

Title: Conditionality Measures in the 2011 Welfare Reform Bill Lead department or agency: Department for Work and Pensions Other departments or agencies:	Impact Assessment (IA)
	IA No:
	Date: 16 February 2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary Legislation
	Contact for enquiries:

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Successive governments have recognised that there should be a link between entitlement to benefits and engagement with the labour market. Most people comply with conditions of entitlement, and the majority of unemployed people leave benefit quickly. However others require additional support, and there must be a response in the benefit system for people who do not comply. Increased conditionality for lone parents has been gradually rolled out since November 2008. Before then, lone parents with a youngest child up to the age of 16 could claim Income Support (IS) as a lone parent. This age threshold now stands at 7. This rollout has provided the implementation experience and evidence base to help support the extension to those with a youngest child aged 5 and 6.

What are the policy objectives and the intended effects?

The intention of these policies is to speed up entries into employment from benefits for those able to work, and ensure that those who are able to prepare for work at a later date are given the right support at the right time. Those who find work benefit from higher income and improved wellbeing. There are also fiscal savings including a lower benefit burden, and wider social benefits. Higher employment levels also lead to reduced adult and child poverty.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

The options in respect of lone parent conditionality that were considered were to: 1) do nothing; or 2) end entitlement to IS (subject to certain exceptions) for lone parents with a youngest child aged 5 or over. It was decided that the second option should be pursued: the age threshold lowered to age 5. It is estimated that this policy will deliver a significant net benefit. Further it is considered reasonable to expect lone parents to take up paid work once their children are in full-time education.

For the other conditionality measures and couple policy under Universal Credit the main alternative was the 'do nothing' option. In the case of sanctions alternatives were considered as set out in the evidence base. The option to extend hardship loans to all groups was considered but rejected due to the impact that this would have on vulnerable groups.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed from 2013 on an ongoing basis.

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes, see Annex 1.

Summary: Analysis and Evidence

Price Base Year: 10/11	PV Base Year:10/11	To March 2015	Net Benefit (Present Value (PV)) (£m)			
			Low:	High:	Best Estimate: £250m	
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low	-		-		-	
High	-		-		-	
Best Estimate	-		-		£970m	
<p>Description and scale of key monetised costs by 'main affected groups' Monetised costs (totals up to March 2015) are estimated for the lone parent measure only. Individuals incur costs through benefit losses and increased tax and NICs expenditure of £560m. Further they will also face in-work costs such as childcare and travel of around £60m. For Government there will be an increase in administrative costs of around £110m and additional spending on tax credits and In-Work Credit (£240m) for eligible lone parents.</p>						
<p>Other key non-monetised costs by 'main affected groups'</p> <p>At this stage it is not possible to quantify the impact of the behavioural impact of the claimant commitment, changes to the sanctions regime, or changes to hardship payments. Additional flows into employment will result in some costs to the individuals or to government as set out above.</p> <p>There will also be an increase in administrative costs associated with couples having increased conditionality. It is not possible to accurately assess the additional costs until they have been assessed for readiness to work in their own right.</p>						
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)	
Low	-		-		-	
High	-		-		-	
Best Estimate	-		-		£1,220m	
<p>Description and scale of key monetised benefits by 'main affected groups'</p> <p>Monetised benefits (totals up to March 2015) are estimated for the lone parent measure only. Total benefits through increased income from wages for lone parents moving into work will be around £390m. Further lone parents qualifying for tax credits and In-Work Credit will receive additional benefits of £240m. Benefits to Government from additional movements into work include reduced expenditure on benefits, increases in tax receipts and National Insurance Contributions estimated at £560m. Taking into account wider benefits to society (estimated at £30m), the total benefits over the Spending Review period are £1,220m. Overall the policy is expected to have net benefits of around £250m.</p>						
<p>Other key non-monetised benefits by 'main affected groups'</p> <p>There are likely to be other benefits to work including increased wellbeing of individuals who find work and these impacts are not fully captured in our estimate of the health impacts of work. In addition, if a parent moves into work, potentially lifting the family out of poverty, providing a better lifestyle which may result in an increase in their child's welfare. There will be similar benefits for couples. The behavioural impact of the claimant commitment, changes to the sanctions regime, or changes to hardship payments have not been quantified.</p>						
Key assumptions/sensitivities/risks					Discount rate	3.5
<p>The lone parent impacts presented are based on the following key assumptions:</p> <p>(1) the majority of lone parents are assumed to claim JSA when their IS eligibility ends, with the remainder claiming ESA, remaining on IS, moving directly into employment or off benefits for another reason; (2) lone parents claiming JSA are assumed to move off benefit faster than previously on IS. It is also assumed that a proportion of those who moved into employment move back onto JSA at a later date; and (3) 60% of lone parents leaving benefit go into paid employment. All estimates are sensitive to the assumptions used.</p>						

