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# STATES OF JERSEY



## **INCOME SUPPORT: REVIEW OF THE INTERACTION BETWEEN INCOME SUPPORT AND EMPLOYMENT – PREPARED BY THE INTERNATIONAL CENTRE FOR PUBLIC AND SOCIAL POLICY**

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**Presented to the States on 19th July 2011  
by the Minister for Social Security**

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**STATES GREFFE**





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# **Review of Income Support: Stage 1 - Interaction between Income Support benefit system and employment**

**A review for the Social Security Department, States of  
Jersey prepared by the International Centre for Public  
and Social Policy**

**Bruce Stafford, Simon Roberts, Deirdre Duffy and Martin  
Heneghan**



international centre for  
public and social policy

International Centre for Public and Social Policy  
School of Sociology and Social Policy  
The University of Nottingham  
University Park  
Nottingham, NG7 2RD  
United Kingdom

Tel: (0115) 846 67439

Fax: (0115) 951 5232

Web: <http://cmslive.nottingham.ac.uk/sociology/index.aspx>

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# **Disclaimer**

The views in this report are the authors' own and do not necessarily reflect those of the Social Security Department.

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# The Authors

**Deirdre Duffy** was a Research Associate at the International Centre for Public and Social Policy, School of Sociology and Social Policy, University of Nottingham. Before joining the School in November 2008, she worked as a Research Associate at the Centre for Regional Economic and Social Research, Sheffield Hallam University where she was part of the Housing team.

Deirdre is primarily interested in housing and urban policy planning, community engagement strategies and the needs of vulnerable groups, in particular young people with complex needs.

In recent years the majority of her research has been for local authorities and government departments, notably the Department for Communities and Local Government and the Department for Work and Pensions.

**Martin Heneghan** is studying for a Master's degree in Social Policy and Administration at the University of Nottingham. He holds a degree in Economics from the University of Sheffield. His research interests include the interaction of social security and the labour market, the financing of welfare and the effect of globalisation on national welfare policies.

**Simon Roberts** is a Special Lecturer at the International Centre for Public and Social Policy, School of Sociology and Social Policy, University of Nottingham. Before joining the University of Nottingham he was a social and policy researcher at the universities of Brunel and Loughborough. His main research interests include UK, European and international social security, disability and discrimination, and housing benefit reform. He is the UK expert, a visiting international expert and member of the think tank on the European Commission's Training and Reporting on European Social Security network.

**Bruce Stafford** is Professor of Public Policy at the International Centre for Public and Social Policy, School of Sociology and Social Policy, University of Nottingham. Before joining the School in February 2006, he was a social and policy researcher in local government and at the universities of Birmingham, Loughborough and Salford.

His research interests are focused on policy evaluations and on social security in particular welfare to work, disability issues, and the implementation of policies and delivery of welfare services.

In recent years the majority of his research has been for government departments, notably the Department for Work and Pensions.

# Abbreviations

ALMP	Active labour market policies
EMTR	Effective Marginal Tax Rate
JET	Jersey Employment Trust
OECD	Organisation for Economic Co-operation and Development
RUDL	Regulation of Undertakings and Development (Jersey) Law, 1973
SSD	Social Security Department

# Summary

## Introduction

- S.1 The States of Jersey is conducting an extensive review of the Income Support system introduced in January 2008. The Social Security Department commissioned the International Centre for Public and Social Policy at The University of Nottingham to inform one strand of this review, the interaction between Income Support and employment.
- S.2 This report presents the findings of this review of the interaction between Income Support and employment. The aim of the review is to provide specialist advice on how the Social Security Department (SSD) might achieve higher rates of employment amongst Income Support recipients. In suggesting enhancements to the current system the review will also consider any changes to the data collected on recipients and the broader context of the recession on Jersey's labour market.
- S.3 The conduct of the review entailed an examination of the international evidence on welfare to work and work incentives policies and of relevant documents on Jersey's labour market and Income Support system; an analysis of administrative data on unemployed Income Support recipients; and a small number of face-to-face and group interviews with people directly or indirectly involved with the delivery of Income Support to unemployed people.

## Review of evidence from other countries

- S.4 There are two broad policy perspectives on employment interventions: 'work first' and 'human capital development'. The work first approach emphasises early entry into any employment, any job is seen as leading to better (long-term) outcomes than no job. In contrast, a human capital development approach seeks to improve the individual's employability through investing in education, training and skills. Recipients do not have to accept the first job offer they receive, but can refuse job offers whilst participating in education or training in the expectation of getting a 'better' employment opportunity at a later date. A criticism of the work first approach is that people can be forced (due to a fear of benefit sanctions) into taking low paid, poor quality work. Compared to the work first approach, the human capital development approach gives the individual more personal responsibility for their career progression. However, it can mean that people remain on benefit for longer.
- S.5 In practice, governments' employment programmes can contain elements of both approaches, and the precise mix can vary for different client groups. However, international evidence suggests that the effectiveness of education and training programmes in terms of employment outcomes is mixed; and at best employment impacts are modest. General training programmes are found to be ineffective across all client groups. Yet small

scale training programmes tightly targeted on disadvantaged groups (such as those with low or no educational qualifications and older workers) used in combination with other measures can be effective. Training programmes targeted at those with better labour market prospects who may need to up-date their skills can also be cost-effective. Any training programmes should also lead to a qualification valued by employers and incorporate an on-the-job training component.

- S.6 Notwithstanding the mixed findings for education and training programmes in job outcome terms, it would be wrong to simply dismiss education and training programmes as policy options, rather policy makers need to be clear about the aims and objectives of such programmes as they may have a role in promoting employability and other objectives amongst certain disadvantaged groups, such as the long-term unemployed. They may achieve 'soft outcomes' such as improving self-confidence or maintaining an individual's contact with the world of work that, whilst not leading to an immediate job outcome, may do so longer term or be valued as outcomes in their own right.
- S.7 In Jersey, the tension between the work first and human capital development policy stances has salience for the exemption to work full-time for those Income Support recipients attending approved education and training courses and those participating in Advance to Work; and this tension is discussed further below.
- S.8 The international evidence suggests that the following activation measures are cost-effective:
- intensive job search assistance (with in-depth job counselling, monitoring and sanctions);
  - subsidised work placements (or job subsidies);
  - active benefit periods – compulsory participation in measures for the longer term unemployed; and
  - small-scale targeted training programmes that maximise the on-the-job training element.
- S.9 Financial work incentives can also encourage people to move off benefit into paid work. Measures found to be effective are: job entry bonuses, low replacement rates (an indicator of how much better off someone is in work rather than on benefit), low effective marginal tax rates (a measure of the financial gain arising from working an extra hour or taking a higher paid job), and wage supplements, which may be a temporary return to work payment. However, the magnitude of the positive impact of financial work incentives may be less than a simply reading of classical economic theory might suggest.
- S.10 In addition, the following administrative arrangements are associated with an effective public employment service:
- early interventions;
  - personalised support;

- adequate staff/client ratios to ensure effective programme performance; and
- targeted support on the harder-to-help with measures to minimise drop-out.

S.11 The international evidence reveals that there is no single policy measure that on its own would significantly reduce the level of unemployment in Jersey. A package of policy measures appears to be required to help people move from unemployment to paid work.

## **Labour market**

S.12 Jersey has a relatively high proportion (86 per cent) of residents of working age who are economically active. The workforce is relatively young (51 per cent are aged between 25 and 44 years) and skilled (five out of six of the working age population have a secondary qualification). Most people work in the private sector: around a quarter (24 per cent) of the Island's 53,460 employees (December 2009) work in financial services; the next largest sector is Wholesale and retail with 16 per cent of employees. The dominant position of the financial sector in the labour market made the island vulnerable to the 2008 global recession.

S.13 There are monthly fluctuations in the registered number of unemployed people Actively Seeking Work. Although the registered number peaked at 1,180 in March 2010, the underlying trend is upwards. At the end of July 2010 there were 1,250 people registered as unemployed and Actively Seeking Work. The International Labour Organisation's measure of the unemployment rate was 2.7 per cent in summer 2009.

S.14 The economic downturn has meant that there are fewer job vacancies for jobseekers in Jersey. Although there are advertised job vacancies, the vacancy to unemployment ratio shows that in recent years there have been fewer job vacancies per unemployed person. Despite this fall in the ratio, some employers say they are having difficulties in recruiting suitable employees. Respondents noted a decline in employment in financial services, the utilities, and hospitality and tourism sectors.

## **Income Support and those Actively Seeking Work**

S.15 Jersey does not have a contributory unemployment benefit, but provides social protection via its Income Support system. To be entitled to Income Support claimants must be locally resident, be either in work or actively seeking full-time work unless falling into an exempt category, and meet a household income based test.

S.16 Jobseekers in receipt of Income Support are a diverse group. An analysis of administrative data shows that the typical claimant tends to be:

- male (61 per cent);
- young (28 per cent aged 16 to 19);

- without dependent children (however, some of these childless units comprise single people residing with their parents, but under Income Support rules are classed as a separate unit for benefit purposes); and
- a Work Zone client (82 per cent) who is looking for employment as a sales or retail assistant (18 per cent).

S.17 The duration of the typical jobseeker's current spell of unemployment is 21.5 weeks and this figure does not vary significantly by gender or age. However, there is a wide variation around this typical duration. Most jobseekers leave benefit after a relatively short period of time; 59 per cent are unemployed for six months or less (26 weeks) and three-quarters are no longer Actively Seeking Work by week 37. However, a minority are unemployed long-term – 14 per cent have been unemployed for more than one year.

## Policy issues

S.18 There are aspects of the Income Support system in Jersey that represent 'good practice'. Jersey has an integrated benefit and employment service. The jobseeker regime includes a Jobseeker's Agreement, a Permitted Period of 13 weeks (during which jobseekers can seek employment in their usual occupation before broadening their search), jobseekers are required to regularly sign-on and produce evidence of their independent job search activities. The Income Support system includes a childcare component that appears to be well-designed and sensitively implemented. The Advance to Work programme for young people is well-resourced and administered. And the various organisations involved with delivering services to jobseekers appear to have good working relationships. However, the review has found some issues that policy makers might wish to address.

S.19 There has been, as indicated above, a reduction in job opportunities for school leavers and unemployed people on the island. Young people with little work experience and few educational qualifications are seen as disadvantaged in the labour market. Respondents also claimed that there is a minority of jobseekers who lacked the necessary motivation to obtain employment. One policy option, not currently implemented in Jersey, for engaging employers is a job subsidy for placements. Job subsidies have been shown in the evaluation literature to be an effective mechanism for generating employment outcomes.

S.20 Jersey has in recent years pursued a policy of improving work incentives. Yet the design of policy to promote work incentives is challenging. Two key concepts to understanding these challenges are the replacement ratio and the effective marginal tax rate (EMTR). The replacement rate (or ratio) measures the reward for working compared with not working by calculating benefit entitlement as a proportion of expected or future earnings from employment. A low replacement rate represents a strong incentive to be in paid work, as earnings will be (substantially) higher than remaining on benefit. The EMTR measures the incentive for those in work to progress and earn more. It is the proportion of a small increase in



gross income that is deducted through tax and withdrawn from benefit. A high EMTR represents a weak incentive to progress in the labour market.

- S.21 Replacement ratios could be reduced by making benefit rates less generous, but this would undermine other policy objectives especially those aiming to combat (child) poverty, meet housing needs, encourage economic growth and promote social cohesion. However, Jersey has in place policies that lower the replacement ratio through increasing the earnings of those in paid work (or '*making work pay*'). These policies include the minimum wage and the income disregards; and the proposed raising of the earnings disregard from 12 per cent to 16.5 per cent will have a positive impact on work incentives.
- S.22 Unfortunately, increasing the percentage for the disregard expands the coverage of the scheme up the wage distribution, that is, more households on higher incomes become eligible for in-work Income Support. As a consequence through the combination of the withdrawal of benefit, income tax and social insurance contributions more people face higher EMTRs and so have less of an incentive to increase their earnings through working longer hours. However, social security systems may be able to tolerate 'high' replacement rates depending upon other services available to benefit recipients. Higher ratios may not hinder moves off Income Support if other administrative requirements, employment interventions and benefit conditionality requirements can serve to increase the flow off benefits.
- S.23 EMTRs increase when tax and social insurance contributions become payable, because more income is deducted from gross earnings. In some instances where benefit is being reduced and there is a liability for tax, EMTRs can exceed 100 per cent. Jersey's relative low rate of income tax means that when Income Support is not being claimed EMTRs are very low. However, once housing support is claimed EMTRs rise considerably, because Income Support is then claimed.
- S.24 In designing work incentives policy makers need to consider the interaction between replacement rates and EMTRs. As mentioned above improving work incentives by increasing the earnings disregard (reducing the replacement rate) does increase the EMTRs of those eligible for Income Support, which can be a work disincentive. Moreover, there is a limit to what work incentives on their own can achieve in encouraging moves into employment and job progression. People claiming Income Support may not simply respond to financial incentives. Poor jobs (low pay and insecurity) may deter moves off benefit into employment. There is evidence that work incentives to encourage people to enter employment have only a small impact on unemployment. Indeed, even when faced with work disincentives some unemployed people seek and enter paid work. In part this is because people are unaware of work disincentives, and partly because work provides people with valued non-financial benefits, such as social contacts, enhanced self-confidence and so on.
- S.25 Although Income Support is an out-of-work and an in-work benefit, the latter receives less publicity compared to the former. How Income

Support disregards can increase household income for those in low paid work could be more widely promoted amongst jobseekers and employers.

