL budgets

Government’s budget is further split into Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL), in an effort to protect public service expenditure in DEL from being raided to fund sudden increases in the more unpredictable, demand-led, elements of government expenditure in AME such as social security (including pensions) and debt interest payments. The AME budget is managed by the Treasury while each department has a DEL budget for their capital and resource spending. This split means that departments have no incentive to invest in new programmes if the savings will accrue to the AME budget, since these will be kept by the Treasury. And there is nothing discouraging them from cutting programmes which might cause knock-on costs for the AME budget. Similarly, departments have no influence over changes to the AME budget which might have implications for their own budgets.

### 4) Departmental budgets

Each central department within government has its own budget, fiercely fought for at every spending review and then determinedly protected by its Minister. Some are then devolved down, for example to each local authority. Each department’s budget sits within DEL and is allocated to either capital or resource spending. These silos become most apparent at local level, where several different agencies deliver services in organisational and budgetary independence from one another; the local authority, department of education, health services, police, justice. There is no incentive for one agency to invest if the savings will crop up in another’s budget, and plenty of incentive to

cut so long as the costs don’t find their way into your budget.

The three consequences, mentioned in passing above, are severe:

**Firstly, there is little incentive for Treasury to spend on social security in order to save money in other departments** since this goes unrecognised. For example, redistribution improves health (Dorling, 2013), but the resultant NHS savings are never credited to social security spending. It was recently revealed that councils are using their public health budget to fund foodbanks, which have seen a dramatic rise in demand fuelled by problems with benefits, low income, and debt (BBC, 2013). A Local Government Chronicle survey of local authorities found that 95% expected changes to the social security system enacted in 2013 would increase costs for the council (Wiggins, 2013).

**Secondly, there is no incentive to spend on social security in order to save in future years** (either in departmental budgets or the AME budget itself), since these savings will not be recognised in future projections. The Public Accounts Committee (2013) said: ‘The Treasury’s current spending review process fails to incentivise investment in early action as it focuses on short term results.’ For example, tax credits improve child outcomes (Harkness et al, 2012) but the subsequent benefits to the exchequer (for example in higher tax receipts and lower social security payments in adulthood) are not recorded.

As the Scottish Expert Working Group on Welfare (2014) suggested: ‘a short term focus on specific benefit levels fails to recognise that the most effective way to maintain control over costs is to [act] ...over the long term.’ They point out that ‘a discussion on welfare expenditure is often couched in terms of whether or not it is affordable. We believe the right question is whether or not spending on social security is sustainable.’

**Thirdly, there is no incentive for a department to spend on programmes which might reduce social security spending, either now or in future.** The split between AME and DEL, and the departmental boundaries, mean any AME savings are absorbed by the Treasury rather than passed on. For example, significant investment in addressing mental health at work might reduce future disability benefit claims, but the Department of Health or BIS will never accrue these savings so have little incentive to invest. Local authorities have little incentive to support people into work or help raise wages locally because any savings to the social security budget will be absorbed by the Treasury.

Early on in the current government, ministers touted the Work Programme as an example of a so-called 'DEL/AME switch' whereby – in contrast - upfront investment in employment support could be funded by anticipated future savings in the social security budget. However in practice this was never reflected in government budgeting, where the Work Programme was classified as DEL spend as normal.

This is because the Office for Budget Responsibility (who are now responsible for approving AME projections) are very cautious in projecting AME savings as a result of DEL investment, even where the programmes are of sufficient magnitude to impact on macroeconomic models.<sup>5</sup>

5. One of the very few examples of this happening was for spending on debt collection within HMRC, which was considered a sufficiently reliable way of bringing down government debt and therefore the AME budget.

## Possible responses

To allow for investment upfront which might yield savings in the future and across budgets action is needed to:

- 1) Plan for the longer term
- 2) Better understand the impact of spending now and in the future
- 3) Stimulate innovation

## Planning for the long term

The Early Action Task Force (Sloccock, 2014) has recommended ten year social and capital investment plans should be introduced in the next Spending Review, which would include:

- Investment planning in key social and capital areas over a ten year period.
- Firm budgets set for the first five years, reviewed on a rolling basis every three years, to allow updating for changes in economic or other circumstances. This gives local authorities and other providers more stability with which to plan services.
- All five year budgets to include a further five year impact assessment so that the negative future costs of inaction and positive value of investments are clear.

There is support for this idea from the Public Accounts Committee (2013) who have recommended mandatory ten year impact assessments for all spending programmes in the spending review.

Firm budgets and long-term impact assessments would allow government to plan for departmental spending which would save costs in the social security budget, and avoid cuts which might impact on it in later years. For example, investment in skills support for young people leaving school would yield dramatic savings to the AME budget over ten years, the scale of which would not be captured by a traditional one year or three year budget setting process.

Along similar lines, a ‘ten year test’ applied to all new policies outside the spending review would assess the impact of a decision now on the whole public sector budget in a decade’s time. Applied to social security, these would:

- 1) highlight the ten-year consequences of cuts to, or investment in, social security payments.
- 2) highlight the ten year impact on the social security budget of cuts to, or investment in social programmes such as education, health, skills or family support.