Impact on admin burden (AB) (£m):			Impact on policy cost savings		
New AB:	AB savings:	Net:	Policy cost savings:		

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			Great Britain		
From what date will the policy be implemented?			January 2012 onwards		
Which organisation(s) will enforce the policy?			N/A		
What is the annual change in enforcement cost (£m)?			Nil		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	
Does the proposal have an impact on competition?					
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: 100%	Benefits: 100%	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/A

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹	YES	separate publication
Economic impacts		
Competition	NO	
Small firms	NO	
Environmental impacts		
Greenhouse gas assessment	NO	
Wider environmental issues	NO	
Social impacts		
Health and well-being	NO	
Human rights	NO	
Justice system	NO	
Rural proofing	NO	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Sustainable development	NO	
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Evidence Base - References

No Legislation or publication

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1 Universal Credit: welfare that works, November 2010

2 Impact Assessment for Universal Credit, November 2010

3 Equality Impact Assessment for Universal Credit, November 2010

4

Evidence Base - Annual profile of monetised costs and benefits* - (£m) constant prices

	2011/12	2012/13	2013/14	2014/15
Transition costs				
Annual recurring cost				
Total annual costs	5	165	400	515
Transition benefits				
Annual recurring				
Total annual benefits	0	190	505	675

* Important note: These figures relate to the increase in lone parent conditionality only.

* Figures have been rounded to the nearest £5m.

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base

Introduction

1. DWP expects claimants to do everything that can reasonably be expected of them to find work or prepare for work in the future as a condition of receiving support. DWP will introduce important changes to the existing regime to ensure that claimants are subject to appropriate conditions of entitlement and that they meet these responsibilities. DWP will begin making these changes in the existing benefit system which will be carried forward under Universal Credit (see also the Universal Credit Impact Assessment).
2. The changes cover the following measures:
 - Lone Parent Conditionality
 - Introduction of the claimant commitment for JSA, ESA and IS
 - Reform to sanctions for JSA, ESA and IS
 - Hardship
 - Couple policy under Universal Credit

} Grouped below as 'Other conditionality measures'
3. Measures which involve changes to sanctions or conditionality will elicit behavioural responses which are difficult to predict with certainty. For example, the proposed model of sanctions could lead to longer sanctions for some claimants, particularly claimants who have repeatedly failed to meet their responsibilities. For other claimants – those who fail to meet lower level requirements – sanctions could be shorter depending on how quickly they re-engage. The overall effect on benefit costs will depend on the response of claimants to the proposed sanctions system. If – as is the policy intent – claimants are encouraged to comply in the first place and re-engage more quickly where they do fail to meet their responsibilities, there are unlikely to be any savings in comparison with the current system as a result of more sanctions being imposed. However, there could be savings from people moving off benefit more quickly as a result of greater compliance with the system. At this stage it is not possible to quantify the impact of the behavioural impact of the changes.
4. The measures set out in this impact assessment are subject to parliamentary approval. In some instances the detail of the policy will be set out in regulations and not in the Bill. In these cases this document sets out the policy intention and the current thinking as to how this will be achieved.