- S.26 Job entry bonuses are an effective mechanism for encouraging jobseekers into employment. Formally Jersey has no job entry bonus, yet it has a *de facto* job entry bonus in the form of the 28-day disregard whereby recipients continue to receive Income Support for four weeks after their first pay day. There may, therefore, be scope to re-formulate the 28-day bonus as an explicit job entry bonus.
- S.27 The system of income disregards and a relatively high threshold before income tax is paid offers incentives for low earners to enter the labour market. The proposed raising of the income disregard to 16.5 per cent will have a positive effect on financial incentives to enter employment as it lowers the replacement rate further. However, there are some financial disincentives in the current scheme notably for single people and couples working full-time and in receipt of the housing support component.
- S.28 People making a new Income Support claim in Jersey receive benefit from the first day of the claim. Some other countries have a qualifying period or 'waiting days' before benefit is paid. The introduction of 'waiting days' would reduce the Department's administrative costs, and those leaving employment may have sufficient income to cover expenditure they incur during the qualifying period. However, the UK experience would suggest that a 'safety net' is required to protect those unable to support themselves during the qualifying period. In Jersey this financial support might be provided by Discretionary Payments. It is possible that the introduction of waiting days for Income Support would lead to an increase in applications for Discretionary Payments.
- S.29 Some countries also have a return to work payment to provide an additional financial incentive for jobseekers to enter employment. Any return to work payment would be paid for a fixed period and could be targeted at specific client groups. Any return to work benefit could be instead of, or in addition to, a job entry bonus. The target groups for the two measures could be the same or different.
- S.30 Although jobseekers can be referred to a number of services and organisations such as Careers Jersey and Workwise, the jobseeker regime is less intensive than that found in some other countries. The evidence review suggests that more intensive job assistance programmes are more successful at securing employment outcomes than those that are not. Features that would need to be addressed to make the Jersey system more intensive include: formulating the Jobseeker's Agreement earlier; to more clearly distinguish between the signing-on function and providing an in-depth job assistance/coaching service; the introduction of an appointments system in Work Zone (which would also help staff manage workloads) with the frequency of signing-on depending upon how long people had been unemployed; and the referral of (certain) client groups to selected employment interventions after they had been registered unemployed for a set period of time (say, six months).

- S.31 The 'tension' between the work first approach and the human capital development approach (see above) is evident in the Income Support rules on approved education and training and in the Advance to Work programme. Aspects of both – for example, that Work Zone advisers are not consulted before a decision is taken on whether to approve a course of study and the 'open' selection criteria for Advance to Work – suggest Income Support is being used to fund students where there is little immediate prospect of an employment outcome. In other words, the deadweight loss of approved courses and Advance to Work is likely to be relatively high.<sup>1</sup> This likely outcome needs to be read in conjunction with the evidence presented in Chapter 2 that education and training programmes only have positive employment impacts in certain situations – they need to be well targeted, small scale, and include a work-based training component. From a work first perspective the current arrangements for studying whilst in receipt of benefit and the Advance to Work programme need to be reformed. Both would need to be more explicitly targeted on those most disadvantaged in the labour market, and participation in Advance to Work for some young people might be mandatory. However, from a human capital development perspective changes to selection criteria are unnecessary; and mandatory participation in Advance to Work might be unnecessary. The key issue for policy makers is what balance should be struck between work first and human capital development approaches in this policy area. This need not be an 'either or' decision, many countries have welfare to work policies that combine work first with human capital development.
- S.32 A few respondents highlighted problematic drug and alcohol use as a barrier to work; however, the review has no data on the prevalence of this barrier to work.
- S.33 Conceivably a small number of jobseekers would like to move into self-employment. Whilst Jersey Enterprise has a range of start-up schemes, together with the Social Security Department they might wish to review the provision available to jobseekers.
- S.34 The international evidence is that the more effective activation programmes include a benefit monitoring and sanctions regime. Staff respondents are critical of benefit sanctions regime: it is seen as imposing too small a cut in benefit and taking too long to implement a sanction. However, research conducted in the UK implies some caution before making radical changes to Jersey's benefit sanction policy. Although the time it takes to impose a benefit sanction is arguably too long and needs to be addressed, any other changes should be considered once further research has been conducted. This research would seek to identify: the factors and motivations that lead to behaviours that result in a sanction; public and claimant awareness of the sanction regime; and for

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<sup>1</sup> The deadweight loss is a measure of an outcome of an intervention that would have occurred even if the policy had not been implemented. So, for example, the deadweight loss for Advance to Work is the number of young people who would have moved into employment even if there had been no Advance to Work programme. The challenge to policy makers is to design employment programmes with low deadweight loss.

those sanctioned the effect of the sanction. The study could entail in-depth interviews with a small sample of sanctioned claimants and focus groups with non-sanctioned claimants and members of the public.

## Recommendations

S.35 The international evidence is unambiguous in concluding that a package of measures is required in helping unemployed people move into paid work; there is no single 'magic bullet' for reducing unemployment. The following is an outline of policy options for policy makers to consider. It is not a set of recommendations that have to be adopted *in toto*; the recommendations can be selectively implemented. Nonetheless, the review team would, on the basis of the evidence from elsewhere, prioritise: increasing work incentives by increasing the income disregard (or taper) of 12 per cent above the proposed 16.5 per cent, and introduce a more intensive job assistance regime supported by a job subsidy. In addition, SSD should publicise more widely the in-work nature of Income Support including a re-engineering the 28-day disregard as a job entry bonus. The extent to which both studying whilst in receipt of benefit and the Advance to Work programme are meant to achieve outcomes other than employment also needs to be clarified and then followed through in the design and implementation of policy.

S.36 The review's policy recommendations are made throughout the report and summarised in Chapter 5. In summary, the review proposes:

- the Income Support system needs a more **intensive job assistance** focus, which would involve: introduction of an appointment system for jobseekers visiting Work Zone advisers; the Jobseeker's Agreement being formulated early on within the new claim process, say, within two weeks; a clearer distinction between signing-on and more in-depth interviews on jobseekers' barriers to work and jobs search activities, the former would be conducted fortnightly for those newly unemployed and then weekly after six months, the latter would be conducted every three months and would include a full review of the Jobseeker's Agreement; more regular monitoring of jobseekers' job search behaviour (as recorded in the *Looking for Work* booklet); referral of jobseekers to specific employment interventions; and imposing and lifting any benefit sanctions more quickly than under the present system.
- The specific employment interventions could include: eligibility for a job subsidy and placement, (possibly a revised) Advance to Work, and Workwise. Referrals would occur after, say, six months of unemployment (in order to minimise deadweight loss). The referral could be voluntary or (for certain client groups) mandatory. The interventions could be targeted on specific client groups. Temporary job subsidises are known to be an effective employment intervention. Further work would be required to determine the value and duration of any subsidy. This study could entail a mixed methods approach with focus groups held with employers to explore their understandings of the local labour market and the factors they take into account when

making recruitment and selection decisions; and their possible responses to different types and levels of job subsidy. The findings of this qualitative research would inform the design of a representative survey of employers, the results of which would inform policy design. In addition, there may be a need for a review of start-up programme for the self-employed. The review would explore the extent to which those leaving Income Support for self-employment made use of Jersey Enterprise services. Social security administrative data can be used to identify a sample and a brief postal or telephone survey used to collect data on former recipients' experiences of the self-employment route including use of Jersey Enterprise and any 'difficulties' or barriers encountered.

- The extent to which the payment of Income Support whilst studying and participation in Advance to Work is intended to lead to employment outcomes only, or to wider educational and skill-related outcomes needs to be clarified. If the policy aim is to solely secure employment outcomes then both need to be more tightly targeted on the most disadvantaged in the labour market, be small scaled and involve work-based training. If jobseekers are being funded to achieve wider objectives then this need to be made more transparent and appropriate performance measures identified. In any event the Income Support paid to those studying or participating in Advance to Work should be renamed 'training allowance' to help signal that for individuals' out-of-work and in receipt of Income Support there is a requirement to be Actively Seeking Work.
- Work incentives could be improved by: amending the rate that benefit is withdrawn from people in-work so that they retain more of the Income Support; pay jobseekers (who meet certain conditions) a bonus for moving into paid work (this can be achieved by re-working the existing 28-day disregard); and/or introduce a return to work payment. As with the job subsidy, the job entry bonus and the return to work payment could be payable only to jobseekers who had been unemployed for, say, six or more months and/or targeted on certain client groups, such as lone parents and older workers.
- The in-work nature of Income Support needs to be more widely publicised.

S.37 One measure for improving the targeting of interventions on recipients is 'profiling', whereby (using administrative data) claimants' characteristics are used to identify those most at risk of long-term unemployment. It is known, for instance, that older men and disabled people are likely to experience longer spells of unemployment than prime age jobseekers with no or minor health issues. However, Jersey's Income Support system has only been operating for a short period of time and there is insufficient data to allow more accurate modelling of claimants' employability. Nonetheless, the Social Security Department should capture data on the characteristics of unemployed Income Support recipients (notably, socio-economic and human capital attributes, benefit work history, work aspirations, jobsearch activities, use of employment programmes and destinations) in order to enable the statistical analysis for a profiling scheme to be tested. Much of this data is already collected by the Department.

S.38 Jersey's Income Support system is a relatively recent reform and the 2008 recession has provided a severe test of its effectiveness in helping unemployed people obtain employment. Steps Jersey policy makers have already taken provide a solid foundation for further reform.

# 1 Introduction

- 1.1 The International Centre for Public and Social Policy, University of Nottingham was commissioned by the Social Security Department (SSD), States of Jersey to conduct a review of the interaction between the Income Support system and employment as part of a comprehensive review of the Income Support system. This employment review is based on interviews with policy makers and other key stakeholders, and an analysis of relevant documents and administrative data.
- 1.2 This chapter briefly discusses the context to the review, sets out its aims and objectives, outlines the research design and methodology and describes the structure of the report.

## 1.1 Background and context

- 1.3 The States of Jersey has undertaken a radical reform of its social assistance system, introducing a new income-related benefit, Income Support, in January 2008. The new benefit replaced a number of other benefits and provides a safety-net to low income households by contributing towards their living, housing, childcare and medical costs.
- 1.4 The number of people who were registered<sup>2</sup> as Actively Seeking Work was stable at around 400 per month for the first six months of 2008 (Statistics Unit, 2009a), then rose above 1,000 at the beginning of 2009 and although then falling slightly has stayed above 1,000 since October 2009 with the total at 1,250 at the end of July 2010 (Statistics Unit, 2010b).
- 1.5 The increase during the second half of 2008 was due in part to the Department implementing the Actively Seeking Work requirements of Income Support for people who had been in receipt of a benefit before its introduction. However, while this process was on-going Jersey was affected by the global recession and job losses were seen across all sectors of the economy.
- 1.6 Around two-thirds of people who are Actively Seeking Work receive Income Support. The latest published unemployment figures show that 63 per cent of those registered as unemployed and Actively Seeking Work on the 31<sup>th</sup> July 2010 were in receipt of Income Support (Statistics Unit, 2010b).
- 1.7 The increase in people registered unemployed and Actively Seeking Work during 2009 was also accompanied by a fall in the number of vacancies in the private sector to the lowest recorded figure for ten years (Statistics Unit, 2009b). Nevertheless, over the year the number in employment has

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<sup>2</sup> There is no legal requirement to register as unemployed, consequently the Social Security Department's figures are only indicative of the level of unemployment in Jersey and will underestimate the total number of people who are unemployed.

remained relatively stable (a 0.3 per cent increase), largely due to an increase in public sector jobs.

- 1.8 The States of Jersey has adopted a number of measures to help jobseekers obtain employment. The Social Security Department's Work Zone provides a range of job-broking services and can refer clients to specialist services and agencies, such as Careers Jersey and Workwise. In addition, there are work incentives provided by a minimum wage and within the Income Support system by income disregards and lump sum payments towards the initial costs of taking up employment.
- 1.9 Nevertheless, as the recession has continued there has been an increase in the number of young adults out of work and the average time to return to employment has increased.

## **1.2 Review aims and objectives**

1.10 The aim of this review is to support the comprehensive review of Income Support by providing specialist advice on how the Social Security Department might achieve higher rates of employment amongst Income Support recipients. Specifically, the objectives of the review are to provide advice on:

- Enhancements to the existing Income Support system with respect to:
  - Work incentives for people in Income Support households
  - The Actively Seeking Work conditions
  - Provision of Income Support to those leaving and entering employment
  - The range of employment services provided directly by SSD
  - Initiatives to target specific claimant groups
- Possible additional data collection to provide enhanced information on employment for those on Income Support
- Timing of initiatives with reference to the current economic recession and future improving employment markets

## **1.3 Research design and methodology**

1.11 The review consists of four main components:

- A review of relevant documents including published statistics and policy guidelines for Jersey, and evaluation and research studies for other countries.
- Qualitative research with selected policy makers and other key stakeholders in the States of Jersey, including staff from the Social Security Department and other organisations. All interviewed participants were promised confidentiality. All meetings were recorded using a digital recorder, but were not transcribed. The fieldwork was conducted over a two-day period during July 2010.
- Analysis of administrative data including socio-demographic and benefit data on Income Support recipients.



- A synthesis of the above evidence and the consideration of policy and practice issues and options.

1.12 The review did not involve interviewing Income Support claimants.

## **1.4 Report structure**

1.13 The structure of the report was agreed with the Department, and reflects the objectives of the review. Chapter two reviews the international evidence on active labour market policy tools. Chapter three describes the Income Support system, the Jersey labour market and jobseekers' characteristics. Chapter four presents the analysis of the main issues based on the review's sources and discusses policy options. Finally, Chapter five presents the conclusions and summarises the recommendations designed to enhance the Income Support system.

1.14 In this report the terms jobseeker, claimant and recipient are used interchangeably, and they refer to unemployed Income Support recipients. In the tables, percentages are rounded up or down to whole numbers, and therefore may not always add up to 100.