These ten year plans should be audited by the Office for Budget Responsibility – particularly given their role in the administration of the welfare cap (see below).

### **Treat early action spend like capital spending**

Current proposals to increase spending on social investment policies see spending cut from existing early action budgets to pay for new services. For example, Ben Galim (2014) suggests funding universal childcare through cuts to child benefit. This approach, although understandable, smacks of robbing Peter to pay Paul.

Instead, to achieve a shift towards more preventative institutions the public sector must avoid disincentives to invest upfront in anticipation of future benefits, as we can at present with capital spending. The Task Force has suggested that elements of early action spend be placed in a separate budget, rather like capital spending, with a ‘one way valve’ that allows acute spending to be redirected to early action, but does not allow cuts to the early action budget to finance short term pressures. In the absence of this mechanism, investment can only be sourced from cuts elsewhere – often to the support directed at the same people who stand to gain from the new service.

### **Better understanding the impact of spending now and in the future**

Ten year planning relies on good information on the likely long-term impacts of spending. This information can be hard to come by at present because there is very little incentive to produce or gather it, but is vital to serious efforts to act earlier.

Given the Treasury’s dominant role in controlling public spending, we agree with the Public Accounts Committee (2013) that they should lead the early action agenda throughout government. We also agree with the verdict that the Treasury is ‘not sufficiently engaged in early action’ and that ‘no central department has taken ownership of early action, or has taken the lead role in coordinating early action activity’ (PAC, 2013).

### **Understanding the links between DEL and AME budgets**

As a starting point, the Treasury should work with departments to map the major links between the AME and DEL budgets: areas where spending decisions in one are likely to have a significant impact on the other. These could include, for example, changes in health spending which are likely to impact on the disability benefits budget, or changes to employment support which might impact on the unemployment benefits bill. This analysis would act as a starting point from which to concentrate further efforts.

## Improve impact assessments and use of the Green Book

Long term policy planning relies on good impact assessments. Government is already supposed to evaluate the longer term consequences of policy options as part of the policy-making process, following guidance published by the Treasury in the Green Book. However in practice officials admit that the process is given cursory, if any attention in most cases.

These assessments, if they happen, are unlikely to be published but government does make public the impact assessments undertaken for new legislation. These impact assessments are notoriously poor at assessing the long term, or cross-government consequences of policy changes.

For example the impact assessment for the 2012 Legal Aid, Sentencing and Punishment of Offenders (LASPO) Bill warned of reduced social cohesion, increased criminality, increased social security payments and increased resource costs for other departments, but made no effort to quantify any of these, meaning they played no part in the financial analysis, which concentrated solely on savings from the reduced caseload.

The impact assessment for the replacement of Disability Living Allowance with Personal Independence Payment predicts no impact at all of the loss of £2,240m in income for those disabled people who would no longer be eligible for support, and therefore no knock-on costs for other departments.

Improving assessment of the long-term and cross-departmental impacts of policy decisions is vital if early action is to be prioritised within government spending. This will necessarily be an incremental process as learning is disseminated, but the trajectory must be set and incentives aligned.

New Zealand has recently adopted an ‘investment approach to welfare’ to ‘reduce future liability’, which sees it project the long term costs to the state of people who do not move back into work, and use this to justify extra investment in support. However, the model only considers the ‘liability’ associated with future social security payments, not the possible benefits (for example in tax contributions, lower healthcare costs) of people moving into good jobs. According to welfare rights charities (CPAG-NZ, 2012) and academics this has merely strengthened the state’s determination to force people off benefits, but left it no more concerned with where people end up instead. The likelihood is that many will end up in destitution or in insecure and badly-paid jobs, with worsening health and wellbeing and costing more elsewhere in the public spending system.

We agree with the Public Accounts Committee that the Treasury should take the lead on this agenda, given the latter’s role in overseeing the AME budget and their cross-government remit. **They should lead departments in a concerted effort to increase use of the Green Book. They should hold departments to account for the production of robust impact assessments**, and pay particular attention to long term and cross-departmental impacts.

However pressure from within government is unlikely to be sufficient. Therefore we also recommend external scrutiny. **The Public Accounts Committee should undertake an enquiry into impact assessments in government, including use of the Green Book.** There is also an important role for the OBR in improving impact assessments.

## Realign incentives locally

There is increasing recognition of the need to devolve service delivery to local authorities or city regions to better align the incentives for investing in one area of public delivery in order to yield benefits in another. Community Budget pilots, the Troubled Families programme, and City Deals have shown the potential for this approach although outside the Troubled Families programme it has yet to take hold beyond a few pioneering areas.

The Deputy Prime Minister has floated the idea of decentralising parts of the social security system (Stacey, 2013), but this remains an isolated comment with seemingly little appetite from government to take it further. Caution is understandable but there are also reasons for considering it.

The first step should be to allow local areas to retain some or all of the savings to the social security budget resulting from their investment in services or economic development. For example, successful employment support services like Newham's Workplace scheme will benefit the Treasury in reduced social security costs and higher tax revenue – some of this should be shared.