Conditionality for lone parents with youngest child aged five and six

Policy Rationale

5. Income Support (IS) is currently the main income-replacement benefit for lone parents and only requires six-monthly attendance at a Jobcentre Plus, in contrast to the more active job search requirements for Jobseeker's Allowance (JSA) or more intensive Work Focussed Interview (WFI) regime under Employment and Support Allowance (ESA). Increased conditionality for lone parents (Lone Parent Obligations) has been gradually rolled out since November 2008. Before then, lone parents with a youngest child up to the age of 16 could claim IS as a lone parent. This threshold age now stands at 7. The June 2010 Budget announced that this will be further reduced to lone parents with children aged 5 and over. Once that age is reached, lone parents without other income may claim JSA, or ESA if they are disabled or have a health condition, subject to medical assessment. Those claiming Carers Allowance or those with a child receiving the middle or higher rate care component of Disability Living Allowance may continue to claim IS.
6. For most people, work is the best route out of poverty. DWP believes that it is important that people who can take up paid employment are given help and encouragement to do so. An increase in conditionality will ensure lone parents engage with the support and opportunities available to them.

Estimating Costs and Benefits

7. Currently there are 1.9 million lone parents in Great Britain, with 1.1 million lone parents being in work. The employment rate for lone parents with a youngest child aged 5 and 6 is 54.4%, lower than

the lone parent employment rate for lone parents with children aged 7 to 15 which stands at 66.8%². There are around 100,000 lone parents claiming IS with a youngest child aged 5 or 6³. Based on evidence of historic benefit flows the policy is expected to affect around 75,000 lone parents per year in steady state.

8. The impacts presented are based on the following key assumptions:

- the majority of lone parents are assumed to claim JSA when their IS eligibility ends, with the remainder claiming ESA, remaining on IS, moving directly into employment or off benefits for another reason. This assumption draws on evidence from the previous tightening of eligibility for lone parent benefits, adjusted to take account of the possibility that those with younger children might be less work ready;
- the number of new claims by lone parents for benefits are similar to past trends, although the equivalent to a 10 per cent reduction in claims is assumed because of the stricter requirements for JSA or ESA;
- lone parents claiming JSA are assumed to move off benefit faster than previously on IS. It is also assumed that a proportion of those who moved into employment move back onto JSA at a later date;
- 60% of lone parents leaving benefit are assumed to go into paid employment, based on analysis from the Family and Children Study, New Deal for Lone Parents (NDLP) statistics, and the DWP Destinations Survey. Destinations other than employment include re-partnering, education or training, moving abroad or unknown destination;⁴
- this change is assumed to affect more lone parents in 2012/13 than in subsequent years due to those with youngest child aged five and six losing their IS eligibility within that year; and
- estimates have taken into account the fact that lone parents are more likely than other groups to work part-time and that their average earnings are likely to be lower.

Estimated Costs

9. From the individual perspective moving lone parents off benefit and into work incurs costs through benefit losses and increased spending on taxes (income tax and indirect taxes) and National Insurance Contributions (NICs). These costs to individuals will be around £560m over the Spending Review Period to March 2015. Further there will be around £60m of in-work costs to individuals such as childcare and travel over the Spending Review Period to March 2015.
10. For Government there will be an increase in administrative costs associated with transferring lone parents onto the more intensive JSA and ESA regimes and additional Work Focussed Interviews prior to transfer. It is estimated that the increase in costs will be around £110m over the Spending Review period to March 2015. As many lone parents will be eligible for tax credits and In-Work Credit⁵ Government will also incur additional costs of around £240m.
11. The overall costs including transfers therefore will be £970m over the Spending Review period.

