

Welfare Reform Green Paper In Work, Better Off: Next Steps to Full Employment

Northern Housing Consortium Briefing

Summary

The Welfare Reform Green Paper proposes reforms in the following areas in order to achieve the goal of full employment:-

- Strengthening of rights and responsibilities particularly for lone parents
- A more personalised flexible approach tailored to individual circumstances
- Integrated skills and employment agenda
- More partnership work with employers
- Greater utilisation of expertise across the private and third sectors

The reforms will impact on the housing sector in the north as they target many of our customers in social housing. There will inevitably be concerns about reduced income but the sector can help tenants to manage that transition. This will be about financial inclusion, developing appropriate policies/procedures, and providing advice and guidance. The sector must also keep an eye on the long term, responding to the shifting culture and changing housing markets that will inevitably result.

Essentially the reforms are positive and the sector should welcome them as complimentary to our work on sustainable communities. The reforms represent an opportunity for the housing sector to highlight its role and gain support for its work. We must ensure that housing is seen as an integral partner and grasp the opportunities for partnership working and new business, particularly in terms of personalised employment support.

Purpose of paper

This briefing is intended to provide analysis and commentary on the welfare reform green paper to assist Consortium members to understand, prepare for and respond to the reforms set out in the green paper. The green paper clearly has implications for members and is linked to a host of other Government agendas including the Local Government White Paper, the Sub National Economic Review, the City Strategy and the Comprehensive Spending Review. The Consortium is keen to hear member's views on these issues to ensure we are able to represent our members effectively.

Policy context

The creation of Jobcentre Plus, and the development of programmes to support the vulnerable into work combined with incentives through the tax credit system have all contributed to progress on a number of fronts. The UK now has one of the highest employment rates in the world, since 1997 an extra 2.6 million people are in work and the number of children living in poverty is reducing.

Despite this progress there are still 3.6 million people of working age who have been on benefit for over a year, and of those 2.67 million are on incapacity benefits (7.5% of the working age population). There are still concentrations of worklessness in

cities, often close to thriving labour markets, and whilst the situation for black and minority ethnic (BAME) groups is improving, these groups are more than twice as likely to be unemployed as white people.

The green paper sets out the government's intention to raise the employment rate to 80% of the working population.

"The goal of full employment matters for people because the chance to work opens up the chance to progress, to develop and to participate fully in society. We know that people in work are often healthier, and more fulfilled, than people who are not. It matters for our society because the poverty linked to worklessness divides our communities and deprives too many children of a fair chance in life. It matters for the economy because sustained growth depends on an active growing workforce. As the population ages the natural growth of the labour force is slowing and we need to draw new people in".

In Work, Better Off: Next Steps to Full Employment, DWP, 2007

The aim of the green paper will be achieved by:-

- a reduction of one million in the number of incapacity benefit claimants;
- 300,000 more lone parents in work;
- one million older people in work.

The prize, according to Peter Hain the Secretary of State for Work and Pensions, is *"not only a more productive life for those moving into work, but potentially an £11 billion reduction in benefit payments, money that can be invested in front line services or reforming taxes".*

Guiding principles of reform

- Balance of responsibility on those receiving benefits to help themselves
- Personalised and responsive support tailored to individual needs
- Integrated skills and employment agenda and support to stay in work
- Partnerships across public, private and third sector, in the context of clear strategies, outcomes and targeted resources
- Devolution and local empowerment

Clearly there is a close link between the green paper and government policies to develop the economies of the regions¹, to promote greater control, opportunity and independence², and the devolution of power to local authorities and to citizens³.

The green paper is particularly significant in light of the recent Hills Report which called for "a decent home for all at a price within their means". The Hills report stimulated debate on the negative implications of reliance on rationed systems – limitations on choice and mobility, and lack of consumer power – and called for systems to be designed in a way that minimised the disadvantages of dependency. The Hills Report⁴ highlighted some startling facts regarding the **national** composition of the social tenant population:

- 70% of social tenants come from poorest 2/5th of the population
- Nearly 1/5th of all households in estate areas are economically inactive but not retired
- Increasing proportions of tenants in social housing have characteristics that are generally associated with a weak position in the labour market.
 - High rates of disability and long term sickness

- Lone parenthood
- People from BAME backgrounds

Whilst there has been a fall in the proportion of social tenants formally classed as “unemployed” between 1981 and 2006, there has been a striking rise in the proportion classed as “other inactive” (63% of whom are lone parents) and particularly in those reported as “permanently sick or disabled”, to nearly ¼ of all those of working age.