## 2 Review of the international evidence on active labour market policy tools

### 2.1 Introduction

- 2.1. Countries have developed a range of policy instruments to promote employment and reduce unemployment. Policy tools used can take the form of active labour market policies (ALMP, also known as activation policies) and financial work incentives.<sup>3</sup> The purpose of this chapter is to briefly review the evidence on policy tools available to Jersey and, where possible, the effectiveness of the measures. The evidential review presented below is based on a number of published studies that have examined Organisation for Economic Co-operation and Development (OECD) and European welfare to work evaluations.
- 2.2. Table 2.1 lists, under the following headings, the main policy instruments that have been used to promote welfare to work:
- financial incentives – measures aimed at jobseekers to help make work pay, ease the transition from unemployment to employment and sanctions for non-compliant behaviour;
  - promotion of job search – a mix of services and benefit conditionality conditions that aim to support, extend and/or intensify job search activities;
  - employment promotion – support measures aimed mainly at employers and those entering self-employment;
  - occupational – publicly fund jobs;
  - human capital development – educational and training programmes; and
  - (case) management – measures believed to improve the management of the caseload and/or the performance of the public employment service.
- 2.3. Jersey has already adopted some of the policy tools listed in Table 2.1. This review is not simply recommending that Jersey adopts the remaining measures, not least because the effectiveness of some of the tools is doubtful. Moreover, the discussion below does not cover all of the policy tools listed in Table 2.1 because of gaps in the evidence base, but it does cover the main policy and programmes that have been tried in Jersey and elsewhere. However, Jersey policy makers should treat the evidence presented here with some caution. Policy transfer is rarely straightforward; what has worked elsewhere may not be effective in Jersey as local circumstances and context are important and affect outcomes (Kluve, 2006:2).

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<sup>3</sup> The terms ALMP and activation are used interchangeably in this report.

**Table 2.1: Welfare to work policy instruments**

<b>Type</b>	<b>Policy instruments</b>	<b>Comments</b>
<p><b>Financial incentives</b></p> <p>a) To make work pay</p> <p>b) Encourage movement off benefit</p> <p>c) To ease transition into work</p>	<p>In-work benefit/tax credit</p> <p>Income disregards</p> <p>Provision of in-kind services e.g. childcare</p> <p>Benefit/allowances paid below market wage rates</p> <p>Time limit benefit receipt</p> <p>Job finding incentives and bonuses/Bonus payment when claimant moves off benefit</p> <p>Reduce generosity of benefit for long-term claimants</p> <p>Lump sum payments e.g. to pay for clothing</p> <p>Provide in-kind services e.g. job mentor</p>	<p>Means tested wage supplement that may be paid for a limited period of time or until entitlement ceases</p> <p>Jersey's Income Support is an in-work benefit with income disregards</p> <p>Childcare – can be useful for parents; Jersey has a childcare disregard</p> <p>The key ratio is the net replacement rate (the ratio of benefits to expected earnings (after tax))</p> <p>Can encourage growth of temporary and seasonal work with people churning rapidly between unemployment and employment. Issue of how to support those who exhausted their benefit entitlement has to be addressed.</p> <p>Jersey has a 28-day income disregard for those moving into employment which is a <i>de facto</i> job entry bonus</p> <p>Special Payments and Discretionary Payments for interview costs are available under Jersey's Income Support system In Jersey, Workwise and Advance to Work schemes include job mentors</p>

<b>Type</b>	<b>Policy instruments</b>	<b>Comments</b>
d) To ensure compliance	Benefit sanctions for non-compliant behaviour	Jersey has a sanctions regime
<b>Promotion of job-search</b>	<p>Extend benefit conditionality – can be widened to other client groups and/or made more intensive</p> <p>Job search assistance programmes/Job counselling – advice and guidance/job matching and broking</p> <p>Vocational guidance</p> <p>Monitoring (and sanctions see above)</p> <p>After a set period individuals are required to consider employment beyond their usual occupation</p> <p>Information services on job vacancies (to claimants) and jobseekers (to employers)</p> <p>Job Clubs</p> <p>Job search courses</p>	<p>Includes ensuring system excludes those in the informal economy.</p> <p>To address barriers to work/career planning and enhance the efficiency of the job matching process. Includes action planning, monitoring and signing-on as well as more intensive support.</p> <p>Jersey provides general support through the Work Zone, with more intensive support available from WorkWise</p> <p>Careers Jersey provide vocational guidance services</p> <p>Monitoring is undertaken to ensure the quality of independent job search. Jersey provides general monitoring through the Work Zone.</p> <p>In Jersey jobseekers have to consider employment from other occupations after 13 weeks of unemployment</p> <p>Used to address ‘friction’ in the labour market between vacancies and jobseekers. Jersey’s job vacancies database can be accessed via job kiosks in the Work Zone and online</p>
<b>Employment promotion</b>	<p>Placement services, including:</p> <p>Job subsidies</p>	<p>Paid to employer – may be useful for long-term unemployed – i.e. individuals whose productivity may be perceived to be lower by employers. Paid for a limited</p>

<b>Type</b>	<b>Policy instruments</b>	<b>Comments</b>
	<p>Social insurance 'holidays'/reductions</p> <p>Training subsidies</p> <p>Start-up grants/loans and other support for self-employed</p> <p>Job rotation</p> <p>Programmes to retain people in employment; includes short-term working</p>	<p>period of time. Risk is substitution/displacement effects</p> <p>Jersey has several schemes that include work placements, but the employer does not receive any subsidy.</p> <p>Jersey Enterprise has some start-up programmes</p> <p>Unemployed people provide cover for employees on training courses</p> <p>Risk of subsidising 'uneconomic' enterprises. Several Fiscal Stimulus projects in Jersey were undertaken to maintain local employment</p>
<b>Occupational</b>	<p>Public sector funded job creation scheme</p> <p>Public sector suppliers/contractors and/or public sector employers required to hire a proportion of long-term unemployed people or when recruiting additional workers to give preferential treatment to unemployed people</p> <p>Sheltered employment</p>	<p>Evidence is that schemes are ineffective – but potential 'backstop' for long-term unemployed</p> <p>Jersey Regulation of Undertakings Law requires employers to gain licences for staff. Conditions could be imposed on these licences.</p> <p>For jobseekers with health conditions and disabilities</p> <p>JET and Jobscope provide a variety of sheltered employment opportunities in Jersey.</p>
<b>Human capital development</b>	<p>Basic skills education</p> <p>Vocational training</p>	<p>Included in Jersey's Advance to Work programme</p> <p>Includes apprenticeships; can be effective for specific groups, if done on a small scale and includes on-the-job</p>

<b>Type</b>	<b>Policy instruments</b>	<b>Comments</b>
	<p>Work experience/trials</p> <p>Soft skills/motivational training</p> <p>Vocational rehabilitation/work preparation programmes for claimants with an incapacity/disability</p> <p>Internships</p> <p>Other general skills</p>	<p>training. In Jersey, JET provides specialist employment training for people with a health condition or disability</p> <p>In Jersey Advance to Work is a training and placement programme for 16 to 19 year olds. Jersey Employment Trust (JET), a trust funded by the government, provides work experience for disabled people</p> <p>Included in the Advance to Work and Workwise programmes</p> <p>In Jersey rehabilitation and training services are provided by Workwise and JET</p> <p>Jersey has a graduate internship scheme</p> <p>Evidence suggests that general training schemes are not effective in securing employment outcomes</p>
<b>(Case) Management</b>	<p>Performance monitoring of staff</p> <p>Active benefit period – at a specified duration of unemployment the individual is automatically (compulsorily) referred to an intervention/measure</p> <p>Compulsory participation in activation measures</p> <p>Profiling of clients – claimants assigned to categories based on employability and receive tailored services</p> <p>Duration of participation in programmes should be time limited and followed by period of</p>	<p>Before referral individuals search for other (unsubsidised) options. Implies ‘independent’ job search and a ‘work first’ approach; and that ALMPs focus on the long-term unemployed. Active benefit period minimises deadweight – that is, minimise referrals of people who otherwise would find employment without an intervention.</p> <p>Evidence on effectiveness is mixed. Some profiling methodologies are relatively crude</p>

<b>Type</b>	<b>Policy instruments</b>	<b>Comments</b>
	intensive job search Personalised/tailored service delivery Adequate staffing/resources	

Sources: Bonoli (2010); Daguerre with Etherington (2009); De Koning (2005); Kluve (2006); Martin and Grubb (2001) Meager (2008); and OECD (2009).



- 2.4. The Chapter begins with an overview of ALMP and the evaluation evidence base. It then discusses selected activation measures, financial work incentives and briefly resources and management of caseloads. Before summarising findings, other possible policy responses are listed.

## 2.2 Overview of active labour market policies

- 2.5. Over the last three decades many countries, including Jersey, have introduced activation policies. Their introduction has meant a shift from the 'passive' payment of replacement income during a spell of worklessness to securing the (re-)integration of individuals in the labour market (Daguerre, 2007; Meager, 2008). Activation measures:

*'... are actions at the local level by the Public Employment Service (PES), broadly defined to include the benefit administration function and publicly financed external service providers, which:*

- are targeted at people of working age who are not in work, but who potentially could work and are in receipt of an income-replacement benefit; and*
- make benefit payments conditional on compliance with employment- and job-search-related requirements.*

*Activation strategies feature, inter alia, i) early intervention by the Public Employment Service (PES) in the unemployment spell and a high contact density between jobseekers and employment counsellors; ii) regular reporting and monitoring of work availability and job-search actions; iii) direct referrals of unemployed clients to vacant jobs; iv) the setting-up of back-to-work agreements or individual action plans; and v) referral to ALMPs to prevent loss of motivation, skills and employability as a result of longer-term joblessness.'*

(OECD, 2009:6)

- 2.6. Activation combines income protection with a focus on job search. The aim is to help people into employment, to increase employability – rather than directly increase the number of jobs in the economy (Daguerre with Etherington, 2009:5). ALMPs are necessary because the labour market is not operating in an economically efficient way (de Koning, 2005:2). Moreover,

*'The impact of these strategies on unemployment arises partly because they ensure that jobseekers participate in employment-related services, and partly because the participation requirements and monitoring of compliance with eligibility conditions, backed up by the threat of temporary sanctions, counteract potential disincentives from the payment of benefits.'*

(OECD,2009:6)

- 2.7. The OECD (2009:6-7) suggest that activation measures are most effective in countries with relatively generous and indefinite-duration benefits.

Policies can generate two effects that lead to employment (Calfors, 1994 cited in Daguerre with Etherington, 2009:12):

- deterrence effect – as a result of participation in activation measures claimants intensify their job search and so increase the likelihood of a move into employment.<sup>4</sup> Here the policy intent is to reduce welfare dependency. However, fewer job vacancies during an economic downturn may decrease the potency of the deterrence effect.
- qualification effect – the qualifications and work experience of jobseekers are improved and this increases the chances of them finding a job that matches their qualifications.

In addition, there are complementary 'making work pay' policies that seek to provide financial incentives to encourage people to enter and/or retain work; so there are also work incentives effects that impact on individuals' decisions to obtain jobs.

2.8. However, there are four possible effects that minimise or even reduce employment impacts:

- lock-in (or retention) effect – arises when participation in the programme delays a claimant's return to employment because taking part in activation measures takes time and this reduces the intensity of job search.
- deadweight loss – some of the participants would have entered employment even if there had been no programme. To minimise deadweight loss public employment services tend to delay more intensive, and hence more costly, measures until a jobseeker has been unemployed for a set duration, often six months.
- substitution effect – arises when the employment gains of programme participants are at the expense of non-participants.
- displacement effect – businesses receiving, say, a job subsidy may gain a competitive advantage and employment gains in subsidised firms may 'crowd out' unsubsidised jobs elsewhere. However, concern about the displacement effects of activation policies may be unwarranted (Martin and Grubb, 2001:42-3). Any displacement is only likely to occur in the short-run. Arguably, over the medium to longer term the labour market should adjust to minimise displacement effects.

There may also be work disincentives in benefit and tax systems that serve to discourage people from entering employment.

2.9. The cost of programmes is also important, even if they have a significant and positive effect on employment their benefits may not out-weigh their costs.

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<sup>4</sup> Also known as sorting or motivational effects.

### **2.2.1 The evaluation evidence base for ALMP**

2.10. This review of the evidence draws upon a number of reviews of OECD and European studies. The studies tend to (Kluve, 2006:2; Martin and Grubb, 2001:35-6):

- focus on short-term outcomes rather than longer term outcomes, thus the sustainability of the employment outcomes tends to be unknown;
- assess impacts on programme participants and so ignore possible wider effects on the economy (that is, general equilibrium effects) and so tend not to estimate substitute and displacement effects; and
- not all studies investigate the impact on post-employment earnings. So whilst activation measures may encourage moves into employment, jobseekers may be taking low paid work and be at risk of relative poverty.

2.11. The evaluation findings can also be inconclusive in the sense that different studies of apparently similar programmes can report both positive and negative impacts; however, there are emerging lessons from these studies that have been of assistance in formulating this review's recommendations.

2.12. There is also a lack of cost-benefit analyses of ALMPs so whilst the magnitude and direction of the impact of a measure may be known, whether governments should allocate resources to obtain a net social benefit (or value for money) is often unknown.

2.13. Kluve (2006:3-4) has modelled the factors that might affect the variation in evaluation findings across countries. The main factors considered are: type of programme, the design of the evaluation, the institutional context and the state of the economy when the study was conducted. His analysis shows that the type of programme is the main factor affecting differences in study findings. This provides some confidence that notwithstanding differences in Jersey's institutional arrangements and economy with other countries, it is the actual policy measures used that will have the biggest effect on unemployment in the island.

2.14. The international evidence on the various activation measures are considered under the following headings:

- human capital development;
- work first approach:
  - services and sanctions – including job search promotion
  - conditionality and sanctions
  - job subsidies
  - job creation programmes
  - programmes aimed at specific client groups
  - criticisms of work first

The text should be read in conjunction with Table 2.1.

