

The Jobseekers' Bill [Bill 5 of 1994/95]

Research Paper 94/129

15 December 1994



The Jobseekers' Bill was presented on 1st December and will have its Second Reading in January 1995. The Bill will replace Unemployment Benefit and Income Support for unemployed people with a new job seeker's allowance. The allowance will be paid at rates aligned with Income Support rates and will pay lower amounts to people aged under 25. People who have paid sufficient National Insurance contributions will qualify for a personal allowance with no additions for dependent spouses or children for six months, rather than for twelve as at present under Unemployment Benefit.

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Part I Background

A. Introduction

The job seeker's allowance (JSA) is intended to integrate and replace Unemployment Benefit and Income Support for unemployed people from April 1996. There are two proposed routes by which an unemployed person will be able to qualify for job seeker's allowance. First, for people who have been in paid employment and have paid sufficient National Insurance contributions, a contribution-based JSA will be payable for up to six months without a test of means. This is half the period for which Unemployment Benefit is now payable. Income and capital will not be taken into account, except for personal earnings, occupational or personal pension income and income from some other benefits. Unlike Unemployment Benefit, contributory JSA will be a personal allowance and will not include allowances for dependants. Second, unemployed people with no income or low income may qualify for an income-related JSA, which will be subject to means-testing and payable for as long as a person's circumstances remain unchanged. The 'income-related' route to JSA will mirror the existing Income Support structure. Rates of benefit will be based on Income Support rates. This means that people under 25 will receive a lower rate of JSA than other unemployed people, whether they qualify for JSA by the contributory or the income-based route. Income-related JSA will comprise a personal allowance with additions for dependent partners and children, plus any appropriate premiums that may be payable. Payment of benefit will be conditional upon a job seeker's agreement, which will be a written document agreed between the claimant and the Employment Service. Employment Officers will have the authority to direct a claimant to undertake specific activities to improve the chances of finding employment, with failure to comply resulting in a loss of benefit. The Bill also proposes that the behaviour or appearance of a claimant may be sufficient reason for stopping benefit, even if all other criteria for entitlement to benefit are met. The Bill will also introduce a Job Finders' Grant of up to £200 to help with expenses associated with starting a job, and a back to work bonus which will be payable to people who move from a combination of JSA and part-time work to full-time employment. The benefit will be administered jointly by the Departments of Social Security and Employment.

The White Paper "Jobseeker's Allowance" (Cm 2687) described three main aims for legislation. The proposals are designed, said the Secretary of State for Social Security, the Rt Hon Peter Lilley MP, during his statement announcing the White Paper,

- "to help people back into jobs;

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- to improve incentives to work;
- and to streamline the system to give job seekers a better service."¹

B. Announcement

The White Paper was published in October 1994 jointly by the Secretaries of State for Social Security, the Rt Hon Peter Lilley MP, and Employment, the Rt Hon Michael Portillo MP. The foreword says:

"People have a right to expect the highest standards of advice and service while they are unemployed. The taxpayer has a right to expect the commitment of unemployed people to make every effort to get back to work. Through the Jobseeker's Allowance we are determined to address both expectations."

Job seeker's allowance was first announced during the Budget statement before last, on 30 November 1993. The Chancellor described existing social security provision for unemployed people as a "convoluted system" administered in a "bureaucratic maze" by two different Government departments. The new allowance would align the receipt of benefit and a claimant's efforts to find work more closely. The new benefit would be backed up by employment schemes:

"Let me start with two proposals designed to help people back into work. The present convoluted system for helping the unemployed includes two entirely separate benefits - income support and unemployment benefit - and two quite separate bureaucracies for delivering them - the Employment Service and the Benefits Agency, employing between them no fewer than 44,000 civil servants to do the one job.

We intend to cut through this bureaucratic maze by introducing, from April 1996, a single benefit for the unemployed - the job seeker's allowance. This will align rates and rules and reduce the contributory element of the benefit from 12 to six months. But it will also build on the success of the restart programme introduced in the 1980s, by drawing a much closer link between

¹ HC Deb 24 October 1994 c631

the receipt of benefit and the claimant's demonstrated willingness to look for work. It will be reinforced by a strengthening of restart itself; by an extension of community action places; and by the introduction of pilot schemes offering intensive guidance, assessment and a financial incentive to long-term unemployed people who need it most."²

The following day during the Uprating statement, the Secretary of State for Social Security expanded the theme of bureaucracy and confusion in benefit provision for unemployment. Mr Lilley announced that the claimant's willingness to look for work would be judged by reference to a job seeker's agreement. Mr Lilley also made reference to the job finder's grant of up to £200 to help with the initial costs associated with starting a job (which had been announced the day before by the Secretary of State for Employment):

"We currently have two benefits for the unemployed - unemployment benefit and income support - and they overlap. Some people are entitled to both, many switch between the two, and the benefit levels leapfrog because they are uprated by different indices. This year, single adults on unemployment benefit will get 65p more than on income support; next year, they will get 25p less. The two benefits cover different periods. Unemployment benefit excludes Sunday; income support includes Sunday. They have different rules, which require different bureaucracies, offices and computer systems. That results in confusion for unemployed people, complexity for staff and expense for taxpayers. It is time for reform.

I propose to replace the two benefits with a new job seeker's allowance, starting in 1996, which will be more clearly focused on helping people into work. The longer people spend on benefit, the more their motivation and skills decline, and the less chance they have of finding a job. All unemployed people will be required to enter into a job seeker's agreement at the start of their claim, which will commit them to a plan of action to seek work. We will have a single set of measures for those who fail to take the necessary steps to seek work, but we will give extra help to those who make the effort to find a job.