Estimated Benefits

12. DWP current estimates are that the implementation of the policy as set out above could lead to a net reduction of around 30,000 to 40,000 in the number of lone parents on out of work benefits. This

² DWP analyses of the Household Labour Force Survey, Quarter 2 2010. They cover men aged 16-64 and women aged 16-59 in Great Britain, and are not seasonally adjusted.

³ Work and Pensions Longitudinal Study, May 2010.

⁴ Some individuals moving into unknown destination will have moved into employment, including individuals moving to self employment and low paid work.

⁵ In-Work Credit (IWC) is designed to help lone parents cope with the financial aspects of the transition from benefits to work. To be eligible lone parents must have been on IS, JSA or ESA for 52 weeks or more and move in to work of 16 hours or more a week. It is paid for a maximum of 52 weeks at £60 a week in London and £40 a week in other parts of the country.

reflects reductions in the number of lone parents on IS, combined with increases in the number of lone parents on JSA and ESA.

13. Lone parents moving into work will benefit through increased income from wages. The total additional annual in-work gross earnings gained by lone parents over the Spending Review period to March 2015 are estimated at £390m. Further lone parents eligible for tax credits and In-Work Credit will benefit in total by £240m over the Spending Review Period.
14. For additional lone parents moved into work, there are fiscal benefits generated by reduced spending on out of work benefits (IS/JSA, Housing Benefit, Council Tax Benefit), extra taxes (income tax and indirect taxes) and NICs. Over the Spending Review period to March 2015 these benefits will be £560m.
15. Taking into account wider benefits to society (e.g. reduction in health care costs), the policy is expected to result in extra benefits of around £30m over the Spending Review period to March 2015.
16. The overall benefits including transfers therefore will be £1,120m over the Spending Review period. Hence, the net benefits of this policy option over the Spending Review period are around £250m.
17. It is estimated that the change will result in 20,000 to 25,000 extra lone parents in work, which in turn could impact on child poverty. Compared to a child of a lone parent who is not working, a child of a lone parent that works part-time is over 2.5 times less likely to be living in poverty and a child of a lone parent that works full time is over 4 times less likely to be living in poverty.⁶
18. There are likely to be other benefits to work including increased wellbeing of individuals who find work and these impacts are not fully captured in our estimate of the health impacts of work. In addition, if a parent moves into work, potentially lifting the family out of poverty and providing a better lifestyle, this may result in an increase in their child's welfare.

Other conditionality measures

Policy Rationale

19. As well as increasing the conditions of entitlement for some lone parents as set out above, the Bill introduces measures which will:
 - Ensure that claimants fully understand what is expected of them, whatever the level of conditionality they are subject to;
 - Improve the sanctions regime so that it effectively encourages claimants to meet their responsibilities;
 - Reform the hardship regime so that they do not undermine the impact of a sanction while protecting people, in particular those in vulnerable groups, from experiencing hardship.
20. The policy change and the rationale for these measures are set out below.

Introduction of the claimant commitment

21. Every Income Support, Jobseeker's Allowance and Employment and Support Allowance claimant to have a claimant commitment as a condition of entitlement. The commitment will set out the general expectations on each claimant, the requirements placed upon them and will also be clear about the consequences for the claimant of failing to meet these agreed standards.
22. The claimant commitment is being introduced to clearly set out a claimant's responsibilities in return for benefit payments. The claimant must accept the commitment before any payments are made - such a commitment does not exist across existing benefits and it is intended to send a clear

⁶ Households Below Average Income 2008/09. Comparisons based on 60% of median income Before Housing Costs.

message that benefit payments are conditional on a claimant meeting their responsibilities. The commitment will also ensure that any specific requirements placed on claimants are communicated clearly, together with an explanation of the sanctions that will follow a failure to comply. The introduction of the commitment - together with other changes - should support higher compliance.

23. In developing this policy the alternative considered was no change at all. It was felt that this would not deliver the policy objective of greater clarity in the conditions of entitlement, and would not provide the consistency between claimant groups that will be needed as we move to Universal Credit.