This can be achieved by agreements with government of the type Greater Manchester have pioneered. The combined authority there will 'earn back' from government a share of the proceeds of economic growth which flow from Greater Manchester's upfront investment in infrastructure. The deal lasts 30 years, with up to £30m reclaimed each year. (GMCA)

The case for infrastructure spending impacting on growth is well-accepted, while the early action case for social investment is considered less robust. The Task Force has suggested an **Early Action Loan Fund** could provide the mechanism for generating this evidence and instilling confidence in the approach. It would offer interest free loans to public sector agencies to invest in early action. The loans would be paid back over three to seven years through savings in acute provision or social security spending. The loan fund would be funded by Government but administered independently to add accountability, new discipline and ensure loans remain binding if the government changes.<sup>6</sup>

More radically, devolution of some social security benefits would considerably strengthen the incentive for local areas to invest in early action. This could be done while maintaining a national set of minimum entitlements for support and the option to recentralise in the event of severe financial mismanagement. The strongest case can be made for those benefits which are likely to be responsive to local investment or action such as housing benefit, tax credits, and disability benefits.

IPPR have outlined how this transition could take place for housing, to bring about a shift from spending on housing benefit to investment in house building. They envisage a four-stage process beginning with an earn-back deal, followed by increasing devolution of powers until eventually areas have full control over all housing spend in their area (Cooke & Davies, 2014). A similar scheme could be developed for other areas of social security, albeit perhaps more slowly where the evidence for the impact of investment is less strong than it is for house building.

There is considerable wariness over the potential downside to devolution in some quarters, so the safeguards would have to be strong and the approach carefully monitored to begin with.

6. For more detail see Slocock (2014).

## The Welfare cap

The recent introduction of the welfare cap further distorts the incentives for social security spending. The cap sets a limit on the projected social security spend (excluding the state pension and some counter-cyclical budgets like Jobseekers Allowance) for each of the next five years. At every budget the cap for an additional year will be set, so it always covers a five year period. If forecast spend for any particular year is set to exceed the cap, it has been breached and government must either propose policy measures to reduce spending, seek approval from parliament for the cap to be raised or explain why a breach of the cap is justified. It creates an incentive to constrain spending for a part of the AME budget, although it is as much a political incentive (to avoid the necessity of a vote in parliament) as an administrative one.

The welfare cap imposes two barriers to early action.

Firstly, it will not reflect early action investment in budgets elsewhere, which could be more effective in reducing the cost of welfare in the longer term than cuts to individual entitlements. If the cap is set to be breached – i.e. forecast spend is higher than the cap – then a legitimate early action policy response might be to invest more heavily (for example in employment support) to bring down the future bill. However, the AME projection would not change until the OBR had sufficient evidence that it would prevent the government from breaching the cap.

Secondly, extra upfront investment via the social security budget itself, for example in the childcare element of tax credits to support mothers into work, could yield future AME savings but is strongly disincentivised because the cap operates year-by-year.

Additionally upfront investment in the social security budget to make savings elsewhere in government (for example in increasing the generosity of disability benefits to reduce demand on the health service) is strongly disincentivised.

Instead, the only policy responses to a possible breach of the cap will be to reduce the number of people accessing support by tightening eligibility criteria, or reduce the amount each individual receives by altering benefit rates. Both easily translate into forecast savings, even if they might also lead to higher costs for other departments now or in the future, or even the social security budget itself in future years.

In other words, the welfare cap is likely to bias strongly against early action spending as a method of controlling the social security budget. Just as bad, it takes no account at all of the possibility that social security spending could yield benefits for departmental budgets. Any planned increase in entitlement or generosity in one part of the budget will have to be matched by a cut elsewhere to avoid breaching the cap.

## Reform the Welfare cap

The welfare cap asserts a crude, counterproductive pressure to cut entitlement and generosity. Ideally it would be abolished in favour of more nuanced oversight of the AME budget as outlined above. Nonetheless it could be improved. A more useful cap would:

- 1) Encourage and recognise upfront investment which is likely to reduce demand in future years (for example in housing supply, childcare or employment support).
- 2) Distinguish those areas of spend which could be brought down by earlier action elsewhere from spend which is contributing to future prosperity.
- 3) Discourage crude reductions in entitlement or generosity as a means of keeping costs below the cap.

A more useful cap would shine a spotlight on particular areas of spending which could be brought down by earlier action elsewhere, and distinguish them from those areas of spending which are contributing to future prosperity.

**Publish a report by the OBR which assesses whether there is an effective plan in place to reduce welfare spending in the medium to longer term.** If a cap continues it should be more intelligently enforced.

Firstly, there must be a mechanism for ‘scoring’ policy changes that will result in future AME savings, even if the OBR is not sufficiently convinced of their impact to include them in the official forecast. Secondly, there must be an assessment of the potential wider costs of any cuts to entitlements within the welfare budget.

We recommend that, as part of the welfare cap mechanism, such a report is required to be produced by the government and should be audited and published by the OBR alongside forecasts of the welfare budget. This report would be considered by parliament when it considers any breach in the cap and would allow it to assess whether a short term rise should be allowed because a convincing strategy is in place to reduce costs sustainably over the medium to longer term.

The OBR forecast should also include a prominent breakdown of the overall budget by benefit type, and an accessible summary of the key drivers of falling or rising budgets.