## 2.3 Human capital development

- 2.15. Within an active labour market policy stance, policy makers can adopt a 'work first' approach or a 'human capital development' approach. This section considers the latter, the role of education and training provision, in reducing unemployment. The work first approach is discussed in the next section.
- 2.16. Training programmes are relatively expensive (Martin and Grubb, 2001:15) but widely used measure by Governments to combat (rising) unemployment (Kluve, 2006:10). Training measures can incorporate classroom training, on-the-job training and work experience, and can deliver vocational, basic skills or more general training. Improving the human capital of unemployed workers through education and training programmes should improve their skills and productivity and so enhance their chances of finding employment (the qualification effect). Moreover, training programmes may be successful at improving the matching between jobseekers and jobs, and this in turn reduces labour turnover and hence the flow onto unemployment (Meager, 2008:23).
- 2.17. But are training programmes effective in reducing unemployment? Overall, the international evidence on training programmes is mixed; effects can be negative (that is, unemployment rates are higher as a consequence of jobseekers attending training programmes) and at best training interventions have an insignificant or modest impact on post-programme employment (Daguerre with Etherington, 2009:14; de Koning, 2005:18; Kluve, 2006:27; Martin and Grubb, 2001:15). There is also evidence that training programmes are not cost-effective (Bell and Blanchflower, 2009:46). Possibly as a consequence public expenditure on training measures has fallen across OECD countries (de Koning, 2005:13).
- 2.18. More specifically the evidence shows that at the individual level **general** training schemes are **not** effective across **all** unemployed groups (OECD, 2009:43; Meager, 2008:11-2). General training schemes for unemployed people may be ineffective because:
- Lock-in effects mean individuals may turn down job interviews/offers whilst attending a course in the expectation that once trained a 'better' job may be available, but this may not subsequently materialise; an earlier exit from benefit might have been preferable (Meager, 2008:13; Kluve, 2006:10).
  - Employment advisers can find it difficult to accurately identify individuals who will benefit most from the training (OECD, 2009:22).
  - Substitution effects mean that those who are trained simply 'crowd out' those who are not (Meager, 2008:11).
- 2.19. Programmes that involve developing strong links with selected local employers may also generate displacement effects (Martin and Grubb, 2001:16).

- 2.20. However, there is evidence that training is more effective if conducted on a **smaller scale** and is **targeted** at specific disadvantaged groups (for example, those with no or low educational qualifications and older workers) and combined with measures to address other barriers and/or is carried out in a 'real world' setting (Bell and Blanchflower, 2009:44-46; Meager, 2008:12-5; Martin and Grubb, 2001:15). Focusing on specific disadvantaged groups also helps to minimise potential creaming and deadweight loss. There is also evidence that women benefit more than men from training programmes (de Koning, 2005:21; Kluve, 2006:10; Martin and Grubb, 2001:15), although this might be due to their traditionally lower rate of participation in the labour market (Bell and Blanchflower, 2009:44).
- 2.21. In addition, it is possible that the effects of training policies only materialise over the longer-term. Indeed, some studies do show positive impacts on employment rates after two to three years (Kluve, 2006:10; Meager, 2008:19). Thus the comparative advantage of 'work first' policies (see below) might diminish over time, but not all studies find positive impacts. In addition, achieving small longer term impacts from training programmes may not be cost-effective (Meager, 2008:21). Unfortunately, the number of studies of training programmes with sufficiently long observation periods is small and this limits their generalisability (de Koning, 2005:19; Meager, 2008:20-1).
- 2.22. The costs per participant of training programmes can be relatively high, especially if targeted at the most disadvantaged; and so in practice such schemes cannot be made available to all of the unemployed. Yet this does not mean that such training is cost-effective – as at least part of the labour market demands low-skilled workers. For low-skilled workers, a cost-effective approach may be interventions that focus on job search and job-entry. Implying that training programmes might be better targeted at individuals with '*better labour market prospects*' (Kluve, 2006:10).
- 2.23. Martin and Grubb (2001:16) identify four features that increase the effectiveness of training programmes:

*'(i) the need for tight targeting on participants; (ii) the need to keep the programmes relatively small in scale; (iii) the need for the programme to result in a qualification or certificate that is recognised and valued by the market; and (iv) the need to have a strong on-the-job component in the programme, and hence to establish strong links with local employers.'*

- 2.24. Meager (2008:22) concludes that:

*'Overall, it would be hard, on the basis of this extremely mixed evidence, to justify a major shift towards training and skills measures as part of an overall welfare to work strategy, particularly given the much more unambiguously positive effects which are associated with the (significantly cheaper) measures delivered through the public employment services (job search support, advice and guidance, benefit incentives and sanctions). Rather, the evidence suggests that*

*there may be more limited scope for highly targeted interventions for groups and circumstances where it is clear that (easily-remedied) skill deficiencies are the main barrier to labour market (re-)entry.'*

- 2.25. So training programmes have a role in activation strategies, but they are not a panacea – the type of training and the target group are important. In particular, public employment services need to take care that rapid increases in training provision do not lead to a fall in quality (OECD, 2009:43). Unfortunately, evaluation studies do not distinguish between the types of training provided, so why some programmes are successful and others are not is unknown.

## **2.4 Work first approach**

- 2.26. Work first programmes emphasise early entry into any employment:

*'What defines such programs is their overall philosophy: that any job is a good job and that the best way to succeed in the labor market is to join it, developing work habits and skills on the job rather than in a classroom. Work first programs also share a strong message that, for participants, employment is both the goal and the expectation. Beyond this common philosophy, however, work first programs vary significantly in the services they offer, the sequencing of their activities, the extent to which participation is required and enforced, and even their goals and approach.'*

(Brown, 1997:2)

The underlying idea is that any paid work is better than no job. Work first programmes are predicated on the strict enforcement of a conditionality regime supported by a welfare contract with mutual obligations on the public employment service and the jobseeker.

- 2.27. Work first strategies can comprise a number of policy tools and the 'package' of measures tends to be low cost (compared to human capital development approaches). Design issues to consider are (Daguerre with Etherington, 2009:9-10):

- number of job search requirements imposed, such as being available for work and actively seeking work;
- claimants' job search reporting procedures (nature of the evidence required and frequency of reporting);
- frequency of verification of economic activity status;
- number and duration of face-to-face interviews with claimants per annum; and
- the timing of any active benefit period, that is, at what duration of unemployment is participation in ALMP measures made compulsory (and this can vary by claimant characteristics, for example, age).

- 2.28. The purpose of the package of measures is to improve the efficiency of the job matching process. A package of support to promote job search

tends to be a low cost active labour market measure (Martin and Grubb, 2001:17).

#### **2.4.1 Services and sanctions – including job search promotion**

- 2.29. Personalised job search assistance with stricter conditionality is often seen as cost-effective (Daguerre with Etherington, 2009:11, 13). It combines enhancing jobseekers' self-esteem with improving their employment prospects together with measures to ensure compliance with benefit requirements. The approach often involves an action plan with agreed objectives with the employment service adviser acting as a mentor or coach. The requirements on jobseekers can include (Martin and Grubb, 2001:28): reporting any independent job search, attending adviser interviews, applying for jobs identified by the employment service, agreeing an action plan and participating as appropriate in activation programmes. Jersey currently requires unemployed Income Support recipients to agree a Jobseeker's Agreement, which is a form of action plan. The literature suggests that action plans need to reflect the skills and job aspirations of the individual as well as the demand for labour locally. Furthermore, the public employment service must work closely with other local agencies and bodies to identify job shortages if this approach is to be successful (Daguerre with Etherington, 2009:13).
- 2.30. Having a procedure for the jobseeker to systematically report their independent job search activities is important. Martin and Grubb (2001:29) report that the evaluation of the Maryland Unemployment Insurance Work Search Demonstration project revealed a 17 per cent reduction in unemployment durations (about two weeks) for cases where there was a strict reporting requirement compared to where there was no such requirement.
- 2.31. Even a low profile, low-cost intervention, such as sending a letter inviting people to attend an interview, can have a positive impact on benefit receipt. In many countries interventions are made at around six months and the effects can be long lasting. For example, the UK introduced Restart interviews for long-term unemployed people in 1986. Restart included compulsory interviews and benefit sanctions for those not attending interviews or refusing to take 'available work'. In April 1987 'rolling Restart' was introduced whereby benefit recipients were interviewed after the first six months of claiming and then every six months thereafter whilst receiving benefit. Evaluations confirm that Restart had a positive impact and reduced registered unemployment (Price, 2000:256-257); it increased the annual flow off unemployment by 8.5 per cent in 1986 (Department of Employment, 1986 cited in Walker and Wiseman, 2003:14) and had a significant effect on reducing the duration of unemployment (Dolton and O'Neill, 1996:395). Indeed, **five years** later the average rate of unemployment for men (but not women) who attended Restart at six months was six percentage points lower than for those who had a Restart interview at 12 months, suggesting that the timing of the intervention had an important longer term effect (Dolton and O'Neill, 2002:387-388). However, to minimise deadweight any intervention must not take place too early in a claim in order to ensure value for money for taxpayers.

- 2.32. Other measures in the job assistance package can include Job Clubs and an **active benefit period**. Under the latter new jobseekers engage in independent job search but after a given duration of unemployment they are referred to a more intensive regime. Jobseekers' referrals to, for example, a more intensive job search regime, work experience or training programmes are compulsory because it is believed that the programme will improve the likelihood of jobseekers moving into employment. Active benefit period regimes can also have a deterrence effect because some jobseekers find work and move off benefit in order to avoid complying with the pending programme's requirements (Daguerre with Etherington, 2009:12). Here outcomes are maximised when jobseekers are warned in advance that they will be required to take part in the programme (Martin and Grubb, 2001:32). Participation in the mandatory programme takes place after a certain period of unemployment in order to minimise deadweight loss. Not all jobseekers are necessarily referred to the programme; it can be targeted on specific disadvantaged groups, such as young people or the long-term unemployed.
- 2.33. Participation in activation programmes may be voluntary or compulsory. Voluntary participation may be appropriate where the programme is aimed at client groups not traditionally expected to be actively seeking work, such as the groups exempted under Jersey's Income Support system from searching for full-time work; or where the public employment service lacks the resources/capacity to deliver a programme of a high standard to all potential participants if it were to be compulsory. The case for compulsion is that it avoids the need to pay otherwise voluntary participants a higher benefit or allowance in order to ensure reasonable take-up rates; and ensures that those who would benefit from the intervention, but would not otherwise take part, do so. Moreover, where participants on a mandatory programme receive benefit or an allowance at around the minimum wage, those individuals who could earn more in the regular labour market have a financial incentive to move into employment.

#### **2.4.2 Conditionality and sanctions**

- 2.34. In recent years the provision of job search assistance services has often been combined with a tightening of the conditions for eligibility to benefit. The scope and nature of the obligations on claimants as well as the extent to which they are enforced varies between countries (Daguerre with Etherington, 2009:2). The benefit conditions, many of which Jersey already has in place, include (Martin and Grubb, 2001:27): a requirement to accept suitable work, compulsory referrals to labour market programmes (see above), obligation to undertake and report on independent job search, and a requirement to co-operate with the public employment service.
- 2.35. Often jobseekers are permitted to search for work that falls within their usual occupation for a set period before being required to accept any job offered. Obliging people to accept any job from the commencement of a claim could be counterproductive: jobseekers may be less likely to return to unemployment if they have found employment in their usual



occupation. Currently, Jersey allows new claimants to look for their 'usual work' for up to 13 weeks (known as the 'permitted period').

- 2.36. Failure to engage in job search or other programmes typically results in the imposition of a benefit sanction. Three sets of arguments are used to justify this approach (Deacon, 1994:54-59). First, the 'deterrence argument' that increased benefit conditionality acts as a work incentive and minimises benefit fraud. Moreover, the policy may deter some employees who are dissatisfied with their employment from leaving their jobs unless they have another one to go to. Secondly, the 'utilitarian argument' that whilst some unemployed individuals may have to be stigmatised by employment programmes in order to get them to change their behaviour and reduce their benefit dependency, the unemployed population as a whole gains because it motivates them to alter their behaviour. Finally, the 'paternalistic argument' that the policy ensures that the long-term unemployed undertake training or other work-related activities that are in their best interests but which they would not otherwise engage with.
- 2.37. The nature of the sanction can vary. Benefit may be stopped for the current period, for a set period into the future or eligibility for benefit is removed (Martin and Grubb, 2001:27). The proportion of benefit paid to the claimant that is withdrawn also varies.
- 2.38. However, use of sanctions has been criticised for displaying an '*air of authoritarianism*' (Lowe, 2005:401). Sanctions may disproportionately penalise those with multiple barriers to work, such as those with substance use or health problems (Daguerre with Etherington, 2009:11), and/or those lacking the necessary detailed knowledge of social security rules. In the UK, the Gregg review (2008:71) found that the sanctions regime was too complex, difficult for recipients to understand, and time-consuming and costly to administer (Gregg, 2008:71). A significant minority of claimants (up to 20 per cent) had little or no knowledge of benefit rules and it was '*unreasonable to expect people to comply if they do not understand what is required of them*' (Gregg, 2008:72). Nonetheless, the Gregg review (2008:71) called for a more '*crisp and clear*' sanctions regime, and in particular one that dealt more effectively with '*repeat offenders*' through having an escalation in the severity of sanctions.
- 2.39. Moreover, unless the conditionality and sanction regime is seen as 'fair', staff in local offices may apply informal rules that mean sanctions are not imposed in all cases. For instance, Restart was initially not rigorously applied, in part because staff did not receive relevant training, some staff did not agree with the policy, and the enforcement procedures were cumbersome and an administrative burden (Blackmore, 2001:150). Similar implementation problems arose following the introduction of Jobseeker's Allowance in the UK in 1996 (Blackmore, 2001:155-157). Staffing shortages also meant that all the necessary checks on claimants could not be completed.

2.40. There is evidence that compulsory job search requirements backed with sanctions for non-compliance are highly effective in promoting moves into employment (Kluve, 2006:11; Daguerre with Etherington, 2009:13; Martin and Grubb, 2001:17). The precise mix of services that is most successful is unclear, but job assistance/counselling in combination with a monitoring and enforcement regime are required if the approach is to be effective. Moreover, this approach appears to be most effective with jobseekers with some skills and labour market experience, although some studies reveal that individuals who are more disadvantaged in the labour market may also benefit.