The green paper focuses on the on the long term sick and disabled, lone parents and BAME groups highlighting important implications for members due to the social and economic status of their tenants and the nature of the communities in which they work. The **northern** regions fair the worst in terms of overall deprivation⁵. The North East recorded the highest percentage of Super Output Areas (SOAs) falling into the most deprived 20% of SOAs in England, with 38.1%. This was followed by 32.8% in the North West and 29.6% in Yorkshire and the Humber.

The Cambridge Centre for Housing and Planning Research also highlights some startling regional statistics⁶. The social sectors in the North East and North West regions have:-

- the highest unemployment rates well above the national averages,
- the highest proportion of households outside the labour market, and
- the highest proportion with poor health

Life expectancy in the North is below national averages. The life expectancy in the NE is the lowest in the country and the NE has the highest % of people with long term limiting illnesses (22% - compared to English average of 17.9%). In contrast the East, South East and South West regions have the highest proportions of social housing tenants in paid employment.

The key reforms in the green paper are summarised below:-

Chapter 2: A chance to work for all

- Move more people on inactive benefits into work in particular incapacity benefit claimants, lone parents and older people.
- Increase employment among ethnic minority groups, encourage participation and tackle discrimination, particularly for women of Bangladeshi and Pakistani origin.
- Increase employment rates in cities where the lowest employment rates are concentrated.
- Equip people with skills; in particular reduce the number of 16-17 year olds not in education.

Chapter 3: Local employment partnerships

- Place employers at the heart of reforms and introduce a new ‘Jobs Pledge’ which will offer 250,000 existing jobs to long term benefit claimants
- Increased employer engagement, including the construction sector
- Focus on the groups who need most help, and provide them with tailored support strengthening a ‘something for something’ culture in the welfare to work system
- Link employment to skills and pre employment preparation, including support for the period of transition from benefit to work
- New Commission for Employment and Skills from 2008

Chapter 4: The next steps towards full employment

- Raised expectations on the unemployed to seek work, backed by more integrated, flexible and personalised support.
- Fast tracked help for those facing severe barriers to work.
- Tailored approaches in the localities where BAME communities are
- Much closer integration of skills and employment.
- National roll out of the Pathways to Work programme by April 2008.
- Introduction of the new Employment and Support Allowance from 2008.
- From October 2008 lone parents will no longer be entitled to income support if their youngest child is over 12 years, and from October 2010 this age would be reduced to 7 years.
- From April 2008, a duty on LA's to secure sufficient childcare provision

Chapter 5: Delivery through partnerships

- Central role for Jobcentre Plus in setting out rights and responsibilities but also offering access to wider range of services and brokerage support to find the right employment solution.
- Specialised support and earlier intervention for the hardest to reach in particular those with low skills, poor mental health, poor access to transport, and those facing multiple barriers to employment.
- Build upon existing successful partnerships with the private and third sector such as New Deal for Disabled People and Employment Zones.
- Develop a new strategic approach to contracting based on quality provision; outcomes based contracts and value for money.
- Further partnerships across government - health, housing and tax.
- Greater joined up working between central, regional and local bodies
- Key role for MAA's, LAA's and LSP's in determining sub-regional and local indicators and targets.
- Strong local delivery partnerships based on the City Consortia approach being piloted in 15 localities aiming to deliver additional outcomes based on pooled funding, locally commissioned joined up services to tackle locally identified solutions in areas of particular need.

Consortium viewpoint

The green paper is complimentary to the work of members and provides a clear policy lead which supports our approach to developing sustainable communities in the North. The Consortium welcomes the vision and objectives in the green paper; however, it is important for members to consider the implications of the reforms strategically and operationally, as they are likely to affect many customers.

- **Impact on Income**

The reforms may cause concern and anxiety for a large proportion of tenants as they experience, or perceive they will experience, their income to be affected by changes in the welfare system. For many this may mean a possible reduction in income. Given that the reforms will target the disadvantaged, the affected individuals could be more likely to have communication needs or mobility problems, making it more difficult for them to navigate a new benefit system or find work.