Currently the cap crudely excludes the most cyclical elements of the social security bill (i.e. jobseekers allowance and passported benefits), and the state pension, but several of the payments included in the cap – such as tax credits and housing benefit – have a cyclical element. Meanwhile some primarily function to meet the cost of failures elsewhere in public provision (like housing benefit) while others act as more of an investment, like child benefit

## 4. Investing in society

Removing barriers to long term thinking and cross-budget planning in the spending rules would help a shift to early action across public spending with significant impacts on the social security system. This chapter explores what those could be. It looks firstly at the potential for social investment to reduce demand for social security, and secondly at how social security could be designed and delivered to better protect against setbacks and impose fewer costs elsewhere.

The evidence for or against many of these ideas is currently weak. This should not come as a surprise given the institutional bias towards short term, siloed thinking within the public sector: there has been very little demand for good, long term evidence and so very little has been produced.

This can come across as a chicken-and-egg problem, which is why a transition to early action will necessarily be incremental. But only by ingraining long-term planning in public spending will the incentives exist to produce this evidence on which long term decisions can be made.

### Ready to seize opportunities: social investment

Our 'third way' social security system ostensibly recognises the importance of social investment to improve outcomes and reduce demand for social security. But in reality – and in large part because of the restrictions imposed by our spending rules - our record is patchy. Indeed Diamond & Lodge (2013) argue that the UK still predominantly operates an 'insurance' model of social protection (particularly focused on older people) and recommend a switch towards more spending on social investment. Gaffney (2014) has pointed out that despite the rhetoric the UK has never really embraced investment in employment support; our spending on active labour market policies (ALMPs) is amongst the lowest in the OECD as a proportion of GDP.

The Scottish Expert Working Group on Welfare (2014) similarly argued for a 'social investment approach' to lie at the heart of any future Scottish system, saying 'social investment stresses prevention rather than cure, by reducing the need for social security. That way, when people do need support, society can afford to help.'

What would constitute a shift towards a social investment state? Much of this has been covered in detail elsewhere so what follows is a brief overview.

**In housing**, there is now widespread acceptance that investment in house building would be preferable to ever-increasing rent subsidies via housing benefit. Shelter, the IPPR and others have argued for institutional changes to borrowing rules, and devolution to local councils, to allow spend to shift from 'benefits to bricks' (Cooke & Davies, 2014). A whole host of regulatory changes to free up land for development or incentivise private investment have also been suggested (e.g. see Wood, 2014), and government have recognised the issue too, most recently by announcing plans for the UK's first garden city in 100 years (Swinford, 2014).

**In the labour market**, higher minimum wages, perhaps for specific sectors as suggested by Pennycook & Lawton (2013) and an increased focus on the living wage would both reduce reliance on the main means-tested benefits, tax credits and housing benefit. Wood (2014) has suggested that highly-profitable companies should pay a levy for each worker earning less than the living wage. Labour leader Ed Miliband has proposed tax credits for living wage employers. Extra investment in enforcing the minimum wage would pay for itself quickly via fines imposed, particularly in areas with the highest incidence like the London Borough of Newham, where one in five people is paid below the minimum wage (Wales, 2014).

Public sector action on the living wage – for example by requiring it of public sector contractors, or providing incentives to private sector firms who commit to pay it – would increase household incomes. Stronger unions tend to increase wages for the lowest paid, so measures to strengthen unions would likely have a positive impact, as would regulation to control insecure employment terms such as zero-hour contracts.

**The cost of childcare** is one of the most significant barriers to mothers' employment. Investment in early years childcare would support both children's outcomes and parents' engagement in the labour market, reducing social security bills; a strong case for social investment. This can be achieved through tax credits and other demand-side reforms as government are pursuing, or through supply-side provision as IPPR have suggested (Ben-Galim, 2014). Currently pre-school childcare services are actually regressive, according to the OECD, who say that 'improving access to childcare for low income families would contribute to lowering inequality.'

Childcare is also a vital form of social investment in children's outcomes, with benefits which might not accrue to the social security system for many years but will be substantial when they do. Child benefit and Child Tax Credits, similarly, are important for children's outcomes and could themselves be considered a form of social investment. Parents face particular barriers in the labour market. For example, ensuring both partners can effectively combine parenting and work particularly in their child's first year is crucial to children's outcomes, gender equality, and family income. Despite improvements in provision for shared maternity and paternity leave, very few fathers take up their entitlement, perpetuating the conditions which lead, amongst much else, to a substantial gender pay gap. Increased 'use it or lose it' paternity leave would allow fathers a bigger stake in their child's first year (Ben-Galim, 2014). Some of these costs could be met by employers but government will have to invest a considerable proportion.

**Investing upfront** to prevent avoidable illness and disability. Acting quickly to prevent deterioration and promote recovery would underpin an early action approach to disability benefits. There is considerable scope to reduce illness through improved public health and yet only 4% of the health budget is spent on prevention (EATF, 2012). To take just one small example, Sweden's Friskvard scheme entitles employees to about £330 each year for activities to keep healthy - to be spent on anything from sport to office massages. (Horwitz, 2014). Government have begun to recognise some of the gaps in the current system; to reduce the delay between the onset of illness and the provision of support to adapt in the workplace they have recently announced a voluntary 'health and work service'. The IPPR (Lawton et al, 2014) have suggested strengthening this with a mandatory occupational health plan after 13 weeks of statutory sick leave, and the replacement of the ESA assessment phase with a further period of state-funded sick pay.