### **2.4.3 Job subsidises**

- 2.41. Time limited subsidies can be used to induce employers to hire unemployed people whose productivity is perceived to be low or to maintain jobs that would otherwise be lost. An example of a job subsidy is the previous UK Government's 'Golden Hello' scheme that paid a recruitment subsidy of £1,000 per jobseeker and provided access to an existing on-the-job training subsidy (Cabinet Office, 2009). The scheme, which was to run for two years, was targeted at people unemployed for six or more months. Job subsidises can also take the form of start-up grants or loans to aid those moving into self-employment. (Financial incentives to encourage unemployed people to return to paid work are discussed in Section 2.5.)
- 2.42. The nature of subsidised placements can vary. It could be a temporary, full-time job in the 'regular' labour market; here the work experience gained and the development of self-confidence and work habits are seen as important. Or the subsidised placement could effectively be a 'disciplinary measure'; the jobseeker is placed in low skilled, low paid and part-time work with the aim of encouraging the participant to find 'regular' employment (de Koning, 2005:12). But such placements, which stigmatise participants, may be counter-productive if as a result employers perceive them to be a problematic group.
- 2.43. Subsidised work placements in private sector firms or in local authorities for members of vulnerable groups are seen as highly successful in terms of post-employment outcomes, albeit the programmes are costly (Daguerre with Etherington, 2009:22). Virtually all studies of private sector job subsidises show that they improve the chances of participants moving into employment (Kluve, 2008:10, 27; Martin and Grubb, 2001:21; see also de Koning, 2005:18). However, many of these studies do not take into account substitution and displacement effects, and some ignore deadweight loss. Conceivably, deadweight and substitution effects may be large, and the corresponding net job gains small. Thus the overall effect of job subsidies on an economy is not fully understood. However, the impact of job subsidises can be improved by targeting the measure on specific disadvantaged client groups and close monitoring of employers to avoid possible abuses.
- 2.44. Formally, Jersey has no job subsidy programme. However, participants on Advance to Work continue to receive Income Support and to the extent

that employers providing placements do not have to pay a wage this could be construed as a form of subsidy.

- 2.45. Martin and Grubb (2001:22) report that US studies of start-up schemes show that they are successful in employment terms for men aged 30 to 40 with relatively high levels of qualifications. In Jersey there appears to be no self-employment programme specifically aimed at people moving off benefit who may have no or limited access to credit to set up a new business. However, Jersey Enterprise does provide a range of support and funding for start-up businesses (see Jersey Enterprise, 2010).

#### **2.4.4 Job creation programmes**

- 2.46. The international evidence is that job creation schemes are ineffective; they can have small often insignificant positive effects, and sometimes even negative impacts, on participants' employment outcomes (Daguerre with Etherington, 2009:12; Kluve, 2006:10; de Koning, 2005:18, 21; Martin and Grubb, 2001:22). Job creation schemes may have significant lock-in effects and displace private sector employment. However, job creation schemes, which can include sheltered workshops for people with disabilities, are often targeted at very vulnerable groups whose chances of finding regular employment is low (Martin and Grubb, 2001:22). The use of job creation schemes should not, therefore, be simply dismissed. Job creation schemes may minimise social exclusion by helping the most disadvantaged retain some contact with the labour market and even provide a 'stepping stone' for some participants to eventually find employment in the regular labour market. Here the objective is to improve a person's employability rather than that they obtain an actual job. Martin and Grubb (2001:22) recommend that paid work provided by job creation programmes should be for a short duration in order to avoid permanent highly subsidised employment.

#### **2.4.5 Programmes aimed at specific client groups**

- 2.47. The impact of unemployment across social groups is uneven, and some countries provide programmes that are targeted at specific client groups, notably, young people and those with disabilities or health conditions. These programmes will include a tailored mix of the policy instruments listed in Table 2.1.
- 2.48. 'What works' for young people is unclear. There are mixed findings on whether job subsidises and training programmes work for young people (Kluve, 2006:11; see also Martin and Grubb, 2001:18-9). Whilst, for instance, the job subsidy paid to employers under the UK's New Deal for Young People is seen as an effective measure for increasing employment (Bell and Blanchflower, 2009:47-8; Martin and Grubb, 2001:18), measures in other countries have been less successful.
- 2.49. De Koning (2005:18-9) finds that training schemes for young people are ineffective – '*almost no training programmes*' work for young people (Martin and Grubb, 2001:15; see also Bell and Blanchflower, 2009:42-44). This might be because of the participants' possible lack of motivation to engage in the programme (de Koning, 2005:21). However, this finding needs to be set against the longer-term scarring effects of youth

unemployment (see Bell and Blanchflower, 2009:37-41). Youth unemployment has been shown to reduce future earnings and increase the risk of future unemployment, as well as diminish happiness (life satisfaction), job satisfaction and health in the future.

2.50. Martin and Grubb (2001:19-20), based on a review of the few successful US studies, list the features for successful youth training schemes as:

- i) effective programmes have a close link to the local labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement;
- ii) they contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner;
- iii) they provide youths with pathways to further education so that they can continue to develop their skills and competencies;
- iv) they provide a range of supporting services, tailored to the needs of the young people and their families; and
- v) they monitor their results and use this information to improve the quality of the programme.'

They add that the evaluation evidence also supports early and sustained interventions with youths disadvantaged in the labour market.

2.51. Many countries also offer less generous benefits to younger people and/or place stricter obligations on them in return for benefit receipt (Daguerre with Etherington, 2009:18). The danger is that disadvantaged young people either do not participate in programmes, or if they do subsequently withdraw and are then lost to the formal labour market system.

2.52. There may, however, be social benefits from youth labour market programmes other than employment that policy makers might wish to consider, such as lower levels of youth crime and anti-social behaviour, when deciding on whether to fund youth programmes (Martin and Grubb, 2001:18). For instance, the residential (hence costly) Job Corps programme in the US was cost-beneficial mainly because of the benefits accruing from a reduction in arrests for murder (Bell and Blanchflower, 2009:45-6) – but this is not a problem that applies to Jersey.

2.53. There are few studies of the effectiveness of programmes for disabled people (Kluve, 2006:11), which include vocational rehabilitation programmes to increase job readiness and direct employment via sheltered workshops. There is some evidence that vocational rehabilitation programmes are ineffective; possibly because of lock-in effects. However, the UK's New Deal for Disabled People was cost effective and did increase participants' chances of gaining employment (Stafford with others, 2007).

#### **2.4.6 Criticisms of work first**

2.54. The policy tools discussed above can to varying degrees be part of a work first approach to tackling unemployment. Criticisms of work first strategies include:

- Concerns about the quality of some of the jobs people obtain, in particular that many jobseekers can enter low-paid and often temporary and/or part-time work.
- The policies lead to 'churning', that is, some individuals cycle between low-paid employment and unemployment (see Peck, 2001)
- It is focused on the individual and neglects the structural causes of unemployment.
- Employers may not wish to hire programme participants seeing them as less productive.
- At the psychological level, being forced to attend an activity may not improve a jobseeker's motivation.
- For some people (especially lone parents) the focus on paid work is seen to demean and undervalue unpaid work, notably the caring of others, and so serves to undermine other forms of civic responsibility (Hills, 1998:27; Lowe, 2005:403).

2.55. The counterargument is that long-term unemployment is so scarring and damaging to people that the requirement to participate in programmes that can develop skills and boost confidence and improve the probability of gaining employment is justifiable (Deacon, 1994:61-62).

2.56. In practice countries tend not to implement welfare to work policies that correspond exclusively to an idealised form of the human capital development model or work first model. In practice, policies incorporate a mix of both approaches and can be complemented by financial work incentives.

## **2.5 Financial incentives**

2.57. There is evidence that people do respond to financial incentives in that they lead to a change in behaviour. However, whilst the direction of the change in behaviour can often be predicted, the size or magnitude of the effect is often uncertain. Indeed, there is evidence that work incentives to encourage people to enter employment have a relatively small impact on unemployment (Cahuc and Zylberberg, 2004:164). Jobseekers can enter employment even if they are not financially better-off – this can be because of the social and psychological benefits of working and people's work ethic. Evans (1998:291) also points out that surveys raise doubts about the impact of work disincentives on people's behaviour because few people are actually aware of the possible adverse effects of remaining unemployed. Nonetheless, unemployed people can argue that it is not financially worthwhile moving into employment and to overcome this barrier employment services need to demonstrate that 'work pays'.

### **2.5.1 Job entry bonuses**

2.58. Some countries pay a cash bonus to unemployed people who find employment and retain it for a predefined period. This could be part of a job assistance service package. The payments provide a financial incentive for moving into paid work and help to ease any financial worries that jobseekers might have about moving from unemployment to

employment. US evaluations suggest that such bonuses reduce the average duration of unemployment (Martin and Grubb, 2001:17). However, such schemes are open to abuse if employers and employees collude so that during a downturn those employees most likely to re-enter employment agree to be laid off so that they can subsequently collect the bonus. In addition, the evaluation of the UK's Back to Work Bonus concluded that the Bonus did not encourage jobseekers into part-time employment; rather an observed increase in benefit recipients' part-time working at the time was due to an associated increase in claimants' awareness that part-time working was permitted under benefit rules (Ashworth and Youngs, 2000:55-6).<sup>5</sup>

- 2.59. The States of Guernsey also has a Back to Work Bonus scheme (Social Security Department, 2011). This scheme, introduced in 2005, pays a lump sum to former long-term recipients of contributory unemployment and incapacity benefits who remain in employment for four weeks.<sup>6</sup> Two rates of bonus are paid: £500 for full-time employment (over 25 hours per week) and £300 for part-time work (12 to 25 hours per week). The States of Guernsey awarded 32 bonuses in 2008 and 28 in 2009 (Dorey, 2010).
- 2.60. Jersey does have a job entry bonus, although it is not marketed as a bonus payment for gaining employment. Jobseekers gaining paid work continue to obtain their Income Support for 28 days after they receive their first salary payment. This is presented in the regulations as an income disregard, but it (and the associated public expenditure) could be rebadged by the Social Security Department as a job entry bonus. This would help in the marketing of the in-work aspect of Income Support.

### **2.5.2 Making work pay**

2.61. There is a concern in some countries that the 'replacement rate' (the ratio of benefit income to earned income) should not be too high, as there could be a financial disincentive to entering employment. Benefit and tax policies can create an 'unemployment trap' whereby people's disposable income from employment is not significantly different from that obtained from paid work. Net (that is, after tax) replacement rates are a measure of the generosity of the benefit system. The size of the ratio is in part dependent upon benefit rates, wage rates and the number of hours worked. Replacement rates and effective marginal tax rates (a measure of the financial return for working an extra hour) for Jersey are discussed in Chapter 4. At present there are both work incentives and disincentives in the Income Support and tax system.

2.62. Martin and Grubb (2001:25-7) point out that internationally replacement rates have been gradually increasing but that the policy option of cutting

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<sup>5</sup> The UK introduced the Back to Work Bonus in October 1996. It was a cash payment that recipients accrued from half of any part-time earnings above the income disregard. The maximum amount of the Bonus that could be paid was capped at £1,000.

<sup>6</sup> Long-term is defined as a benefit duration of six or more months. The scheme is discretionary and there are also restrictions on entitlement - see Social Security Department (2011).

benefits in order to reduce the ratios is judged as being politically too difficult. Such a policy would also increase hardship and poverty rates amongst jobseekers. The main option, therefore, for reducing replacement rates is to adjust income disregards including the rate (or taper) at which benefit is withdrawn as earnings increase. Jersey is increasing its taper from 12 per cent to 16.5 per cent, which will improve the net replacement rate.

- 2.63. Work can also be 'made to pay' by the state paying a wage supplement. The eligibility for, and duration of, an in-work benefit may vary. The UK offers temporary return to work payments and a means-tested benefit aimed at low income households that is paid through the tax system as a tax credit.
- 2.64. In the UK tax-free payments or credits of £40 per week are paid to lone parents (In-Work Credit) and disabled people (Return to Work Credit) who move off relevant benefits and into employment of at least 16 hours per week. The credits are paid on top of earnings and last for 52 weeks. To be eligible for In-Work Credit a lone parent must have been claiming Income Support for at least 52 weeks, but for the Return to Work Credit a disabled person must have been claiming continuously for 13 weeks. An evaluation of In-Work Credit shows that it had a significant effect in moving lone parents off benefit and increased employment rates (Brewer *et al.*, 2009:133-4). Moreover, the positive impact did not end when the payment ceased after 52 weeks. However, there was a possibility that some lone parents on Income Support postponed a return to work in order to qualify for the credit. A qualitative study of the Return to Work Credit also shows that it favourably influenced some people's decisions about whether and when to return to work (Corden and Nice, 2003:22-4).
- 2.65. Other wage supplement programmes are available to low-income households for longer periods of time and to those who may or may not have been previously unemployed. These programmes include the Earned Income Tax Credit (EITC) in the US, the piloted Self-Sufficiency Project (SSP) in Canada and Family Credit and its tax credit successors – Working Families' Tax Credit/Disabled Persons Tax Credit and then Working Tax Credit – in the UK.
- 2.66. Although the Working Families' Tax Credit was relatively generous in comparison to the Earned Income Tax Credit, it had a relatively small impact on employment (Blundell, 2006:424). A review of five studies of the Working Families' Tax Credit by Brewer and Browne (2006:15) finds that it increased lone parent participation in the labour market by about five percentage points, but had little effect on couples with children. Much of the employment gain was through moves into full-time employment, including a considerable shift from part-time to full-time work by lone mothers. The evaluation of SSP finds that it increased employment compared to those in the control group who did not receive the supplement (Michalopoulos *et al.*, 2002). However, participants were eligible for SSP for three years and at the end of the observation period for the study employment rates were similar for participants and non-participants. SSP appears to have accelerated the rate at which many

participants entered paid work; with the members of the control group catching up later on. A review of Earned Income Tax Credits studies by Hotz and Scholz (2003:169-83) finds that: it significantly increased the labour market participation of lone parents; and that in dual-earner households there was a modest reduction in employment by spouses. In-work benefits/tax credits can theoretically, and in practice, lead to a fall in the labour market participation of spouses because the secondary worker in a household can substitute work for non-work without the family being too adversely affected financially because of the entitlement to the benefit/credit.