Changes to the sanctions regime

24. The current sanction system does not encourage compliance as effectively as it could. This is partly a result of complexity - there is no consistent set of sanctions across the out of work benefits - and (because of a reliance on variable sanctions) it is not always clear what level of sanction will be imposed for any particular failure. In addition, once a sanction is imposed there is nothing to encourage rapid recompliance and sanctions are insufficiently tough for claimants who repeatedly fail to meet their most important responsibilities. The proposed changes to the sanctions system are intended to address these issues.
25. The new sanctions model, which will be applied in broadly the same way under Universal Credit, will have four levels of financial penalty. The detail of these will be set out in regulations, but the current policy design is set out here:
- a. Failure to meet a requirement to prepare for work (applicable to jobseekers and those in the work preparation group including ESA WRAG customers) will lead to a 100% reduction in JSA or ESA benefit until re-engagement followed by a fixed period sanction (one, two then four weeks). Under the current system jobseekers would receive a fixed sanction (2,4, or 26 weeks) for this type of failure and a claimant in the ESA Work Related Activity Group would only have one element of their benefit sanctioned (the Work Related Activity component) rather than the entire out-of-work benefit.
 - b. To actively seek employment or be available for work will remain conditions of entitlement under JSA. A failure to meet these conditions will, as now, lead to disqualification. In the current system, claimants can reapply immediately but under the new approach no benefit will be payable for a 2-3 week fixed period. For a second failure the fixed period will be up to three months.. Under Universal Credit, failure to actively seek employment or be available for work will lead to a fixed period sanction of 4 weeks for a first failure and 3 months for a second.
 - c. The most serious failures that apply only to jobseekers will lead to JSA payments ceasing. Actions that could trigger this level of penalty include failure to accept a reasonable job offer, failure to apply for a job or failure to attend Mandatory Work Activity. Payments will cease for three months for the first failure, six months for the second, and three years for the third. Under the current system these failures would usually result in a variable sanction of between one and 26 weeks.
 - d. For some claimants the only requirement is attendance at work-focused interviews (e.g. lone parents on Income Support and some lone parents on ESA). Failure to attend these sessions is often due to challenging circumstances and improvements are being made to ensure lone parents know about and are able to comply with their responsibilities. A financial sanction will be imposed where necessary that is broadly in line with current arrangements. However steps will also be taken to ensure that lone parents with very young children have sufficient income. Currently sanctions for lone parents on IS start at 20% of the benefit but can reach 100% after repeated failures⁷. In addition, failure to attend the first WFI can lead to disqualification. Attending WFIs helps lone parents to keep in touch with the labour market but - unlike those on JSA – government does not have an overriding objective to get this group to move into work or prepare for work. Therefore, the current level of sanctions could become

⁷ In cases where repeat sanctions have been applied the over 25 personal allowance rate is reduced to 10p. This is to protect receipt of passported benefits such as Housing Benefit and Council Tax Benefit. Other benefits have similar protections and these will be maintained.

disproportionate and DWP proposes to cap the reduction at 40% and remove the possibility of disentanglement for failure to attend their first WFI.

26. The alternative considered was to keep sanctions as they are now. This would have meant not tackling the problems with the existing regime.