Members will need to support tenants to understand the impact of the reforms on them, and should put in place policies and procedures to assist them both to navigate

the new system but also to maintain a stable tenancy during the transition into work. The introduction of a financial inclusion strategy would be a useful step and could include the direct provision, or signposting to, welfare benefits advice, access to broadband and IT training, access to financial products and services, support to access relevant employment support services and direct involvement in employment support partnerships at a local or sub-regional level. If tenant's income levels reduce members may also see an impact on arrears recovery performance. It may be helpful for members to review their arrears recovery policies and procedures to ensure they are absolutely clear and fair in light of reforms.

These income related issues may cause concern for members but must be seen as an inevitable consequence of change and a step towards a better long term outcome for tenants, which will help to lift them out of a poverty trap which has dogged the social housing sector in recent decades.

- **Responding to changing aspirations**

On a very positive note for the sector, an increase in employment amongst social housing tenants could lead to a change in consumer culture. As more tenants move into work and begin to pay for services, the level of scrutiny on providers and the onus to deliver will inevitably increase. This will cut across all levels of customer service but a good example would be the provision of chargeable services such as gardening, communal cleaning. Whilst rents are capped, service charges need only be set at 'reasonable' levels. Policies for setting service charges will need to take into account the impact of increasing charges on a greater number of working tenants no longer entitled to housing benefit (which usually covers chargeable service provision).

Aspirations in social housing are often low and a positive outcome of the reforms could be a move towards more tenant led performance improvements, as opposed to more regulation led improvements. Greater consumer power could result in the less customer centric housing providers being left behind as tenants have more financial ability, mobility and become more discerning. Will the reforms help to lead to an increase in popularity amongst the employed and would that help to tackle the stigma of social housing? Will social housing become a more attractive and viable option for intermediate⁷ households? As the labour market changes, we would expect to see an impact on the regions housing markets. In the short term this could lead to greater pressure but in the longer term new markets will open up with the need for members to consider their residential offer. This is clearly an issue for strategic housing authorities, pathfinders, sub-regional housing partnerships and the regional assemblies.

The economic strategies of the three northern regions⁸ all seek to connect people to jobs whether that is through the development of infrastructure and skills, an increase in new businesses in deprived areas or support for businesses to find new markets. As we move closer to 2010 and the development of an integrated strategy by the Regional Development Agencies we should experience a coherent approach to local development, and hopefully this will provide a further opportunity for local authorities and partnerships to offer expertise.

- **Sustainable communities**

Consortium members see the evidence that poverty and worklessness divides communities. Full employment therefore matters to the North, and it is the right time to move forward on the issue of welfare reform. The guiding principles of reform in the green paper are ones which compliment the work of the housing sector. Research published by the Joseph Rowntree Foundation⁹ highlighted the important

role housing organisations play in lifting families and young people out of poverty. The research identified being out of work and having a family history of worklessness as key factors in perpetuating poverty and social exclusion and commended the work that housing organisations are already doing to help people into employment. The Housing Corporation is encouraging excellence through its 2008 gold award which will include the theme of “Tackling Worklessness”. Entrants will be contributing to the delivery of the national PSA floor target for worklessness and contributing to meeting Local Area Agreement targets for economic development and enterprise. Partnership working with other bodies will feature strongly in the award and there will need to be a demonstration of clear and measurable evidence of positive outcomes over time¹⁰.

Consortium members are supporting the north's economies by improving the residential offer and place making, diversifying their businesses and supporting residents to progress, to develop and to participate fully in society whether that is through Supporting People strategies, financial inclusion strategies, practical support for social enterprise, skills development and real opportunities for training and employment. The Northern Housing Consortium has a link with the Construction Employment Integrator project, which works with public bodies and the private sector to promote the use of local resource by construction companies.

Examples of good practice in diversification are highlighted in the NHC report ‘Stepping Out: New Ventures for Housing Organisations’ and will feature in a new report on the role of housing organisations in social enterprise and other community ownership initiatives due for publication later in the year. Examples of good practice from members would be welcomed for inclusion in the Northern Housing Consortium's consultation response to the DWP.

- **Partnerships and support**

The Consortium supports the central role of Jobcentre Plus but welcomes the commitment to broadening the range of services and support available to job seekers. The most disadvantaged are often clients of many agencies. One size will not fit all particularly when supporting those with multiple barriers to employment, and if the outcome is to be a positive one for the individual a range of support services is required.