The new job seeker's allowance will have a single set of rates. We will provide help for unemployed people and their dependants according to their needs, and this will be paid for as long as they need it. People who have paid national insurance contributions will receive a personal rate for six months, irrespective of their capital or their partners' earnings. Unemployed people currently

² HC Deb 30 November 1993 c925

cannot get income support if their partners are working for 16 hours or more. That problem emerged as a by-product of improvements in family credit last year. We will retain the current beneficial rules for family credit, but we will restore the limit for partners of unemployed people to 24 hours. Going back to work can involve extra costs - for example, for clothing and transport. We will be testing a job finder's grant of up to £200 to help people who have not had a job for two years meet those costs. We said in our manifesto that we would do this, and I am pleased that we are now implementing that pledge."³

Further details of the new benefit were given by Mr Lilley in his statement on 24 October 1994.⁴

C. Benefits for unemployment

Many of the features of the job seeker's allowance are not new. The dual system of benefits for unemployment through Unemployment Benefit and Income Support has undergone numerous changes since the introduction of these benefits and their predecessors by the post war social legislation. For example, most unemployment benefit schemes have included a disqualification for voluntary unemployment, to prevent people who choose to leave a job from claiming benefits until a specified period has elapsed.

Before the twentieth century, help for people without work consisted either of relief provided under the poor law, or private insurance provided by a trade union or friendly society. State protection followed from a recognition that unemployment was generally not an individual moral failing but was rather the product of wider economic forces. William Beveridge envisaged a national system of labour exchanges backed by an insurance scheme which would provide a subsistence income for temporary periods of unemployment. The National Insurance Act 1911 introduced the first compulsory system of unemployment insurance. The scheme covered only about one quarter of the male working population. The benefits provided were intended only to supplement savings. Coverage of the scheme was extended in 1920. In the period up to the Second World War unemployment rates exceeded the levels anticipated by the designers of the scheme. In 1932, in response to heavy deficits in the insurance fund a cut in unemployment benefits of 10 per cent was made. It had become apparent that the existing scheme could not offer protection against the long-term unemployment which occurred within particular industries and geographical regions, because benefit could only be paid for a limited period. The Unemployment Insurance Acts of 1920 and 1921 allowed the payment of benefit in advance of the payment of contributions, on the understanding that contributions would be made later. An 'uncovenanted' or transitional

³ HC Deb 1 December 1993 c1040

⁴ HC Deb 24 October 1994 c631-648

benefit was payable at a Minister's discretion, as judged by local labour committees, on the basis of the individual circumstances of the claimant, rather than on a contribution record. The Royal Commission on Unemployment Insurance undertook a review between 1930 and 1932. The Unemployment Act 1934 introduced a pattern of social security provision for unemployed people which has not altered significantly in the subsequent sixty years, apart from the re-introduction in the late 1980s of conditions concerning active seeking of work. An insurance scheme provides benefit for a specified period. When entitlement to unemployment insurance is exhausted, assistance is paid subject to a means-test.⁵ The job seeker's allowance does not depart from this general approach.

1. The present system

Unemployment Benefit is a contributory daily benefit which is payable for six days a week for 312 days. This is equivalent to one year. Entitlement to the personal benefit is based upon a claimant's National Insurance contribution record in two specified tax years before a claim. There are additions for adults who are financially dependent on the claimant. Rates of Unemployment Benefit are shown in the Table:

Unemployment Benefit rates 1994/1995

	from April 1994	from April 1995
Personal rate	£45.45	£46.45
Dependency increases		
under pension age	£28.05	£28.65
over pension age	£34.50	£35.25

Income Support for unemployed people is payable on a weekly basis for an unlimited period. Entitlement is dependent on tests of the financial circumstances of the family. The basic rates are shown. In addition to these amounts premiums may be payable in respect of disability or lone parenthood. Housing Benefit, Council Tax Benefit and help with NHS services may also be available:

⁵ The Law of Social Security A.I. Ogus and E.M. Barendt Butterworths 1988 Chapter 3
Victims or Villains: Social security benefits in unemployment J. Brown Joseph Rowntree Memorial Trust 1990
 see also Beyond Punishment: Hard choices on the road to full employability F. Field and M. Owen Institute of Community Studies December 1994

Income support for unemployed people 1994/1995

Personal allowances	from April 1994	from April 1995
Age 18-24	£36.15	£36.80
25 or over	£45.70	£46.50
Couple one or both over 18	£71.70	£73.00
Dependent children		
under 11	£15.65	£15.95
11 to 15	£23.00	£23.40
16 to 17	£27.50	£28.00
18	£36.15	£36.80

2. Unemployment

The total number of unemployed people claiming one or more of the existing unemployment benefits in Great Britain in October 1994 was 2.3 million. The highest proportion of the group, 44%, have claimed benefit for between 1 and 6 months. Half this number, or one fifth of the total claiming benefit, are counted as long-term unemployed because they have claimed unemployment benefits for more than 2 years (Table).

Unemployed claiming benefit - Great Britain
October 1994 - duration

Duration	Number	% of all durations
1 to 6 months	1,029,572	44%
6 months to 1 year	428,575	18%
1 year to 2 years	389,342	16%
Over 2 years	514,084	22%
<i>All durations</i>	<i>2,361,573</i>	<i>100%</i>

Source: NOMIS (DE Database)

Unemployed people who receive benefit may receive Unemployment Benefit, Income Support, or a combination of both benefits. Figures from May 1994 for Great Britain show that two-thirds of unemployed people receive Income Support alone. Under one fifth of unemployed people receive Unemployment Benefit. 281,300 unemployed people, or 11% of the total, received no benefit at all, were awaiting a decision on their claim, or received National Insurance credited contributions only. Credits are made in specified circumstances to permit people already in the National Insurance scheme to maintain their NI record (Table).