Changes to hardship payments

27. The JSA hardship regime can provide financial support at a reduced rate where a benefits sanction is imposed and, in limited circumstances, where a jobseeker is disentitled from JSA or where their payment has been suspended. To qualify, a claimant will need to show that they would be left in hardship were no such payment to be made. A member of Jobcentre Plus staff will look at a number of things, including whether the individual has access to any other financial resources within their household and whether there is a substantial risk that their household would be left without essential items (eg food, heating). Access is immediate for certain customers in a more vulnerable situation (for example for customers who have a pregnant partner, for lone parents and for those with chronic medical conditions). For those in need who do not fall into a vulnerable group, hardship payments normally begin after two weeks of a sanction.
28. In future hardship payments for some claimants will be recoverable. Hardship payments will continue to be made on a non-recoverable basis to those in a vulnerable position and work is being done to determine how exactly that should be defined in the future. The current definition of vulnerable groups (set out in the regulations) will be a starting point for this. As there will be changes to ESA sanctions to allow for a 100% reduction in benefit until re-engagement followed by a fixed period sanction (of one, two then four weeks) non-recoverable hardship payments will be expanded to cover ESA claimants.
29. Changes to hardship payments will reduce the extent to which the existence of a hardship diminishes the impact of sanctions. At the same time the new hardship policy will be: consistent with the principles of Universal Credit (treating households as a single benefit unit); and protecting people from hardship, in particular those in vulnerable groups and their dependents and families.

Estimating Costs and Benefits

30. The other conditionality measures will elicit behavioural responses which are difficult to predict with certainty. Where possible, these have been quantified using the evidence available. In some cases (for example changes to the sanctions regime) new approaches are being introduced such that there is little historic evidence to guide us as to the scale of these impacts. Where it has not been possible to quantify effects the impacts for each measure are explored in qualitative terms, the types of costs and benefits that would result from these policies and who benefits or loses in each case are set out.

Estimated Costs

31. Administrative data suggests that 450,000 to 550,000 sanction or disentanglement decisions were taken in 2009/10. Of these around ten percent would be classed as a higher level sanction under the new regime. Approximately 10-15 percent would be at the medium level. Around one-fifth would be at the lower level and the remainder (just over half) would result in disentanglement. A financial sanction results in partial or total withdrawal of benefits for a particular claimant over a period. This results in a loss to the sanctioned claimant (which will be partly offset by hardship payments in some cases). The loss is reflected in a saving to the exchequer. The proposed changes may increase the average duration of sanctions, and they attach a fixed period full sanction after a disentanglement. For a given volume of sanctions and disentanglements this would result in a financial cost to sanctioned claimants, also reflected in a saving to the exchequer. However changes to the sanctions regime are intended to improve compliance with the regime (see below).
32. Where loans replace hardship payments and so become recoverable then the individuals subject to repayment will incur a financial cost. This will be reflected in a fiscal saving as the cost of some hardship payments is recouped (subject to some risk of default).

33. There is likely to be a small administrative cost to changes to the policy on hardship. The introduction of the claimant commitment and changes to sanctions are also likely to introduce a small additional cost (early estimates suggest that this will be less than £5m).

Estimated Benefits

34. The measures considered here are all intended to improve compliance with existing conditions of entitlement. Where this results in additional time in employment there will be fiscal, as well as wider economic and social benefits. Benefits to the exchequer include reduced expenditure on out-of-work benefits, housing benefit and council tax benefit (eventually Universal Credit payments), as well as indirect benefits such as increases in tax receipts and National Insurance Contributions (partly offset by tax credit payments). Claimants who are supported in finding work also benefit, through increased income from wages (although this will be partly off-set by a reduction in benefits and increases in taxes paid). There will also be less tangible benefits such as improved health status associated with being in work. Improving flows into work benefits the economy as a whole, and there are also wider social benefits.⁸ Increases in parental employment will also reduce the number of children living in poverty.
35. The introduction of the claimant commitment is anticipated to introduce greater clarity with respect to the requirements on each individual, encouraging greater compliance with the conditions of entitlement for each group. For jobseekers in particular this will facilitate work-search and movements into work. It will also ensure that claimants are fully aware of the results of non-compliance, further increasing the incentive to comply with the regime.
36. A tighter sanctions regime will also provide a greater incentive to comply with the job-seeking requirements. This should increase the amount of productive jobsearch and could also reduce the number of sanctions and disentitlements. As a result of these behavioural changes the expectation is that some claimants will find work earlier than they otherwise would have done, with resulting benefits as set out above.
37. As with changes to the sanctions regime, changes to hardship are intended to improve compliance with the overall regime. As a result it is expected that fewer claimants sanctioned in the first place (benefiting those individuals while the exchequer incurs some direct cost of benefit payments that would not otherwise have been made) some increase in off-flow rates and flows to employment. To the extent that this occurs there will be social and fiscal benefits as described above.