- 2.67. Overall, there is some evidence that wage supplements have a positive impact on employment outcomes. However, the impacts can be relatively small, and any 'making work pay' policy needs to be combined with other policies that facilitate return to work.

## **2.6 Resources and management of caseloads**

- 2.68. How the benefit caseload is managed and resourced may affect employment outcomes. However, the evidence base on this topic is less extensive, and commentators appear to be more prescriptive. Jersey already follows OECD best practice in that the delivery of benefit and employment services are integrated (OECD, 2009:15, 18-9).
- 2.69. There is support in the literature for the delivery of employment services to be personalised (Stafford, 2009:261-4), which in turn requires a well-trained and motivated frontline staff.
- 2.70. There is also support across the welfare to work literature for early interventions with unemployed people. Early interventions can help ensure that those flowing onto unemployment do not become long-term unemployed. However, the case for early interventions has to be balanced with the possibility of deadweight loss, and the risk of this tends to favour the use of relatively low cost measures early on in a claim.
- 2.71. Daguerre with Etherington (2009:2) highlights the importance of having adequate resources to deliver employment programmes. The OECD (2009:20-1) also observes that for ALMPs the recession necessitates an increase in resources. Staff client ratios should be sufficient to ensure that an appropriate service is delivered. One method to manage resources is to contract-out provision of services (OECD, 2009:27). Services could be contracted out on a fee-for-service basis. When the level of activity declines the risk and consequences of fewer people requiring ALM measures is borne by the contractor and not the state.
- 2.72. Performance indicators may help managers of employment services. One indicator of performance is the flow of jobseekers into registered vacancies (Martin and Grubb, 2001:37). Indicators should also be set for different disadvantaged groups



## 2.7 Other policy responses

2.73. Activation and work incentives are not the only policy responses available to the States of Jersey. Other possible public policies include (see Bell and Blanchflower, 2009:52-61; de Koning, 2005:7):

- Agreements with major employers whereby they commit to hiring a larger share of unemployed members of disadvantaged groups.
- A related measure is that legally enforced quotas could require employers to recruit people from certain disadvantaged groups.
- Public authorities could give preferential treatment to firms that employ a set percentage of unemployed people when procuring services.
- Measures to (temporarily) reduce employers' wage costs (for example, reducing employers' social insurance contributions).
- Increase the school leaving age to 18.
- Encourage further those aged 18-24 to undertake education and training, this could include a financial inducement.
- Reduce the flow onto unemployment by encouraging job sharing and short-term working in order to minimise redundancies.
- A fiscal/monetary stimulus to promote or maintain the level of employment in the economy. There could be a focus on publicly funded (green industry) infrastructure projects with a high 'shovel ready' component to create jobs for low-skilled workers. Jersey has implemented a Fiscal Stimulus Plan that included funding for the Advance to Work programme and temporary staff for Work Zone.

2.74. Reviewing the effectiveness of these sorts of policies is beyond the scope of the current review as they do not directly relate to the Income Support system. However, the above policies are options that are available to policy makers in Jersey.

## 2.8 Conclusion

2.75. This chapter has sought to provide a brief overview of some of the key activation and work incentive policy tools that have been tried to varying degrees in Jersey and elsewhere. Later chapters, notably on the issues facing the Income Support system and on policy options, will draw upon the findings presented in this chapter.

2.76. The policy context for this review of the evidence is that social assistance is an important safety-net and there should be '*no blanket denial of benefit entitlement*' (Daguerre with Etherington, 2009:12). Social protection is needed to militate against the poverty that results from unemployment – social protection is not a principal cause of unemployment.

2.77. With respect to activation policies, a number of evidential reviews recommend on cost-effective grounds the following measures (Daguerre with Etherington, 2009; de Koning, 2005; Kluve, 2006; Martin and Grubb, 2001; Meager, 2008):

- job search assistance (with in-depth job counselling, monitoring and sanctions);
- work placements/job subsidises;
- active benefit periods – compulsory participation in measures for the longer term unemployed;
- small scale targeted training programmes that maximise the on-the-job training element;
- early interventions;
- personalised support;
- adequate staff/client ratios to ensure effective programme performance; and
- targeted support for the harder-to-help with measures to minimise drop-out.

2.78. The international evidence seems to suggest that more costly activation measures should be used on a small scale with most of the caseload subject to an intensive 'work first' approach combining job broking and matching services with information, advice and guidance services (Meager, 2009:16) backed by a monitoring and sanctions regime.

2.79. A statistical analysis of countries' programmes by Kluge (2006:23-6) shows that two policies, private sector job subsidies and job assistance searches combined with sanctions, are independently effective in improving jobseekers' chances of moving into employment compared to training programmes (see also Martin and Grubb, 2001:23). Training programmes themselves show mixed results, but there are more studies with positive than with zero or negative impacts. In contrast job creation schemes are less effective than training programmes. The analysis also found that programmes targeted at young people are less likely to be effective compared to those aimed at adults. His overall policy advice is:

*'Training programs should be continued, and private sector incentive schemes should be fostered. Particular attention should be paid to Services and Sanctions, which turns out to be a particularly promising and, due to its rather inexpensive nature, cost-effective type of measure.'*

Kluge (2006:27)

Kluge (2006:27) adds that the effectiveness of job assistance/counselling with monitoring/sanctions can be increased if combined with training and job subsidies. Indeed, such a package could be effective even for young people.

2.80. The literature suggests that certain measures, notably job subsidies and training programmes, need to be tightly targeted on client groups if the measures are to be successful. (Programmes aimed at jobseekers in general are less likely to be effective.) However, if the target group is defined by its disadvantage in the labour market there is an increased risk that the programme and its participants become stigmatised by both employers and potential participants as a group with low productivity and/or poor motivation. A situation that could be counterproductive as it

could reduce the impact of the programme. This outcome can be mitigated against by ensuring that the programme is well designed, that any, for instance, placements are of a high quality and by positive marketing of the programme with celebration of any successes.

- 2.81. A further implication is that youth employment schemes need to be carefully designed and policy makers need to consider whether the aim is to improve employment, employability and/or some other social policy objective. Moreover, it suggests that preventive policies (for example, reducing school drop-out rates and boosting attainment rates) need to be in place to reduce the risk of children later falling into the Not in Employment, Education or Training (NEET) group (Martin and Grubb, 2001:20). However, the nature of these education and community support policies are beyond the scope of this review.
- 2.82. There is a consensus in the literature that the use of job creation schemes should be minimised.
- 2.83. Work incentives also appear to be effective in terms of employment outcomes; albeit impacts can be relatively small and vary across family types.
- 2.84. Job retention policies also need to be considered to avoid 'churning' (or the carousel effect). Moreover, the types of jobs found by jobseekers and the duration of employment need to be monitored. Quick returns to employment may not represent the best use of resources if churning between periods of unemployment and low paid employment is to be avoided.
- 2.85. The initial success of welfare to work strategies can create a virtuous circle, as the number of people unemployed falls so organisational resources can be reallocated to help those claimants with more severe barriers to work (Daguerre with Etherington, 2009:12).
- 2.86. However, there is no single active labour market policy or financial incentive that provides a 'magic bullet' to reducing unemployment (Martin and Grubb, 2001:42), and there needs to be a mix of policies (see Bell and Blanchflower, 2009:50).



## **3 Income Support and the labour market in Jersey**

### **3.1 Introduction**

- 3.1. This Chapter sets the context for the discussion of policy issues and options in the next chapter. It discusses the structure of the labour market, the Income Support system and some characteristics of Income Support jobseekers.
- 3.2. The Chapter draws upon published sources, Income Support administrative data and the qualitative interviews.

### **3.2 Labour market structure**

- 3.3. This section outlines the structure of Jersey's labour market as a whole and is based on information from the States of Jersey Statistics Unit and the 2001 census. The States of Jersey Statistics Unit publishes twice yearly reports of Jersey's labour market. The reports combine the private sector Manpower Survey – conducted by the Statistics Unit on behalf of the Economic Development Department – and the manpower figures compiled by the States of Jersey Treasury and Resources Department (Statistics Unit, Dec 2009). This section also draws upon information from Jersey's Annual Social Survey (JASS) reports since 2006.

#### **3.2.1 Demographics of total workforce**

- 3.4. According to the 2001 Census the resident population of Jersey was 87,186 people; and at the end of 2008 it was an estimated 91,800 (Statistics Unit, 2009c:33). In 2001 approximately 65 per cent of the total resident population were of working age (between 16 and 59 years old for women and 16 and 64 for men). In 2009 men comprise 52 per cent of employed people on the island whereas women account of 48 per cent of the working population (Statistics Unit, 2009d:8).
- 3.5. In terms of age, the majority of Jersey's workforce - 74 per cent - fall between the ages of 25 and 54. Half of the workforce (51 per cent) is between the ages of 25 and 44. The most recent available figures for the age breakdown for specific industrial sectors is shown in Table 3.1 (Statistics Unit, 2008). The only instance of one age group dominating a sector is Hotels, Restaurants and Bars where 55 per cent of employees are between 25 and 34 years.

**Table 3.1: Distribution of age groups within industrial sectors (percentages)**

	<b>16-24 years</b>	<b>25-34 years</b>	<b>25-44 years</b>	<b>45-54 years</b>	<b>55-64 years</b>	<b>65-74 years</b>	<b>75+ years</b>
<b>Agriculture and Fishing</b>	46	7	8	32	5	3	0
<b>Construction and tradesmen</b>	1	15	30	30	19	4	0
<b>Electricity, gas and water*</b>	0	15	8	49	25	0	4
<b>Finance and legal</b>	10	32	32	20	5	1	0
<b>Hotels, restaurants and bars*</b>	0	55	16	14	13	2	0
<b>Private education and health</b>	12	28	34	12	14	0	0
<b>Public sector</b>	8	19	24	31	17	1	0
<b>Transport and communications</b>	18	13	22	28	18	1	0
<b>Wholesale and Retail</b>	20	23	23	20	17	4	1
<b>Other</b>	15	24	20	19	17	5	0
<b>All sectors</b>	<b>12</b>	<b>25</b>	<b>26</b>	<b>23</b>	<b>12</b>	<b>2</b>	<b>0</b>

Notes: '0' indicates a value less than 0.5 per cent; '\*' indicates a small numbers of respondents in these categories

Source: Statistics Unit, 2008

### **3.2.2 Residential qualification**

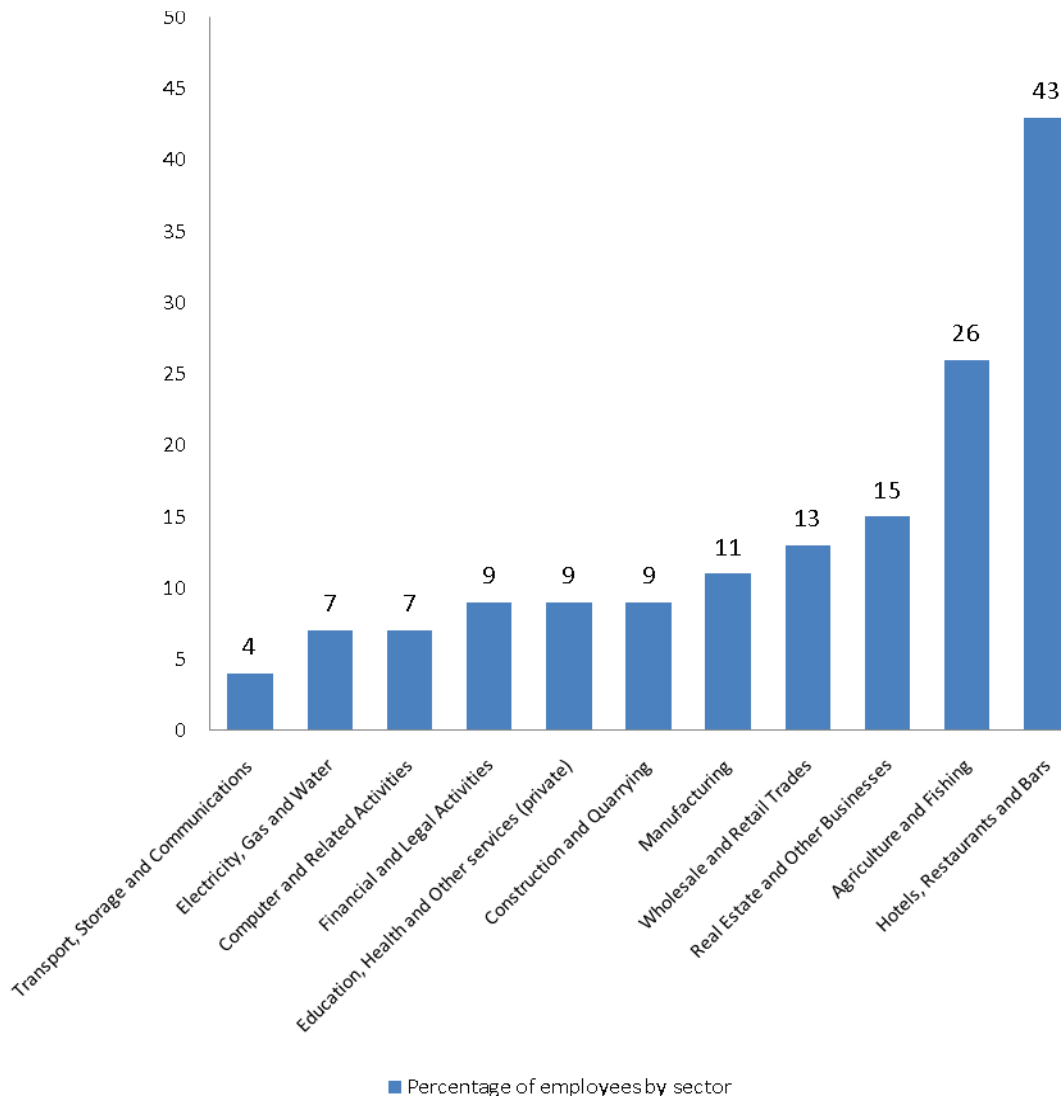
3.6. Jersey's labour market is regulated by the Regulation of Undertakings and Development (Jersey) Law, 1973 (RUDL). This legislation outlines the provisions for the employment of persons within the States of Jersey relating to residency. Under the RUDL business and employers must obtain a licence from the Economic Development Minister before '*commencing a new undertaking*' or '*increasing the number of persons engaged in an undertaking*'. The definition of an undertaking is '*any trade, business or profession whether or not carried on for profit*'.