Unemployment Benefit recipients by benefit position⁶
Great Britain - May 1994

		Number			
Duration (weeks)	All claimants	UB only	UB with IS	IS only	Neither UB nor IS
Up to 2	124,300	22,200	6,700	48,300	47,100
over 2 and up to 13	524,100	134,200	37,800	275,500	76,600
over 13 and up to 26	408,500	117,800	28,500	232,700	29,500
over 26 and up to 52	537,700	138,900	36,100	329,300	33,600
over 52	956,500	14,600	4,200	843,100	94,600
All durations	2,551,000	427,600	113,300	1,728,800	281,300

		Percentage of all			
Duration (weeks)	All claimants	UB only	UB with IS	IS only	Neither UB nor IS
Up to 2	4.8	0.9	0.3	1.9	1.8
over 2 and up to 13	20.5	5.2	1.5	10.8	3.0
over 13 and up to 26	16.0	4.6	1.1	9.1	1.1
over 26 and up to 52	21.1	5.4	1.4	12.9	1.3
over 52	37.5	0.6	0.2	33.0	3.7
All durations	100.0	16.8	4.4	67.8	11.0

UB - Unemployment Benefit (Contributory National Insurance)

IS - Income Support (Non-contributory, income related benefit)

⁶ Those in receipt of neither UB nor IS are awaiting the results of a claim, receiving NI credits only or no benefit is in payment for some other reason.

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Of the 2,551,000 people claiming benefit in May 1994, 705,400 were married men and 173,400 were married women. 220,100 of the married claimants were getting Unemployment Benefit only with no Income Support.

Source: DSS *Unemployment Benefit: Summary Statistics* May 1994

Part II The Bill's provisions

A. The existing arrangements and how the job seeker's allowance will operate

The White Paper, Jobseeker's Allowance⁷ sets out the proposed benefit structure in Chapter 4. To receive JSA, a person must meet the following eligibility criteria:

- satisfy the labour market benefit conditions by being capable of work, available for and actively seeking work, and have entered into a job seeker's agreement;
- be out of work or working fewer than 16 hours per week;
- have an adequate National Insurance contributions record (for contributory JSA), or
- have income and capital below defined levels (for means-tested JSA);
- be aged 18 or over (except in special circumstances) and under state pension age.

1. Contribution conditions

The conditions for receipt of JSA by the contributory route are the same conditions that now apply to Unemployment Benefit. **Clause 2** sets out the periods and amounts of National Insurance contributions that must have been paid before there is entitlement to JSA without any test of means. The two conditions are that a person must have actually paid Class 1 National Insurance contributions in respect of one of the last two complete tax years before the "relevant benefit year" or the year in which the claim is made. First, contributions must have been paid on earnings of at least 25 times the weekly lower earnings limit for that tax year. Second, contributions must have been paid or credited in each of the two tax years ending in the calendar year before the claim, on earnings of at least 50 times the weekly lower earnings limit.

⁷ Job seeker's Allowance Cm 2687 Departments of Social Security and Employment October 1994

Once entitlement to contributory JSA ends after six months, there may be indefinite entitlement to the income-based JSA. If this is not the case, it will still be possible for an unemployed person to be credited with National Insurance contributions to protect his or her National Insurance record. Share fishermen are employed in the fishing industry but do not have a contract of service, and receive pay as a share of the profits of the boat on which they work. Share fishermen will retain their special treatment which allows them, whilst technically self-employed, to pay an increased Class 2 National Insurance contribution (which is lower than the normal Class 1 contribution paid by employed earners) in order to qualify for Unemployment Benefit. This group will qualify for JSA by the contributory route.

The existing arrangements which take into account any income received from an occupational or personal pension scheme will continue with modifications under JSA. At present, any amount of pension over £35 per week is deducted pound for pound from Unemployment Benefit for people over the age of 55. Under JSA the age threshold will be removed, and the limit on pension income will rise to £50 per week.⁸ This will mean that people of any age will have benefit reduced once any pension income exceeds £50.

A significant difference between Unemployment Benefit and the proposed contributory JSA is that contributory JSA will be a personal allowance, without additional amounts payable in respect of adult or child dependants. Under Unemployment Benefit it is possible to receive an additional £28.05 per week for an adult dependant on top of the flat rate of £45.45 at April 1994 rates. The hours a partner works will not affect contributory JSA. This is the same as under Unemployment Benefit. The removal of adult dependency increases in the contributory benefit is expected to save £10 million in 1996/97 and £20 million in 1997/98.⁹ The Government expects that 165,000 people will lose entitlement to the contribution-based JSA as a result of the reduction in the length of contributory entitlement to six months. 55,000 people in this group are estimated to have partners with earnings. Some of this group may give up work once contributory benefit is lost, whereas others may decide that they are better off having one partner in work.¹⁰

Clause 5 would limit the payment of contribution-based JSA to a total of 182 days, or six months. Unemployment Benefit is a daily benefit, payable weekly, for a total of 312 days. This equates to one year of benefit. JSA will be weekly benefit. The reduction in the length of entitlement is expected to save £70 million in 1996/97 and £140 million in 1997/98.¹¹

⁸ Cm 2687 para 4.25

⁹ HC Deb 12 December 1994 c536w

¹⁰ HC Deb 12 December 1994 c537w

¹¹ *ibid*

2. Income conditions

The income conditions for means-tested JSA are drawn directly from the Income Support scheme. There will be three components: a personal allowance, with additions for dependent adult partners and dependent children; a system of premiums similar to that in Income Support, payable for example for people with disabilities; and access to help with mortgage interest payments. Recipients of income-based JSA will also qualify for Housing Benefit and Council Tax Benefit, and any other benefit to which entitlement is automatically given by receipt of Income Support. **Clause 3** would allow payment of income-related JSA to unemployed people who do not receive Income Support, and who are not members of a family or household in which another person is receiving either Income Support or income-related JSA. Only one person in a family will be able to claim the income-based JSA. This rule would also apply to couples, whether married or not.