Couple policy under Universal Credit

Policy Rationale

38. In advance of Universal Credit certain partners within a couple will be subject to increased conditionality. In line with changes to Lone Parent Obligations, work ready partners with children aged 5 and over will be expected to look for work. At present they are subject to 6 monthly Work Focused Interviews. There will continue to be provision around childcare and carers with children up to age 13 will be able to look for work that fits around school hours. This increase in conditionality is seen as a stepping stone towards Universal Credit where each individual within a couple will be assessed according to their capability for work.
39. Prior to Universal Credit, couples where at least one member is work ready will no longer be able to apply for Income Support. Instead a couple where at least one member is work ready will be expected to apply for Jobseeker's Allowance. The work ready member of the couple will be subject to full JSA conditionality and expected to look for work.

⁸ Note that where a benefit recipient loses or gains income it is reasonable to assume that the welfare impact is greater than the impact to the exchequer. This is because benefit recipients are at a lower income level than the average taxpayer, and their marginal utility of income will be correspondingly higher.

40. Currently, assessments of entitlement to income-related welfare benefits such as Income Support (IS), income-based Jobseeker's Allowance (JSA) and income related Employment and Support Allowance (ESA)/ Incapacity Benefit (IB) are calculated on a family basis. The 'main claimant' may receive money for a 'dependent partner'. Whilst the dependent partners of those receiving income related benefits currently get financial support via the benefit system they do not face the same obligations to look for work. Partners are expected to attend either a single Work Focused Interview (for partners of ESA and IS recipients) or one WFI every six months (for partners of JSA recipients). The exception is couples who do not have dependent children in their household, and who are claiming JSA, who are required to make a joint claim for JSA and both members of the couple must meet the labour market conditions for claiming JSA. Legislation allows for certain people to be exempt from this conditionality for a range of reasons – often related to their health or caring responsibilities.

Couples under the Universal Credit

41. The conditions for receiving Universal Credit will require a joint claim from both members of a couple in all cases. This removes the current situation for some couples where there is a main claimant, undertaking conditionality and a 'dependent partner' for whom there is limited expectation to look for work. Under Universal Credit the concept of a dependent partner no longer applies and both partners play an equal part in the claim. Universal Credit introduces personalised conditionality where advisers will ensure that requirements they place on a recipient are reasonable for that person, taking into account their particular capabilities and circumstances. In the case of a couple with children, the couple will need to nominate which of them is the 'lead carer' of the child or children.

42. The Government wants to support people to move onto and progress in work while supporting those in greatest need. Therefore, all individuals who are able to look for work or prepare for work should be required to do so as a condition for receiving benefit. 'Partners' often need more support and therefore the proposal for increased conditionality for some groups of partners will ensure that they receive more regular support than is currently the case.

43. Couples are affected in different ways by the introduction of the Universal Credit:

Couples with children under five years old

44. Couples can nominate a 'lead carer' who will be expected to attend some 'keeping in touch' appointments with the Jobcentre. The lead carer in a couple will not be subjected to any conditionality until their child has reached aged one. This changes when the child/ren reach school age when the lead carer will be expected to look for work. The policy is consistent with the changes being brought in for lone parents.

Couples without children and those with children aged five years and over

45. The Universal Credit brings changes for those couples who have no children or children aged five and over where at least one has a disability or health condition affecting their ability to work. In the case of a partner who does not have a health condition or disability their conditionality regime increases from a single Work Focussed Interview to full conditionality on the basis that they are available for and actively seeking work.