**Investment in skills and employment support**, particularly before people need to claim unemployment benefits, should yield significant benefits. As already noted, the UK spends less than most OECD countries on employment support as a proportion of GDP, and a significant minority of young people leave the education system ill-equipped to work. Investment in the support available at school and in bespoke services to help with the transition from school to work would yield long term benefits (Cooke, 2013), as would better careers and skills support throughout life, particularly for people in employment. Employment support is covered in more detail below.

**Spending on social investment** - in housing, childcare, the labour market, skills, education and public health - would improve outcomes for individuals, reduce demand on the social security system and therefore, in the long run, save public money.

There is also some evidence that it would be popular. The Fabian Society asked in a national poll whether people agreed or disagreed that ‘The size of the housing benefit bill has risen because there are more people claiming due to unemployment, low wages and rents rising quickly. Instead of planning further cuts, the government should be focusing on solving these underlying problems. The government should do this even if it took a long time and meant tax rises or spending cuts elsewhere.’ Sixty-six percent agreed, with only 12% disagreeing (Doron and Tinker, 2013). This is particularly striking given how clearly the question emphasises long term impact, tax rises and spending cuts. IPPR (Lawton et al, 2014) have argued that universal institutions are likely to enjoy greater public support than cash transfers and therefore the shift to social investment would be politically as well as fiscally more sustainable than the existing regime.

### Ready to deal with setbacks

Social investment should reduce demand for social security but many of us will continue to rely on it at points in our lives; how we could better design and deliver a social security system so that it prevents problems escalating and ensures we recover quickly from misfortune, in turn preventing knock-on costs from accruing elsewhere in public services or to society? Some of the evidence for each of the following areas is still tentative in its conclusions, but many of the ideas are logically sound and this paper is largely meant as a provocation for thought and discussion rather than providing a set-in-stone blueprint for change.

### Act earlier

The case for social investment earlier - in services like childcare or institutions like the labour market - to prevent need arising has been made above. But it is also important that once we face the first signs of trouble - as we near the edge of the cliff - the right support is made available quickly to stop us tumbling over. Both financial assistance via the social security system and one-to-one support from services (where both the quality of the service and its timing are of paramount importance). How could we intervene earlier? Examples could include:

- Supporting people who fall ill well before they are forced to leave their job and apply for support (e.g. see Lawton et al, 2014)
- Prioritising quick assessments for disability benefits, through extra investment in administration, to ensure people are not left in limbo awaiting a decision
- Offering support to workers who may be at risk of unemployment or who are struggling to progress out of low paid work (e.g. see Clayton et al, 2014)

Delays in access to support - either through policy design or slow administration - are sometimes defended on the basis that they deter unnecessary claims and therefore save money, which in the short term, and within one particular budget, they almost certainly do. However this must be balanced against the social and fiscal impact of the added insecurity brought about by the delay (NAO, 2014), which may be particularly apparent in the longer term and will be revealed by the long term analysis called for in the previous chapter.

## Institute a presumption of willingness

In the Task Force's first report we wrote that: 'Good early action projects build on the recognition that we all want to prosper and succeed – they nurture, uncover or remove the barriers to that ambition, rather than trying to force people along a path they don't want to take... people who might be stereotyped as unwilling to engage are desperate to do so given the opportunity. Early action knows this. It has a 'presumption of willingness' – that people want to succeed and that 'a refusal to engage is ultimately a failure of the project not the individual' (EATF, 2011).

Our existing social security system seems to default to the opposite. From our very first interaction, the overriding impression is one of suspicion; that we might be claiming unnecessarily, or faking an illness, or asking for too much, or not trying hard enough to find work. The impression is that it is top of the policy-makers mind, and on the tip of the pen of every tabloid journalist covering social security.

There are always likely to be a small minority intent on defrauding the system, but designing policy solely around them distorts outcomes for everyone else. For example, the DWP (2014) estimate that only 0.7% of the social security budget is lost to fraud. After the recent surge 7% of people accessing the relevant benefits are sanctioned for alleged failure to comply with the behavioural requirements, but evidence suggests only a minority of them set out to deliberately break the rules - the majority who face financial penalties, particularly the most vulnerable, were more likely to be confused or misunderstood. (Watts et al, 2014).

The result of this institutionalised suspicion is a system focused far too heavily (in some cases almost exclusively) on preventing abuse and policing adherence, to the detriment of the vast majority who are simply trying to cope with setbacks as best as possible. This manifests itself in the strict behavioural conditions attached to benefit receipt (fortnightly meetings at Jobcentre Plus, the need to produce evidence

of 'jobseeking' activity, mandatory employment schemes), in the sanctions applied for perceived breaches of these conditions, in the low rates of support designed to discourage 'dependence' and in the attitude of staff (Horwitz, 2011).