Conditions about income and capital will also be drawn from the Income Support scheme. Under regulations to be set by **Clauses 9 and 10**, the first £5 of any earnings will be disregarded, or the first £10 for a couple. The higher earnings disregard which now applies to long-term unemployed people will be abolished. The first £3,000 of any capital will be ignored. Capital between £3,000 and £8,000 will cause a benefit reduction of £1 for each £250 above £3,000. People with capital above £8,000 will be ineligible for income-based JSA. Existing Income Support rules designed to prevent people disposing of capital simply in order to qualify for benefit will be mirrored in income-based JSA, as will rules which allow some capital assets to be disregarded.

The existing rule which does not allow claimants to do work for more than 16 hours per week will apply to both routes to JSA. The White Paper proposed that partners of people receiving income-based JSA will be permitted to work for up to 24 hours per week without causing loss of benefit. The Government expects that some 20,000 households will gain as a result of this change.¹²

There will be a single application form which will request details for both the contributory and income-related routes to JSA.

¹² Statement, HC Deb 24 October 1994 c631

3. 'Availability for work' and 'actively seeking work' requirements

Conditions are already attached to both Unemployment Benefit and Income Support which require that unemployed people claiming benefit must be available for work and actively seeking work.¹³ The actively seeking work conditions were imposed by the Social Security Act 1989. The White Paper stated that availability for work conditions will continue under JSA, and that the definition will be broadened. Under JSA, a person will be required

"to be available for **any work which they can reasonably be expected to do.**"
(original emphasis)¹⁴

Availability for work will also include being prepared to take up self-employment, provided the person will also accept work as an employee. A person will normally be expected to be available for full-time work for 40 hours per week. Exceptions will be made to the rule if a person has medical evidence of a physical or mental condition which places restrictions on the type or hours of work for which s/he is available, or if a person can show religious or conscientious objections. An exception will also be made if a person has responsibilities for caring for another person. Those carers who do not receive other benefits and whose commitments do not prevent them from actively seeking work will be able to limit their availability under terms to be agreed in the jobseeker's agreement.

Clause 6 would allow for regulations to define "job seeking", a phrase which encompasses both the availability for work and actively seeking work requirements. Existing arrangements for both UB and IS require claimants to be available for work in "an active, positive sense" and to "take some active step to draw attention to their availability".¹⁵ A person must not place restrictions on their availability by imposing conditions on the nature of employment, hours of work, rate of remuneration or locality of the job.¹⁶ At the moment a person may be allowed to set restrictions if s/he has a reasonable prospect of securing employment despite the restrictions, where the claimant's restrictions limit the chances of finding work only because of temporary adverse industrial conditions in their locality, or in cases where restrictions are reasonable because of a physical or mental ailment.¹⁷ The onus is on the claimant to show what steps s/he has taken to seek work. Clause 6 (3)(a) would provide the power to make regulations to "make provision with respect to the steps which a person is required to take in any week if he is to be regarded as actively seeking employment in that week". Clause 6 (3)(b) would

¹³ The present rules are contained in the Social Security (Unemployment, Sickness and Invalidity Benefit) Regulations 1983 No.1598 Regulations and in the Income Support (General) Regulations 1987 No.1967, with additional guidance in the DSS Adjudication Officers' Guide

¹⁴ Cm 2687 para 4.3

¹⁵ DSS Adjudication Officer's Guide Vol 10 para 86041

¹⁶ Social Security (Unemployment, Sickness and Invalidity Benefit) Regulations 1983 No.1598 Regulation 7B(1)

¹⁷ *ibid*, regulations 7B (2-4)

"provide for acts or omissions of a person, which would otherwise be relevant, to be disregarded in such circumstances (including circumstances constituted by or connected with his behaviour or appearance) as may be prescribed"

The White Paper explained that it was "clear from experience" that change was needed:

"Jobseekers can meet the current conditions by adhering to the letter of the law, even though they may take other action which guarantees that they do not get a job. The benefit rules will be changed to enable benefit to be stopped where the unemployed person's behaviour is such that it actively militates against finding work."¹⁸

The White Paper also noted that existing rules about what constitutes an active search for work only take account of actions which are directly concerned with applications for jobs. Under JSA, activities such as preparing CVs, researching potential employers, and improving presentational skills, will also form part of the assessment of whether a person meets the actively seeking work criteria.

Clause 6 also makes provisions for people to be treated as available for work and actively seeking work in particular circumstances, and for others to be treated as not available for work or actively seeking work. This is necessary because of the existence of exceptions to the requirements which apply to particular groups such as lone parents, blind people, pregnant women, people on residential Open University courses, and people over 60. Such groups not required to be available for work. Other groups are at present deemed to be actively seeking work. Fire-fighters, lifeboat crew members and people taking steps to become self-employed are examples of people now deemed to be actively seeking work.