3.7. The purpose of this requirement, according to the RUDL, is to manage the impact of economic growth on Jersey's resources. Business applications under the RUDL will be assessed against:

- *The pressure to be placed on the Island's resources;*

- *The need to maintain a balanced and prosperous economy;*
  - *The need to maintain a range of job and training opportunities for locally qualified persons and school leavers including apprentices, those over normal working age, and people in supported and special employment schemes;*
  - *The importance of the service rendered to locally qualified persons;*
  - *The track record of the undertaking in terms of profitability, and its contribution to tax revenues.*
- 3.8. The key concerns of the RUDL are, therefore, the interaction between changes in Jersey's economy, the opportunities for locally qualified people and the available resources.
- 3.9. A locally qualified person is defined under this legislation as:
- (i) *Residentially qualified for housing purposes, including being a (j) category essential employee;*
  - (ii) *Have been resident **for the whole** of the past consecutive five years;*
  - (iii) *A spouse of (i) or (ii) above;*
  - (iv) *A child under 18 years (or if students under 25 years) of those in (i) (ii) or (iii) above.*
- 3.10. The granting of j-category status, which is administered by the Population Office, allows employees to lease a property in Jersey. People arriving in Jersey who are not classed as 'j-category' are not allowed to lease accommodation. They mainly live in lodgings, house shares and so on, or are housed by employers (as, for example, in the agricultural and hotel sectors). The scheme allows businesses to hire specialist staff from other countries. Businesses may apply for employees under the j-category on the same conditions as the licensing agreements with the added provision that the island's housing stock will be able to support the new migrants and that there are no locally qualified people appropriate for the available position.
- 3.11. In total, 84 per cent of those employed in Jersey in December 2009 were locally qualified, more than three per cent were j-category and 12 per cent were not locally qualified. Eighty-four per cent of private sector employees are locally qualified and two per cent are qualified as j-category. Fourteen per cent of private sector employees are not locally qualified (Statistics Unit, 2009b).
- 3.12. Data for December 2009 indicate that both the number of locally qualified persons and the number of j-category persons employed in the private sector has been increasing since 2007 (Statistics Unit, 2009b). Overall, the number of non-qualified persons has fallen over this period; though the number does fluctuate due to the influx of seasonal workers during summer months. The most recent percentages for non-locally qualified persons in each private sector industry and the residential qualifications of the total workforce are illustrated in Figures 3.1 and 3.2.

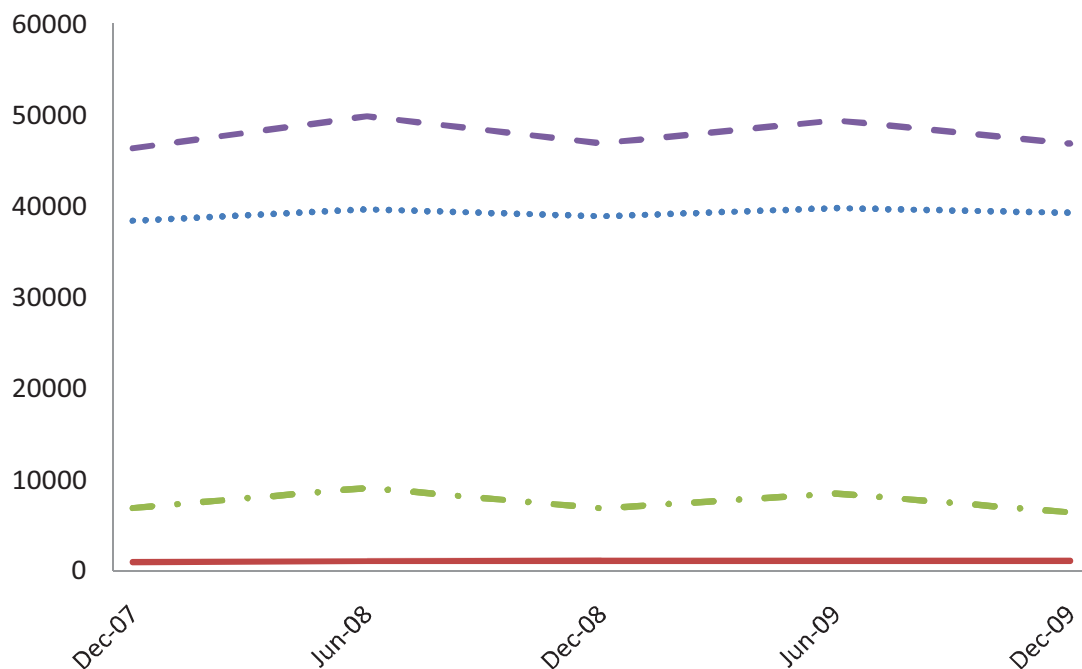
**Figure 3.1: Percentage of non-locally qualified people by sector**



Source: Statistics Unit, 2009b



**Figure 3.2: Residential qualifications of workforce**



Source: Statistics Unit, 2009b

### 3.2.3 Educational qualifications and skills

3.13. Jersey has a relatively skilled workforce with 83 per cent of the working age population having a secondary level qualification or higher (Statistics Unit, 2009d). However, the proportion of people with no formal qualifications increases with age. For instance, while 19 per cent of those between 45 and 54 years old have no formal qualification, only eight per cent of those between 16 and 34 years have no formal qualifications. The proportion of those of working age with formal qualifications in Jersey (15 per cent) is slightly higher than the UK average (12 per cent) (although the latter is calculating using a different methodology). Furthermore, the percentage of Jersey's working age population without formal qualifications has decreased significantly since the 2001 Census (34 per cent).

3.14. On the other hand, recent skills gap reviews of different industries have raised questions relating to the suitability of applicants to available positions. Inconsistencies between the requirements of roles and characteristics of applicants were identified in a recent review of the retail sector by Island Analysis. One of its key findings is that while retail employers in Jersey receive numerous applications for positions, business owners feel that *'there is a gap in terms of the attitudes, personal skills and behaviour of applicants'* and that they *'are still not attracting good people'*. This could indicate that whilst the skills level of Jersey's workforce is increasing, some sectors are still finding it difficult to secure an appropriately skilled workforce.

### 3.2.4 Economic activity

3.15. The total number of employed persons in Jersey in December 2009 was 53,700. This shows an increase from the total employed figures for December 2008 (53,560) and December 2007 (52,980) (Statistics Unit, 2009d).

3.16. The 2009 Jersey Annual Social Survey estimates the proportion of Jersey's working age population who are economically active at 86 per cent (Statistics Unit, 2009d). But there are gender differences: 90 per cent of working age men and 82 per cent of women are economically active. The percentage of the working age population who are economically active has risen since the 2001 Census data (see Table 3.2). This increase is particularly marked for women.

**Table 3.2 Economic Activity Rates (percentages of total population)**

	<b>Census 2001</b>	<b>JASS 2005</b>	<b>JASS 2006</b>	<b>JASS 2007</b>	<b>JASS 2008</b>	<b>JASS 2009</b>
<b>Men</b>	87	88	88	89	89	90
<b>Women</b>	76	78	80	79	81	82
<b>All</b>	<b>82</b>	<b>83</b>	<b>84</b>	<b>85</b>	<b>85</b>	<b>86</b>

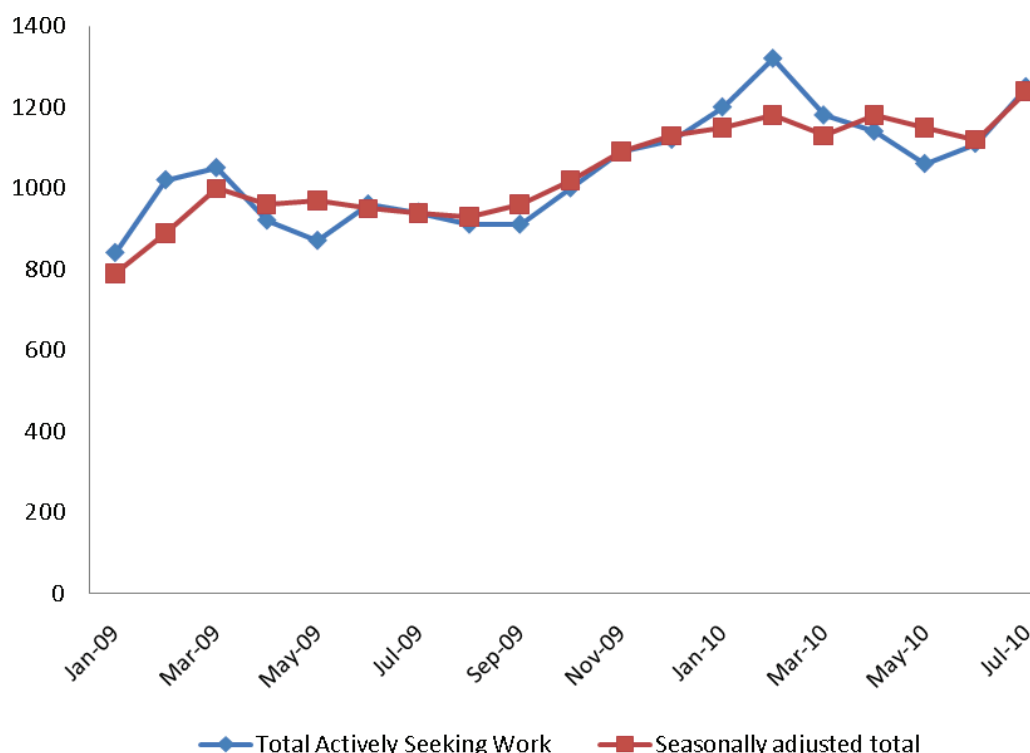
Source: Statistics Unit, 2009d

3.17. The most recent figures from the Statistics Unit show that there are 1,250 people who are registered as unemployed and Actively Seeking Work in July 2010 (Statistics Unit, 2010:1). This amounts to approximately two per cent of the working age population (authors' estimate; Statistics Unit, 2009c:35). The International Labour Organisation's (ILO) rate of unemployment, which is a different measure of unemployment, was 2.7 per cent in summer 2009 (Statistics Unit, 2009d:7).

3.18. Of those registered as Actively Seeking Work, 45 per cent are under the age of 25, and 27 per cent are aged between 16 and 19 - amounting to some 340 teenagers (Statistics Unit, 2010b:3). Of this 340, around 110 are currently registered on the Advance to Work programme. This programme provides unemployed 16 to 19 year olds with relevant work placement and training.

3.19. The number of people who are registered as Actively Seeking Work has fluctuated over the past two years. In March 2009, a total of 1,000 people were registered as Actively Seeking Work which fell to 930 people by August that year. However, the number of Actively Seeking Work rose steadily from August, reaching a high of 1,240 in July 2010 (Statistics Unit, 2010b:7). The changes in the number of people Actively Seeking Work is illustrated in Figure 3.3.

**Figure 3.3: Number of individuals registered as Actively Seeking Work  
January 2009 – July 2010**



Source: Statistics Unit, 2010b

### 3.2.5 Reported vacancies

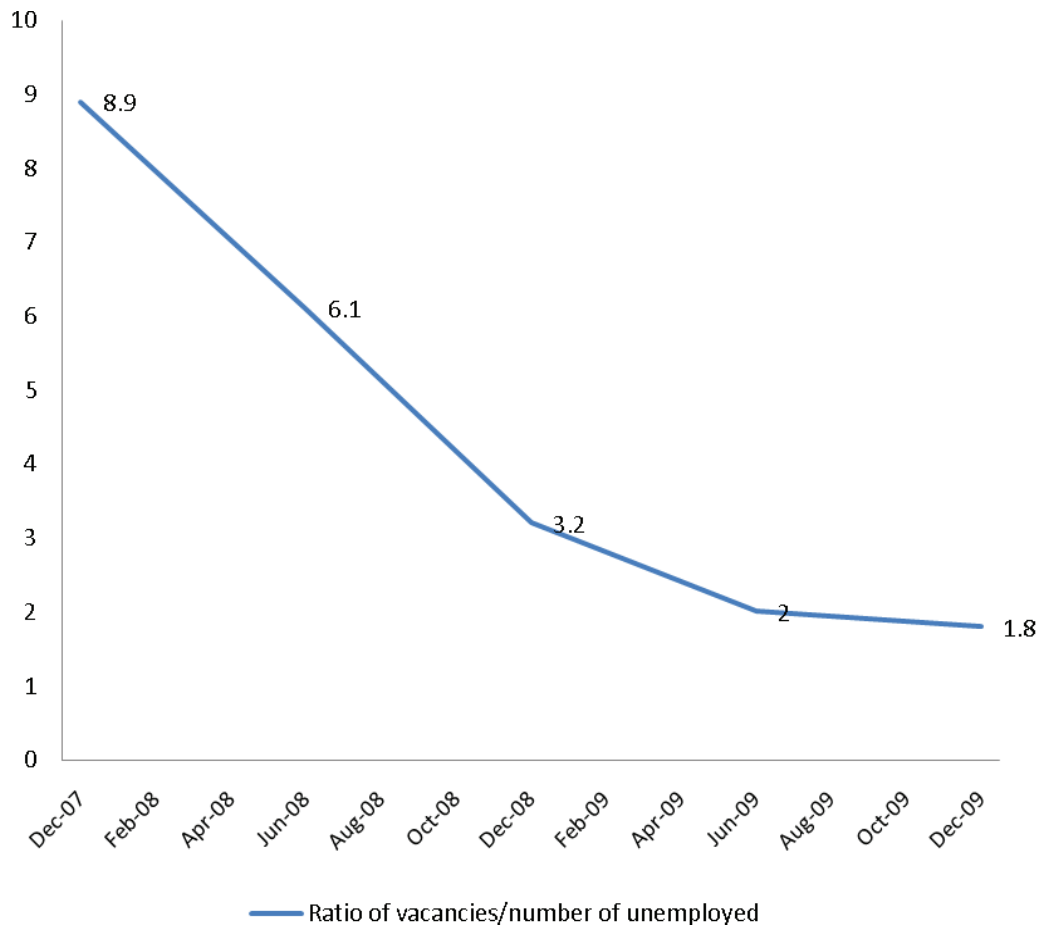
3.20. As the number of Actively Seeking Work has risen, the number of reported employment vacancies has declined. In December 2009 the total number of vacancies in the private sector stood at 2,010 and this was the lowest December figure for at least ten years (Statistics Unit, 2009b). The changes in the number of reported vacancies and the ratio of reported vacancies to the number of unemployed people from 2007 to 2009 are illustrated in Table 3.3 and Figure 3.4. The fall in the ratio shows that over time unemployed people have been chasing fewer available jobs; although not all job vacancies will be recorded in the data.