We suggest instead that the social security system be designed around a 'presumption of willingness' which assumes that people will seek out the best outcome for themselves and their family, until proven otherwise.

This would not remove conditionality and sanctions completely from the system - they will likely always have a place - but would relegate them to an ancillary role, available if necessary but not driving every aspect of policy.

The presumption of willingness would require policy-makers to understand people's reluctance to engage with certain services, since it assumes that people will be willing to engage with anything they deem likely to improve income, health, and happiness for themselves and their family.

It could mean, for example:

- Less strict conditionality requirements at the beginning of a claim (for example scrapping the requirement to sign on in person every fortnight), which are strengthened only when there is clear proof that someone is choosing not to engage.
- Reversing the implicit incentives for staff to issue sanctions, with successful Jobcentres judged to be those which achieve sustainable outcomes with the least use of sanctions, reflecting their apparent necessity as a last resort but also the extremely detrimental impact on individuals of enforcing them.
- Access, on a voluntary basis, to a much wider range of support at the beginning of a claim and when in low-paid work, perhaps delivered in part via personal budgets which give people the agency to choose what support they need and how they engage.

We believe this approach is likely to yield better results over particularly over the longer term, as change compelled from within is more likely to be sustained and built upon than change imposed from without. There is some evidence to suggest, for example, that voluntary engagement with employment support is more likely to lead to successful outcomes than mandated participation (Bivand & Gardiner, 2011) but there is a paucity of evidence on the correlation between an individual's willingness to engage in a programme and its successful outcome.

## Be more universal

Services or transfers heavily restricted to particular individuals according to income or circumstance might be cheaper in the short-term – targeting only those in clear need – but they face three risks.

Firstly that people who are eligible and would benefit nonetheless don't access the service, either because they are unaware or confused about their eligibility or are put off by the stigma attached to using a service closely identified with a minority (Baumberg et al, 2012).

Secondly it is rarely possible to accurately assess need and the crude criteria usually used will often exclude more people who actually need help than they include. For example the duration of unemployment is not necessarily the best indicator of need for employment support. In epidemiology this is known as Rose's 'prevention paradox'. Where those identified as high risk make up a small minority of the population it is likely that a majority of the cases will actually arise from the low-risk group. Universal services are often therefore more cost-effective than targeted ones.

Thirdly, the resources needed to accurately determine eligibility and police compliance makes selectivity less efficient than universalism. And finally, the quality of a service is often lower if it is restricted to a minority who are not empowered to demand change, as is the case with employment support services (Danson et al, 2012), resulting in poorer outcomes.

The advantages of universalism have led to some to argue for a universal social security payment- a 'basic income' – which would be paid to everyone irrespective of income (Duffy & Dalrymple, 2014). It would certainly be a good example of early action – investing upfront – but its cost leads many people to dismiss it as unrealistic. Nevertheless, a robust long-term, cross-departmental analysis might demonstrate the investment is more than returned in lower demand on other services. It is certainly worth exploring.

Other, less dramatic examples of a more universalist approach could include:

- Introducing a universal employment support service, catering to people in as well as out of work. This would help raise the quality of the service, reduce stigma, and crucially support people to progress or gain skills before they become unemployed. This is explored in more detail below.
- Halting, or even reversing the slide towards means-testing which is facing Child Benefit, to retain universal recognition of the extra costs facing parents
- Introducing universal access to support with staying healthy in the workplace, perhaps modelled on Sweden's Friskvald service, which entitles employees to about £330 each year for activities to keep well. (Horwitz, 2014)

## Recognise the value of relationships

The social security system models individuals and sometimes households as autonomous, isolated units, responsive to price incentives (taper rates, sanctions, benefit levels) and little else. But looking beyond the models at actual experiences of accessing support, and the cash transfer is only one part of a complex web of informal support from friends, family and acquaintances, whether via lending money, looking after children, recommending a job, providing a bed or simply having a chat. Rita, who we met in the introduction, said of her friends and family: ‘they’re my support network and I need even more than the money, their emotional support ... I don’t know what I would have done if I didn’t have these people around me.’

There are at least three types of relationship which can bolster security and build readiness: with statutory staff when accessing services; with close friends and family for a whole range of support; and with wider networks for access to jobs and opportunities.

For some people accessing social security will be a purely transactional relationship but for others the personal interaction with advisors and staff can transform. Currently this is as likely to be a negative and disempowering experience, undermined by mutual suspicion. A presumption of willingness as outlined above combined with practical measures like guaranteeing the same advisor will be seen each time, could transform the experience. Community Links collected the evidence for the importance of these ‘deep value’ relationships between the people delivering and people using public services (Bell & Smerdon, 2011). Investing time and effort in developing these will pay off in improved outcomes. We wrote: ‘it is the practical transfer of knowledge that creates the conditions for progress, but it is the deeper qualities of the human bond that nourish confidence, inspire self esteem, unlock potential, erode inequality and so have the power to transform.’

Secondly, relationships with close family and friends are an essential source of security, both in times of crisis and to mitigate the ongoing insecurity of receiving benefits, for example in providing childcare, emotional and financial support. An early action social security system would recognise their value and take these into account, for example in helping people stay near existing support networks, and in recognising the value of parenting, caring, and involvement in the local community.