Conversely, regulations currently provide for situations in which people may be treated as not available for or actively seeking work. Income Support regulations state that people in certain categories are to be treated as not available for work, and therefore not eligible for benefit: failure to apply for or take a suitable vacancy offered by the Employment Service or Careers Office; failure to take up any reasonable offer of employment, for example by failing to attend an interview; failure to attend a second Restart interview; those who have been refused UB because of a failure to complete a section on the application form dealing with availability for work; most students; and people placing unjustifiable restrictions on the type of work they will accept (except such restrictions as may be permitted - see above).

¹⁸ Cm 2687 paras 4.11, 4.13

4. Jobseeker's agreement

The Bill proposes that it will be a requirement for receipt of benefit that a claimant has completed and signed a job seeker's agreement. This puts on a compulsory footing the present voluntary Back to Work plan which was introduced in 1990. The White Paper describes the agreement as an initiative which will build on the strengths of back to work plans, by allowing job seekers and the Employment Service to identify steps to be taken to secure employment, and to monitor the job seeking activities of claimants. **Clause 7** sets out the rules for the job seeker's agreement.

Unemployed people will not be expected to consider accepting vacancies for jobs in occupations other than their normal or preferred work for a **permitted period**. Under present rules, a person may set restrictions concerning the nature of employment they will consider taking, under what conditions and at what level of pay. This permitted period is at present limited to a maximum of 13 weeks by regulations.¹⁹ Clause 7(6) and (7) would allow the agreement to specify the length of a period for which a claimant will not be expected "to be available for, or seek, employment other than employment in his usual occupation at a level of remuneration not lower than that which he is accustomed to receive". The White Paper states that the concept of the permitted period will be continued, but does not state a particular length of time.

Regulations will permit the claimant or the employment officer to refer the agreement to an adjudication officer, and to specify the criteria adjudication officers may use in assessing whether an agreement will enable a claimant to meet the conditions required of him in other parts of the Bill, and so qualify for benefit.

5. Benefit sanctions

The White Paper observed that

"The overwhelming majority of people who become unemployed make every effort to find work at the earliest possible opportunity. Experience shows, however, that a small minority seek to abuse the benefit system."²⁰

¹⁹ Social Security (Unemployment, Sickness and Invalidity Benefit) Regulations 1983 No.1598 Regulation 7B(5)(b)

²⁰ Cm 2687 para 4.35

Clause 15 sets out circumstances in which JSA will not be payable. Many of the sanctions or restrictions are already in existence, though some will be introduced for the first time by this Bill. Benefit will not be payable if a claimant fails to carry out a written direction issued by an employment officer based on the job seeker's agreement. Existing Unemployment Benefit rules allow for the issue of Official Recommendations which require steps to be taken, on pain of disqualification from benefit. The White Paper stated that advice on "job search activity" may be given in the job seeker's agreement which will be wider than under previous arrangements. It may be directed that a person should

"improve their employability through, for example, attending a course to improve jobseeking skills or motivation, or taking steps to present themselves acceptably to employers"²¹

People who are judged not to be available for work or actively seeking work will be ineligible for benefit, as will those who do not sign a job seeker's agreement, or who fail to attend an interview with the Employment Service. Benefit may be stopped for periods of up to 26 weeks if a person has left a job voluntarily without good cause, or who fails to take up a reasonable offer of employment or place on a training scheme or employment programme. A person who leaves a training scheme or similar course through misconduct will also incur loss of benefit. Any period of disqualification from benefit will reduce the period of entitlement to contributory JSA. The White Paper stated that the legal concepts involved in determining what constitutes "good cause" would be defined more clearly by legislation. This clarification is likely to be contained in regulations. The continuation of "Employment on Trial" will permit people who have been unemployed for 13 weeks to take a job for a period, and not incur benefit sanctions should they leave a new job within a matter of weeks. This trial period remains to be defined. **Clause 16** gives the power to waive the provisions of Clause 15 in specified circumstances such as this.

A new benefit sanction is contained in Clause 6(3). The White Paper observed that

"Jobseekers can meet the current conditions by adhering to the letter of the law, even though they may take other action which guarantees that they do not get a job. The benefit rules will be changed to enable benefit to be stopped where the unemployed person's behaviour is such that it actively militates against finding work."²²

²¹ Cm 2687, para 4.18

²² Cm 2687 para 4.13

Translated into draft legislation this becomes:

"Regulations under this section may, in particular -

(a) make provision with respect to the steps which a person is required to take in any week if he is to be regarded as actively seeking employment in that week and;

(b) provide for acts or omissions of a person, which would otherwise be relevant, to be disregarded in such circumstances (including circumstances constituted by or connected with his behaviour or appearance) as may be prescribed."

6. Severe hardship payments

At present, unemployed people receiving Income Support may receive a reduced rate of benefit if they break benefit rules. If a person would not be entitled to Unemployment Benefit, perhaps through leaving a job voluntarily or through misconduct, entitlement to Income Support is reduced for a period of up to 26 weeks. Existing rules allow for a reduction of 40 per cent of the Income Support personal allowance, except in cases where a person and any partner have capital valued below £200 and a member of the family is pregnant or seriously ill. In such cases, the reduction is limited to 20 per cent. People who have been unemployed for two or more years who fail to attend a course or programme for the purpose of improving their chances of employment, of which they have been notified, may also have benefit reduced by 40 or 20 per cent.²³

The White Paper stated that in future under JSA no automatic reduced payment will be made to people who are sanctioned for a breach of benefit rules.²⁴ No payment will be made unless the claimant can demonstrate that a member of the family would suffer hardship as result of the removal of benefit. In cases where hardship is shown to be likely, no benefit will be payable for the first two weeks, after which benefit reduced by 40 or 20 per cent may be payable. Exceptions will be made where people have children; where there are caring responsibilities; where a person or partner is pregnant; or where a person or partner is sick or disabled.