We support the move towards early and targeted intervention and would recommend taking a case management approach to supporting the groups to be affected most by the green paper. Taking the BME population as an example, the report highlights that take up of benefits is low amongst communities. These individuals will require local and culturally sensitive services and for many who are outside of the welfare system, let alone the labour market, third sector organisations will be the most appropriate to provide support. The 3rd sector, with its innovative and flexible approaches is a natural partner to take a case management approach. It is not about fragmenting or outsourcing vital resources but recognising that the value of a mixed market of provision.

We support the model of contracting being proposed – strategically commissioned and integrated services, which are personal and involve the customer in identifying their needs and aspirations, provided by a mixed market and measured on outcomes. Members will no doubt be familiar with the contracting model being proposed. It very much reflects the Supporting People model which is demonstrating that a mixed market can provide a flexible approach, tailored to the needs of the individual and delivering positive outcomes and value for money. Consortium members have long understood that locally responsive services which are jointly commissioned are crucial to providing support to individuals with multiple needs

whether that is to live independently or to find suitable employment or training. The recently published Supporting People strategy “Independence and Opportunity” makes clear the future direction of the programme to ensure vulnerable people receive support to live independently and contribute widely to the social and economic fabric of society. Many of the Consortiums members are working in effective partnerships, funded by Supporting People, which target disadvantaged groups and support them to gain skills, confidence and ultimately employment. The Jobcentre Plus is, in some areas, becoming aware of Supporting People provider links into the communities they wish to target. Their work has been welcomed and in some cases formal partnerships are in place but this experience is not uniform. Many Supporting People providers are looking to diversify towards employment related support as the Supporting People funding pot shrinks. The green paper should give a clear lead and support to this type of approach.

Action points for members

- Understand your customer, assess the impact of reforms on them and use the evidence to inform a financial inclusion strategy for your organisation
- Consider the impact of reforms on customer service needs and expectations and feed this into any reviews of policy and procedure
- Develop an evidence base of what works and promote your good practice in financial inclusion, social enterprise etc
- Develop positive approaches to the training and employment of local labour particularly around the integration of the economically inactive.
- Ensure your organisation has a strong voice on the Local Strategic Partnership and is linked into key local delivery partnerships
- Build capacity internally and make the case for the delivery of employment support contracts
- Assess the impact of reforms on demand for social units, owner occupation and shared ownership and feed into development strategies and plans
- Assess the impact of reforms on housing markets and update local and sub-regional housing strategies

Next Steps

The Consortium intends to send a consultation response to the DWP on behalf of members. Your views and any case studies of good practice would be welcomed by **Monday 17th September 2007**. The DWP green paper, including the consultation questions, can be accessed via www.dwp.gov.uk/welfarereform/in-work-better-off.

The themes in the green paper will be considered in the Northern Housing Summit which is being held on 21-22nd November 2007 in York.

The Northern Housing Consortium’s Annual Supporting People Conference is being held on 13-14th September 2007 in York. The conference is a strategy and implementation event for the new Supporting People Strategy: Independence and Opportunity, and will include a workshop session delivered by Tyneside Cyrenians, an innovative provider supporting independence and local employment opportunities for vulnerable people.

For further details of Northern Housing Consortium events and booking information please visit the events page on our www.northern-consortium.org.uk.

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References and Footnotes

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- ² Supporting People Strategy: Independence and Opportunity, CLG, 2007
- ³ Local Government White Paper: Stronger and Prosperous Communities, CLG, 2006
- ⁴ Ends and Means: The Future Roles of Social Housing in England, John Hills, 2007
- ⁵ Indices of Multiple Deprivation, DCLG, 2004
- ⁶ The Demand for Social Rented Housing – A Review of Data Sources and Supporting Case Study Analysis, Sarah Monk et al, 2006
- ⁷ Intermediate households are defined as working households who can afford social housing rent without housing benefit but cannot afford to buy at the lowest decile point of house prices for two- and three-bedroom dwellings.
- ⁸ Leading the Way, One NorthEast, 2006
Regional Economic Strategy, Northwest RDA, 2006
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- ⁹ What will it take to end child poverty? Joseph Rowntree Foundation, 2006
- ¹⁰ www.housingcorp.gov.uk