Thirdly, looser networks of friends and acquaintances are a vital source of expertise and information on finding new jobs and progressing in the labour market (e.g. see Bonoli, 2014). Eight out of ten new jobs are never advertised publicly, so nurturing the development of these relationships is a vital role for employment support services in future. Participle are piloting a service called Backr (see box) which is entirely oriented around this approach.

## Value other forms of contribution

Some elements of the social security system recognise the value society attaches to activity outside the workplace, primarily bringing up children (via child benefit and child tax credit and the various exemptions from conditionality regimes for parents of young children) and to a lesser extent caring for ill or disabled relatives (via carers allowance). However, these are just as often justified in terms of work (for example, child tax credits are in part intended to facilitate parents' return to work), and don't come close to matching the value of the contributions they recognise. Carers UK (2014) estimate the value of unpaid care at £119bn a year; carer's allowance is worth £1.9bn (Rhodes & McInnes, 2014) and carers report it is ineffective at preventing financial hardship, with 45% cutting back on food (Carers UK, 2012) to save money.

It is unrealistic, and probably undesirable, to try and match the true cost of these 'core economy' jobs in social security payments, but there is a strong case for recognising them more strongly in the provision of payments, both for the social impact and because payments of this type – when assessed long term and across budgets – are likely to lead to substantial benefits in other areas. For example, child benefits improve children's outcomes (Harkness et al, 2012) and poverty exerts a significant toll on carers' health and wellbeing (Carers UK, 2012). Further work to better understand these impacts is necessary. As well as increasing the generosity or scope of cash transfers to people engaged in non-work activity, government could consider widening the scope for activities that 'credit in' people to the national insurance system, particularly if – as seems possible – there is a modest boost to the contributory elements of working age benefits in future years.

## Pay enough to live on

When asked what constitutes the minimum income necessary for a socially acceptable standard of living, the UK public come up with a figure considerably higher than the rates at which most social security payments are set. Out-of-work benefits provide only 39% of what single, working-age people need to reach a Minimum Income Standard, in contrast to pensioner couples who receive 95% of the amount required if they claim everything they are entitled to (JRF, 2014). Single people need to earn £16,000 per year before tax to reach a minimum income standard.

There is therefore a moral case – endorsed by the public – for setting social security rates at a level which will allow people to achieve this standard of living. There is also practical argument for raising incomes above the poverty threshold: poverty worsens health (Benzeval et al, 2014), shortens life expectancy, and worsens children's life chances (Hirsch, 2013) – all of which have financial consequences for the state once outcomes are considered beyond the narrow constraints of the social security budget itself. In 2009 – the last time these figures were compiled – JRF estimated that government would have to spend £4.2bn a year more than planned on tax credits and benefits in order to meet its target of eradicating child poverty by 2020. It seems a lot, but not compared to the estimated costs of child poverty of £29bn per year in extra spending, lost taxes and lost GDP (Hirsch, 2013).

In their submission to the Scottish Expert Group on Welfare, NHS Scotland made the case clearly:

'Ultimately, the costs of maintaining working-age welfare system should be traded off against its benefits. Avoiding mass unemployment and ensuring adequate incomes for those of working-age can enhance the health of the whole population and contribute to narrowing health inequalities. If those who want to work are able to secure decent work relatively easily, their health now and in the future is likely to be better, and the costs to the health system lower.'

Raising all social security payments sufficiently to bring every household above the poverty (or minimum income standard) line would be expensive and politically challenging. Nevertheless a principle of an early action social security system should be to avoid poverty wherever possible, and never to deliberately bring it about.

## 5. An example: employment support

As explored above, the UK under-invests in employment support compared to our European neighbours, despite the importance - in theory - of active labour market policies to our liberal social security system. An early action approach has several implications for the design of future employment support services. Investment in wider programmes such as these is important to prevent failures from one system being foisted onto the social security system.

**1) Long term incentives:** looking long-term reveals the false economy of forcing people off unemployment benefits only to see them unemployed again within months or stuck languishing in low paid work and in receipt of tax credits. The Work Programme, for all its limitations (see for example TSRC, 2013), incentivises providers to support people into sustained work via its payment-by-results structure, but Jobcentre Plus itself has no equivalent. Instead advisors and offices are judged according to the rate at which people stop claiming. An early action approach would see long term, sustained outcomes incentivised throughout the system, particularly within JCP, where they should replace off-flow targets completely, as suggested by the Work and Pensions Select Committee (2014).

**2) locally controlled:** with the majority of statutory employment support controlled by the DWP, there is little room for thinking across silos, or prioritising outcomes which might benefit other departments. There is increasing support for devolving employment support to local areas, in order to capitalise on local authorities' knowledge of, and stake in, the local economy. Successful locally-delivered employment services like Newham's Workplace scheme (see box) bolster the case. However the rewards for local authorities would be considerably strengthened if some of the social security savings from successful interventions were devolved too. Manchester's 'Earn Back' scheme provides a model which could be expanded. A loan fund provides another.