²³ Income Support (General) Regulations 1987 Regulations 21A and 22

²⁴Cm 2687 para 4.39

7. Young people and students

Both the contributory and income-related JSA rates will be based on Income Support rates, and therefore lower amounts will be paid to young people under age 25. The current IS rate for people between 18 and 24 years of age is £36.15 per week, compared to £45.70 per week for people over 25. The Government has estimated that the savings that will arise from the reduction in entitlement for 18-24 year olds will amount to £25 million in 1996/97 and £30 million in 1997/98.²⁵ In certain circumstances it is possible for people aged under 18 years to qualify for Income Support, for example if they are lone parents or are pregnant, or blind. 16 and 17 year olds who are required to be available for work and Youth Training who fall into similar categories to those set out in Schedule 1A of the Income Support regulations and who are at risk of severe hardship, will receive benefit through JSA. Those of this age who are not required to be available for work and meet the strict criteria continue to have entitlement to Income Support.

Students who are receiving Income Support as unemployed people may at present enrol on part-time courses of education or training, provided certain conditions are met. The aim of the "21 hour rule", as it is commonly known, is to enable unemployed people to undertake some study or training without prejudice to their Income Support entitlement. It is not currently possible to use the rule to claim Unemployment Benefit whilst studying. The Income Support (General) Regulations 1987 SI 1967, Regulation 9 (1) (c), 9 (3) and 9 (4) specify that:

- the course must be run by a college, school or equivalent;
- attendance must not exceed 21 hours per week, excluding meal breaks or unsupervised study;
- the claimant must have received Income Support²⁶, Unemployment Benefit or Sickness Benefit continuously for the three months immediately prior to the start of the course, or have been on a Youth Training Course; **or** during the 6 months preceding the course the claimant must have been receiving a qualifying benefit or on a YT course for a total of three months and engaged in "appropriate work" throughout the remaining three months. Appropriate work in this context means work which disentitled the claimant to a qualifying benefit;

²⁵ HC Deb 23 November 1994 c171w Savings figures rounded to nearest £5 million. 1996/97 savings are in 1996/97 prices, 1997/98 savings are in 1997/98 prices.

²⁶ provided that the claimant was required to be available for work or was exempt from the availability condition on the grounds of incapacity for work

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- the claimant must continue to be available for work, and be prepared to terminate their course immediately a suitable vacancy becomes available.

The White Paper for the Job Seeker's Allowance says that study can give unemployed people a better chance of getting a job, and that the Government's intention is to continue the broad approach of the 21 hour rule.

8. Back to work bonus

Clause 22 introduces the back to work bonus which was announced on 12 October 1994²⁷. The aim of the bonus, which will be worth up to £1,000 as a lump sum, is to encourage unemployed people to take part-time work and then to move into full-time work. People who work part-time, within the hours permitted whilst claiming JSA, will accumulate a credited amount which will be paid when a person comes off benefit and starts full-time work, helping an estimated 150,000 people each year.²⁸ The Chancellor has announced that the back to work bonus will be exempt from income tax.

9. Trade disputes

Existing Unemployment Benefit and Income Support rules contain provisions which affect the payment of benefit where a claimant is involved in a trade dispute. These rules affect people who are on strike or who are affected by a stoppage of work due to a dispute. Single people, or childless couples who are both involved in a dispute will lose entitlement to benefit. In other situations, a reduced amount of benefit is payable. The provisions will continue under **Clauses 11 and 12**.

10. Pilot schemes

There have been a number of employment and training schemes for unemployed people that have been introduced as pilot schemes. In the past 18 months, different approaches to helping long-term unemployed people that have been tested as pilot schemes have included: **Workstart**, under which employers recruiting people unemployed for over two years received a small subsidy; **Workwise**, a compulsory course for 18 to 24 year olds unemployed for more than a year; and the **Job Finder's Grant** which paid £100 or £200 to people out of work for two or more years who found a job paying below £250 per week. The grant was designed to help with

²⁷ HC Deb 1 December 1993 c1040

²⁸ HC Deb 24 October 1994 c632

the costs associated with starting a new job. During the Budget the Chancellor announced that the number of job finders grants would be increased to 25,000 and would average £200.²⁹ **Research Paper 94/114** gives full details of all training and employment measures including pilot schemes. **Clause 24** will permit pilot schemes lasting for up to a year. Pilot employment schemes do not require legislation. The introduction of pilot social security arrangements is provided for by this Clause.

11. Resettlement

The Job seeker's Bill is "a Bill to provide for a jobseeker's allowance and to make other provision to promote the employment of the unemployed and the assistance of persons without a settled way of life". **Clause 25** allows for the payment of grants to people providing resettlement places to homeless people, and ends the historic responsibility of the Secretary of State to provide resettlement units, which are the direct descendants of the workhouses. The Resettlement Agency is engaged in a programme of closures of resettlement units, some of which exist in premises originally used as workhouses or 'spikes' providing accommodation for unemployed men. Alternative places are made available elsewhere. Under the provisions of the Bill, grants may be made to other groups to provide accommodation for unemployed homeless people.

12. National insurance

During the Budget the Chancellor announced that employers would be given an incentive to hire people who had been unemployed for two or more years, in addition to a reduction in employers' contributions for employees earning below £205 per week of 0.6%. From April 1996, an employer who takes on a person who has been unemployed for two or more years will receive a full rebate of National Insurance contributions for that person for up to one year. It is estimated that on average an employer will save over £300 for each long-term unemployed person added to their work force.³⁰ **Clause 23** permits the rebate of NI contributions.