Estimating Costs and Benefits

46. Currently there are 441,000 couples claiming JSA, IS, IB and ESA in Great Britain⁹. Of those, 43,000 are couples without a child claiming JSA who will not see a change in their conditionality regime. Further there are 282,000 couples with children claiming JSA, IS, IB and ESA and 117,000 couples claiming IS, IB and ESA who are likely to see changes in their conditionality regime.

Estimating Costs

47. The costs associated with these changes relate to those 'dependent partners' having increased conditionality. There are costs associated with moving from attending a single appointment with

⁹ Work and Pensions Longitudinal Study, May 2010. Breakdowns below may not sum due to rounding.

Jobcentre Plus to a more intensive conditionality regime (i.e. keeping in touch regime or full conditionality which will involve greater support for work preparation or more active job search).

Estimating Benefits

48. Assessing the likely impact of this policy is difficult as this is a significant change from previous partners' policies which have concentrated on limited contact and offering support on a voluntary basis. Little is known about this group and many of them have had limited contact with the labour market over a long period. Evaluation of the existing policy of mandatory Work Focused Interviews for Partners (WFIPs) and voluntary New Deal for Partners (NDP) found little evidence of success and suggested that this maybe because partners had limited contact with Jobcentre Plus and the 'better off calculations' were not always positive¹⁰. However the Universal Credit is intended to illustrate being better off in work in a more simplified way, and there is good evidence that for other groups the application of full conditionality can lead to substantially improved employment prospects. Therefore, it is anticipated that given additional support to find work that a proportion of current out of work partners in all of the conditionality groups will, in time find work. Some of this will be 'part-time' work. In addition new flows of partners onto benefits will experience higher levels of conditionality from the start of their claims, which will prevent them from becoming distanced from the labour market as they would under the current policy, and lead to higher employment in this group in the longer run.
49. Improved employment outcomes lead to fiscal, economic, and social benefits. The Exchequer will benefit from reduced expenditure on Universal Credit, as well as receiving more taxes and National Insurance Contributions (partly offset by tax credit payments). Claimants will also benefit from higher incomes, improved health status and better overall well-being (this welfare increase will be partly offset by a reduction in benefits and increased taxes paid). Improving flows into work benefits the economy as a whole, and there are also wider social benefits. Since this aspect of the policy is targeted at couples where both members are out of work, increases in employment will reduce the number of workless households.

¹⁰ Coleman, N. and Seeds, K. (2007): "Work Focused Interviews for Partners and enhanced New Deal for Partners evaluation: Synthesis of findings", DWP Research Report no. 417.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review:

The impact of the policy changes will be reviewed and monitored regularly as roll out takes place. All analysis in the review will be subject to the ongoing availability of the underlying datasets.

Review objective:

To assess whether the increased conditionality for lone parents and couples meets the broad objectives set out in the Impact Assessment, and also the scale of the potential knock on impacts e.g. benefit exit rates.

Review approach and rationale:

A mixture of approaches will be used as appropriate, potentially including:

- 1) Analysis of internal administrative datasets,
- 2) Analysis of survey data such as Household Labour Force Survey and Family Resources Survey
- 3) Work with Jobcentre Plus staff,

It will be important to assess qualitative and quantitative impacts for benefit claimants including lone parents, couples and their children.

Baseline:

Numbers on benefits including lone parents and couples, numbers of children in workless households, benefit exit rates for claimants including lone parents and couples.

Success criteria:

Criteria will include indicators such as benefit exits, increase in the employment rates including lone parent and couple employment rates, decrease in workless households, increase in employment for previously non-working people including lone parents and couples. And shorter-term goals of increased confidence amongst non-working lone parents and couples, and amongst JCP advisers that they feel able to support lone parents in the preparation for and transition to work.

Monitoring information arrangements:

A combination of administrative data on benefits and survey data will be used to assess benefit exits and employment rates. Work with Jobcentre Plus staff will assess the impact on providing individual assessments and support whilst taking into account the needs of the household.

Reasons for not planning a PIR:

N/A