Jobcentre Plus offices currently undertake a dual role: policing compliance and offering support. The two can be in conflict, with the policing element of the relationship undermining any supportive role. Policy Exchange (Miscampbell, 2014a) and others have recommended an overhaul of this dual role. Devolving employment support would be one way of achieving this – leaving responsibility for compliance with the DWP.

Localism by itself is not enough, but is more likely to engender an early action approach if the right incentives are put in place.

### Workplace

Workplace helps about 5000 people a year into jobs, with 75% still in jobs a year later (considerably better than mandatory schemes like the Work Programme). Over half of those helped into work were previously unemployed for longer than 12 months. These figures have led Newham to claim the scheme is the most successful job brokerage scheme in the country. The programme is voluntary and although it takes referrals from Jobcentre Plus it is not part of their conditionality regime. It prides itself on its relationships with local employers – providing a 'matching and screening' service much like a recruitment agency – and it provides extra support for people who have been unemployed for more than twelve months. Success is attributed to their knowledge and connection to the local economy, the co-location of a wide range of services including careers advice, money and debt advice, IT support and training, and the lack of stigma associated with attending a universal service separated from the benefit system.

**3) Better funded:** the UK could triple its spending on employment support programmes as a proportion of GDP and still not be the highest spenders in the OECD. A long term perspective would justify the upfront investment; particularly if some of the extra money was directed at supporting people already in work to gain new skills and progress (see below). Once again there must also be appropriate incentives for an early action approach; the Work Programme's payment-by-results structure meant that DWP returned to the Treasury an underspend of almost £250m in 2012/13 (LGA, 2013) which would have been better reinvested in other support programmes. In their response to the Work and Pensions Committee (2013) the DWP said they had no control over the underspend since it was automatically transferred back to the Treasury - further evidence of the way in which spending rules inhibit investment.

**4) Relational:** Social design agency Participle have made the case for reorienting employment support around relationships; an approach they are piloting in their Backr programme (see box). Creating a trusting, positive environment in which deep value relationships promote confidence and develop skills, while nurturing the extended network of friends and acquaintances who can signpost to jobs and introduce new skills and insight. Early action employment support would have relationships at its heart.

## Backr

Backr is an employability project conceived and run by Participle who design working examples of the next generation of public services. It cites the fact that 80% of jobs are not advertised in the Jobcentre, and small businesses in particular often don't advertise vacancies, to explain its focus on supporting its members both in and out of work to use connections to improve their employability and find work.

Although an independent evaluation has not yet been conducted, Backr is now expanding to Lewisham, Croydon and Lambeth following a successful pilot working with 200 individuals. People are referred into the project from Jobcentre Plus (on a non-mandatory basis) and other local organisations, or can sign up independently. Membership (which is free) entitles people to attend regular meetups, networking tips and tricks and coaching, as well as connecting with local businesses and community organisations.

The approach is positively framed, seeking to help people explore their ambitions and passions through meeting others, particularly people already working in relevant jobs. This network-building approach might seem less direct than traditional 'activation' techniques (such as help with CVs and interview preparation) but – Backr believe – is more robust in the long run, and leads to better outcomes. It is being evaluated at present.

Find out more at [www.participle.net/projects/view/10/189](http://www.participle.net/projects/view/10/189)

## Conclusion

If – as we argue – a reformed social security is an essential source of security and readiness it also has to enjoy public support. Currently we are trapped in a cycle, whereby heightened insecurity and short-term thinking result in poor outcomes, which further weaken public support, to which the political response is the introduction of further insecurity. For those in favour of a shrinking social security budget at any cost this cycle is a virtuous one, but it is the opposite of early action.

Public support seems stronger for public institutions like the NHS or Sure Start than it does for cash transfers – witness the passion with which people have defended the health service in recent years. This is one argument for greater social investment in preventative institutions such as childcare and skills training. The exception that proves the rule is Jobcentre Plus – a national institution at whose abolition few would shed any tears. The ultimate accolade for an early action employment support service would be that people took to the streets to defend it. It seems a long way off.

Social security occupies a complex position in the debate around early action: it is both a source of security and readiness – a vital form of early action – but also a source of insecurity which increases demand for other services, and an ambulance dealing with the consequences of failures elsewhere in public delivery.

A shift towards social investment would help reduce demand for support from the benefits system and should be pursued. But it will still leave a significant number of us relying on social security payments at points in our lives – it must perform better. This shift will only come about if public policy begins to place much greater value on the long term and cross-departmental (even cross society) outcomes from current spending. A focus on short term budget cuts leads to unsustainable salami-slicing of eligibility criteria and the generosity of benefits which will only store up problems for future years.

As support for our current system falls, and spending rises, change is inevitable. It should be led by the question: how could we act earlier?

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# Secure and Ready

## Towards an early action social security system

The Early Action Task Force has consistently made the case that it is better wherever possible to act early and prevent problems from arising, rather than wait and deal with the consequences.

This paper is intended to provoke discussion about how we can embed this principle – building a fence at the top of the cliff instead of running an ambulance at the bottom – into the social security system. We set out how an early action social security system would be predicated on a social investment approach which values investment in people's strengths and capabilities. In doing so it would ensure we are ready both to deal with setbacks and to seize opportunity.

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