²⁹ HC Deb 29 November 1994 c1092, Treasury Press release 29 November 1994 HMT 3 135/94 Work incentives

³⁰ Work incentives Treasury Press release 29 November 1994

13. Administration

The Prime Minister announced in June 1994 that the new benefit would be jointly administered by the Departments of Employment and Social Security:

"Job seekers allowance will be delivered from jobcentres of the Employment Service of the Employment Department. Employment Service staff will be responsible for advice and help on getting back to work and for the application of labour market tests such as availability for work. Financial aspects of the benefit including calculation and payment, will be the responsibility of staff of the Benefits Agency of the Department of Social Security, located so far as possible in the same offices."³¹

14. Community projects

There has been some speculation that the Bill will involve some form of "workfare" arrangement whereby a person may be required to do some work in return for benefit. It will be possible for a person to be required to undertake work on a community project where this is considered to be an activity which will increase employability and chances of finding a job. Unemployed people who participate in a community action project currently receive an allowance which is equivalent to their benefit entitlement plus £10. It is not clear from the Bill whether the "benefit plus" arrangements for such projects will continue under JSA.³²

B. Costs and savings

The Bill notes that the financial effects of the measures it proposes will depend on the level of unemployment at the time when JSA is introduced. The Government makes stylised assumptions about the level of unemployment. The assumptions are not intended to be forecasts. The level of unemployment for the years 1995/96 to 1997/98 is assumed to be 2.4 million. It is also assumed that under existing benefit arrangements, 500,000 claimants receive Unemployment Benefit and not Income Support. The Bill estimates that spending on benefits will fall by £140 million in 1996/97, the first year of JSA. Savings in 1997/98 are estimated at £270 million. A recent parliamentary answer suggested that, using the most recent unemployment benefit figures, savings in 1996/97 will be £150 million, and £300 million by

³¹ HC Deb 21 June 1994 c87w

³² HC Deb 1 November 1994 c1090w

1997/98.³³ On its own the reduction in entitlement to contributory unemployment benefit under JSA from 12 to 6 months is expected to produce savings of £70 million in 1996/97 and £220 million in 1997/98.³⁴ The introduction of the back-to-work bonus is expected to produce both costs and savings, but to be broadly cost neutral "when behavioural effects are taken into account". It is not possible to predict the number of people who will take advantage of the bonus.

Measures relating to the provision of resettlement places are not expected to increase spending.

The reduction in National Insurance costs for employers who recruit long-term unemployed people is expected to reduce national insurance revenue £45 million in 1996/97 and a further £45 million in 1997/98.

The Compliance Cost Assessment published with the White Paper projects a 4.1% fall in costs to employers as a result of the introduction of JSA. Employers incur costs when they are contacted by the Employment Service or the Benefits Agency, for example when checking a claimant's declaration of earnings, or to check whether a claimant who has previously claimed UB has re-qualified for benefit.

Pension funds may incur costs when they are contacted to verify details of payments to occupational pensions, as may providers of personal pensions. At present people over 55 who claim UB have benefit reduced in line with any pension benefits over £35 per week. The Bill raises this amount to £50 per week, but removes the age limit. The changes in the Bill will mean that it will be necessary to make checks with pension providers. Pension payments have not normally been verified, except where IS claimants are unable to provide verification of the amounts received. Costs are expected to rise from the current level of £3,000 per annum to £42,000 per annum. The Government is taking views on the accuracy of its predicted changes in costs as they affect employers and other interested parties.

³³ HC Deb 24 November 1994 c287w. Assumes transitional protection in 1996/97, a total of 2.55 million unemployed in GB and 600,000 UB claimants.

³⁴ HC Deb 24 November 1994 c281w, using the same assumptions as in previous note

PART III Reactions to the Bill

1. Opposition parties

In a news statement following the publication of the Bill, Donald Dewar MP, Shadow Secretary of State for Social Security, said

"The publication today of the Jobseekers' Allowance Bill confirms that people will pay more and get less under the Government's plans for the welfare state. The Bill increases the Government's estimate of the savings from the introduction of JSA to £270 million in a full year. At the same time it admits that the administrative cost of implementing the JSA will be £280 million.

The introduction of the JSA will reduce the length of non-means-tested benefit from 12 to 6 months. This will mean that as well as around 90,000 people losing their entitlement to benefit altogether, a growing number of partners of unemployed people will be forced to give up work so that their household can qualify for benefit support.

All this comes despite the fact that in April the Government raised employee National Insurance contributions from 9% to 10% at a cost to someone on average earnings of £165 a year. The Bill contains some very limited proposals on incentives for a return to work, but its main purpose is an attack on the contributory principle."

The Liberal Democrat spokesperson for Social Security and Disability, Liz Lynne MP said in a press release:

"The Job Seekers Allowance is all stick and no carrot. It has everything to do with saving money in the short term and very little to do with getting people back into work and saving money in the long term. The Job Seekers Bill is hardly anything more than a tightening up of the penalties that we already have under the existing system, plus a reduction to six months for unemployment benefit entitlement"

The Liberal Democrat Party was particularly concerned that 18-24 year olds with a contribution record would lose some £9.55 because of the age-related benefit rates under JSA.

2. Research and pressure groups, trades unions

The Unemployment Unit said that "We are going to see people being told 'Get a haircut before you see any employers'."³⁵ The Unit said that

"Under the proposed Jobseeker's legislation, fewer people will qualify for benefits and many of those who do qualify will be paid less. Unemployed claimants will face a tougher test of active work-seeking and many more will be subject to disqualification and benefit penalties...tinkering with the benefit system will not solve mass unemployment. Just when the political consensus is moving towards 'full employment' the Government is turning up the heat on the unemployed themselves".³⁶

The Unit's information director said

"Britain already has the toughest and meanest benefits system in Europe. Yet the Jobseekers Allowance will make things even harder for the 2.5 million unemployed. The Jobseekers Allowance will deny benefits to at least 90,000 people at a time. It will significantly reduce benefit levels for key groups of people and it will extend means-testing to larger numbers of claimants to create disincentives to moving into work."³⁷

The Low Pay Unit (LPU) welcomed any effort to improve the "Byzantine procedures faced by the unemployed" and which assisted them in finding work. The LPU saw the measures as building on earlier reforms, such as the actively seeking work rules introduced by the 1989 Social Security Act. However, the LPU felt that the impact of earlier measures, which should be judged according to their success in helping people back into work, had in fact had brought no benefit to the unemployed or to employers. The measures had been

"based on the profoundly mistaken belief that claimants would rather remain on benefit than take vacancies, and that greater coercion was necessary in order to reduce unemployment."³⁸

Obstacles to finding a job were found to be the small number of vacancies, competition from better qualified candidates, the attitudes of employers, and the dangers of losing security and income that could be caused by accepting casual or irregular work. The Unit recommended that

³⁵ Social Justice Commission: New benefit rules to put pressure on jobless Guardian 25 October 1994

³⁶ Turning up the heat Unemployment Unit September 1994

³⁷ Stricter benefit regime already in place says think tank Unemployment Unit press release 13 December 1994

³⁸ Ibid

the complexity and bureaucracy of existing benefit rules should be reduced, that more specialist assistance with job searching should be made available, alongside better training and retraining measures. In addition, help with childcare and removal expenses would allow claimants to consider moving further afield to take jobs. The LPU concluded that

"These measures are a further step in the government's zeal to clamp down on people who are unable to find employment. There are unlikely to be welcomed, either by the unemployed or employers. Unfilled vacancies fall into two broad categories - either they require scarce skills, or they are casual, part-time and low paid. These measures are unlikely to help with skill shortages, but they are likely to increase pressure to take low paid and unsuitable employment. As more people take very low paid employment, this will put them into competition with others already at work, driving down their pay as a result."³⁹

The Disability Alliance said that the Bill would create tougher conditions for the receipt of benefit and would result in lower amounts being payable. The Alliance was concerned that the Bill would be "yet another cost-cutting exercise" which would adversely affect disabled people, and called for a benefit for people with a partial capacity for work who would not qualify for help under either the JSA or the new Incapacity Benefit.

The Employment Policy Institute welcomed many of the measures creating incentives for employers to recruit long-term unemployed people and the series of "welfare to work" measures including the Job Finder's Grant and the back to work bonus. The Job seeker's allowance, however, received only qualified support. At one level, it was correct to make a linguistic change which redefined the purpose of benefit:

"Ideally, unemployment should be a temporary phase, not a way of life. It is therefore much better to portray benefit as an adjunct to job search rather than a potentially permanent crutch upon which to base a meagre existence."⁴⁰

The Institute was thankful that the Chancellor had appeared to take a realistic view of the causes of unemployment during his Budget speech. The structure of JSA, by contrast, appeared to lay the blame for unemployment at the feet of the individual unemployed person:

³⁹ Letter 12 December 1994

⁴⁰ Employment Policy Institute Economic Report Vol 8 No.10 December 1994

"The more fundamental criticism of the JSA are that in itself it provides little additional help to unemployed people to leave benefit for jobs, while at the same time unnecessarily and unfairly limiting the period of contributory (non-means tested) benefit to six months rather than a year as at present. The JSA White Paper also says little about the obvious barriers facing jobseekers that prevent them finding work, an omission that conveys the impression that the government considers unemployed people in large part responsible for their own plight."

The National Union of Civil and Public Service Employees welcomed many of the Government's aims, but felt that the introduction of JSA would not achieve them. NUCPS said that

"JSA will consolidate and reinforce measures already taken to "police" the behaviour of unemployed claimants."⁴¹

The Union felt that it would have been better to introduce compulsory notification of vacancies. Confidence in the Employment Service, whether for employees or employers, would not be created so long as the service was linked with a stricter benefit regime. The introduction of JSA could be a prelude to the privatisation of the job placement functions of the Employment Service, something already suggested by the No Turning Back group of MPs. A 'streamlined administration' could only mean job cuts, which would not improve the service to unemployed people. NUCPS called for the maintenance of the insurance principle for unemployed people, who should not be required to face a means-test; adequate benefits payable for longer than 6 months; the restoration of earnings-related supplements and child dependency allowances; and the removal of strict availability for work and actively-seeking work regulations.

The Civil and Public Services Association was not opposed in principle to a single allowance and simplified procedures for unemployed people. The union did not, however, believe that JSA would meet the needs of the unemployed in any way:

"The main purpose of the Jobseekers Allowance is to reduce the cost of unemployment benefit rather than help people back into work and into decently paid jobs".⁴²

⁴¹ Letter 8 December 1994

⁴² Letter 9 December 1994

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It was likely that at least 3,000 jobs in the civil service would be lost. CPSA members who continue to work in the Employment Service would be unjustly blamed for the benefit changes, which would not help unemployed people in their main aim - finding a job. A full-scale job-brokering service should be available from Jobcentres, and benefits for unemployment should not be subject to a means-test.