**Table 3.3 Number of private sector vacancies, December 2007 – December 2009**

Date	Dec 07	Jun 08	Dec 08	Jun 09	Dec 09
Number of vacancies	2860	2690	2140	1950	2010

Source: Statistics Unit, 2009b, Appendix 2

**Figure 3.4 Ratio of reported vacancies to number of unemployed**



Calculated from: Statistics Unit, 2009b and 2009c

3.21. Despite the increased number of people registered as Actively Seeking Work, evidence from the *Annual Report on Skills and Skills Requirements 2010* suggests that there are still some residual 'hard-to-fill vacancies' (Kelleher, 2010:19). According to recruitment agencies in Jersey, this is partially due to employers being currently less flexible in their approach to potential employees. As the report on skills notes:

*'[Employers] who have used the services of recruitment agencies [in the last 12-18 months] are far less compromising than they used to be with potential employees, only accepting candidates that have all the necessary specialist skill sets and experience.'*

(Kelleher, 2010:18)

Such an approach to hiring could have an acute impact on those with less experience, such as new graduates or recent school-leavers, who already make up the largest proportion of the Actively Seeking Work population.

### **3.2.6 Industrial sector**

- 3.22. Jersey's labour market is dominated by the private sector with 46,900 (87 per cent) of the total number of employed people (53,700) working in private sector companies (Statistics Unit, 2009c).<sup>7</sup> This compares to the 6,790 people employed in the public sector. The number of private sector and public sector employees has increased since 2001
- 3.23. In December 2009 there were a total of 6,070 private sector businesses in Jersey (Statistics Unit, 2009c). The largest number of companies was recorded in the Construction and Quarrying sector (1,180 companies or 19 per cent) and the Wholesale and Retail Trades sector (1,090 companies or 18 per cent) (see Table 3.4).
- 3.24. Despite the number of firms by sector, Jersey's main employer is the Financial and Legal Services industry which employs 13,010 (24 per cent) of the overall total of 46,900 employees (Statistics Unit, 2009b) (see Figure 3.5).
- 3.25. Jersey's private sector labour market is predominantly comprised of full-time workers, particularly in the Agriculture and Fishing (89 per cent full-time staff), Construction and Quarrying (94 per cent), and Financial and Legal Services (92 per cent) sectors. The highest proportion of part-time employees are in private Education, Health and Other Services (31 per cent part-time staff) and Wholesale and Retail (24 per cent part-time staff).
- 3.26. The States of Jersey also collect information on the types of positions occupied by men and women (see Tables 3.5 and 3.6). These figures indicate that while the gender distribution in sectors such as the Financial and Legal Services (50 per cent male) and Wholesale and Retail (51 per cent male) is relatively equal, the proportion of men to women is significantly less equal in Agriculture and Fishing (84 per cent male), Construction (87 per cent male), Utilities (91 per cent male) and private Education and Health (85 per cent female). Additionally, though not unexpectedly, across sectors women are significantly more likely to be employed in clerical or secretarial occupations (29 per cent female) than senior managerial roles (five per cent female) or technical or craft occupations (two per cent female).

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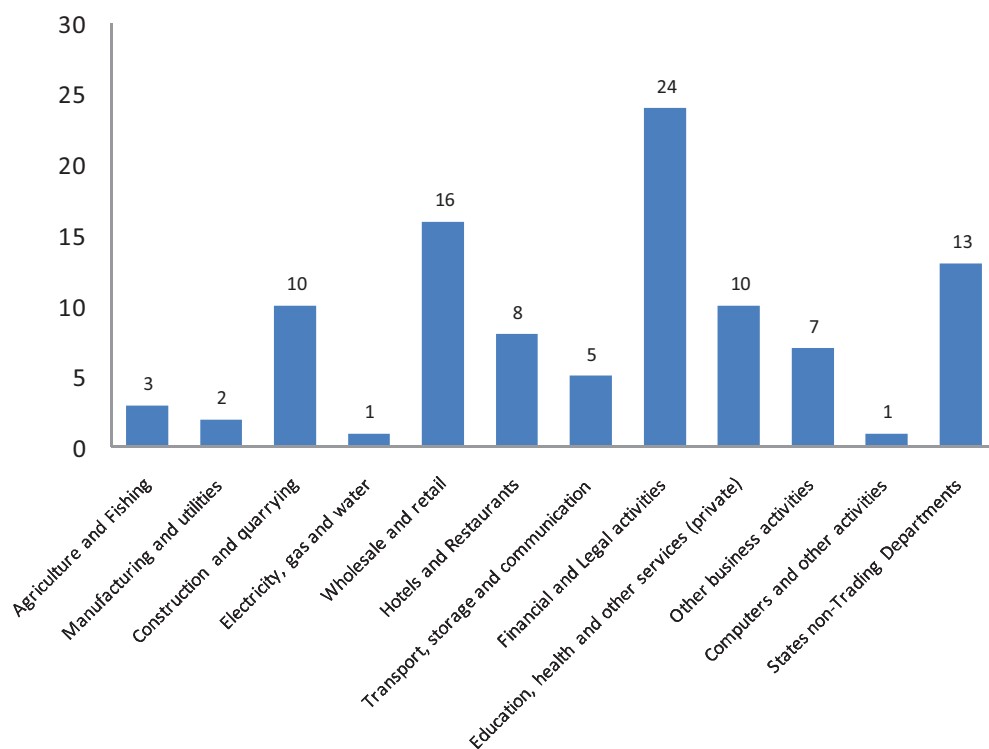
<sup>7</sup> The Statistics Unit rounds employment figures to the nearest ten.

**Table 3.4: Total number of private sector companies by industry**

<b>Industry</b>	<b>1-5 employees</b>	<b>6-20 employees</b>	<b>21+ employees</b>	<b>Total companies</b>	<b>Total Employees</b>
<b>Agriculture and fishing</b>	260	50	10	320	1530
<b>Manufacturing and utilities</b>	170	40	10	220	1790
<b>Construction and quarrying</b>	970	180	40	1180	5290
<b>Wholesale and retail trades</b>	870	160	60	1090	8730
<b>Hotels, restaurants and bars</b>	330	140	30	500	4500
<b>Transport, storage and communications</b>	240	20	30	290	2690
<b>Financial and legal services</b>	260	110	90	460	13010
<b>Education, health and other services (private)</b>	790	140	60	980	5260
<b>Other businesses</b>	900	110	20	1030	4110
<b>Total</b>	<b>4790</b>	<b>940</b>	<b>350</b>	<b>6070</b>	<b>46900</b>

Source: Statistics Unit, 2009c:46

**Figure 3.5 Percentage of workforce by sector**



Source: Statistics Unit, 2009b

**Table 3.5: Distribution of genders within industrial sectors (percentages)**

Sector	Men	Women
<b>Agriculture and fishing</b>	84	16
<b>Construction and tradesmen</b>	87	13
<b>Electricity, gas and water</b>	91	9
<b>Financial and Legal services</b>	50	50
<b>Hotels, restaurants and bars</b>	39	61
<b>Private education and health</b>	15	85
<b>Public sector</b>	39	61
<b>Transport and communications</b>	79	21
<b>Wholesale and retail</b>	51	49
<b>Other</b>	50	50
<b>All sectors</b>	<b>52</b>	<b>48</b>

Source: Statistics Unit, 2009d

**Table 3.6: Type of employment by gender (percentages)**

<b>Role</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Senior manager</b> (e.g. finance manager, chief executive)	16	5	11
<b>Middle or junior manager</b> (e.g. office manager, retail manager, bank manager, publican)	12	12	12
<b>Professional occupation</b> (e.g. accountant, solicitor, nurse, medical practitioner, teacher, software designer)	34	37	35
<b>Clerical or intermediate occupation</b> (e.g. secretary, call centre agent, nursery nurse)	6	29	17
<b>Technical or craft occupation</b> (e.g. electrician, plumber)	14	2	8
<b>Routine or semi-routine, manual or service occupation</b> (e.g. HGV driver, cleaner, porter, labourer, receptionist, postal worker)	17	15	16
<b>Total</b>	100	100	100

Source: Statistics Unit, *Jersey Annual Social Survey 2009*

### **3.2.7 Wage rates**

3.27. The States of Jersey introduced a statutory minimum wage on 1<sup>st</sup> July 2005 following the introduction of the Employment (Jersey) Law 2003, the Employment (Minimum Wage) (Jersey) Regulations 2004 and the Employment (Minimum Wage) (Jersey) Order 2004.

3.28. At the same time, the States of Jersey formalised the Employment Forum, an independent consultative body, to monitor the economic impact of the minimum wage and make regular recommendations to the Minister on potential alterations to the framework.

3.29. Since its introduction the Employment Forum has provided the Minister with six recommendations on the minimum wage rate, the most recent at the time of writing published in October 2009. The recommendations have included alterations to both minimum wage and the trainee wage, changes to the offset amounts for employers who provide 'payment in kind' (that is, accommodation and food), the possibility of a 'youth rate' for 16 to 18 year olds, the system for calculating the minimum wage, and the inclusion of tips and gratuities in employees' minimum hourly wage.



- 3.30. Both the trainee wage and minimum wage rate in Jersey have been steadily increasing since 2005. The minimum wage in 2005 was £5.08 per hour and is now £6.20 per hour, and the trainee wage has risen from £3.82 per hour to £4.65 per hour over this period (Employment Forum, 2010).
- 3.31. Jersey's Employment Law also makes provisions for 'payment in kind' in the form of accommodation or accommodation and food (so long as the food provided is three meals a day). Employers can offset part of their employees' weekly salary if the employment contract includes accommodation or accommodation and food. When Jersey's minimum wage legislation was first introduced employers could offset a maximum of £55.65 of a worker's salary if they were providing accommodation and a maximum of £74.20 if they were providing accommodation and food. This figure has risen steadily since the legislation's introduction. The maximum offset for accommodation currently stands at £67.85 and at £90.46 for accommodation and food.
- 3.33. In 2008 the Employment Forum recommended the introduction of a 'student rate', lower than the standard minimum wage rate, for young people between 16 and 18 who are still in full-time education. However, this proposal was rejected by the States. The Employment Forum did not find sufficient evidence to justify the introduction of a 'youth rate' lower than the standard minimum wage for all 16 to 18 year olds.
- 3.34. Since the minimum wage legislation was introduced, all employees aged over 16 years have been entitled to be paid the minimum wage. In October 2007, the Forum had recommended that young people aged between 16 and 18 who are still in full-time education should be entitled to a lower rate of pay equivalent to the trainee rate to help avoid the possible negative consequences on labour market opportunities for young people. However, this proposal was rejected by the States. The Forum reviewed the matter again in 2009 asking whether young people are missing out on work experience opportunities in any particular industries, whether young people are willing to work for a lower rate of pay, and whether employers would be more willing to employ younger people at a lower rate of pay. The Employment Forum found insufficient evidence to suggest that a student or youth rate was necessary at that time.
- 3.35. This differs from the UK and Isle of Man which have different wage rates for different age categories.<sup>8</sup> In the UK, the minimum wage initially applied only to employees over age 18, but a lower minimum hourly rate of pay for younger workers was introduced in 2004. Despite claims that it is discriminatory on grounds of age the UK's Low Pay Commission argues that, as young people do less well in the labour market due to relative professional inexperience and added training requirements, a lower wage rate will enhance their place in the labour market by making them less

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<sup>8</sup> However, an Apprentice Minimum Wage Rate was introduced in the UK in October 2010.

costly for employers to employ (LPC, 2011:xii). Research conducted for the Low Pay Commission shows that minimum wages can have an adverse effect on the employment of young people, especially if there is no separate rate for young workers (LPC, 2011:68-9). Indeed, during an economic downturn this negative impact can be exacerbated for younger people, but this effect can be mitigated by separate rate(s) for young people. Thus UK research, which draws upon international research and UK studies, implies that a separate young persons' rate could benefit the Jersey youth labour market. However, the review team makes no recommendation on the introduction of a 'youth rate' minimum wage as this would be beyond the remit of the review.

### **3.3 Overview of the Income Support system**

- 3.36. Jersey's social security system comprises a contributory and a means-tested scheme. Contributory benefits are provided for maternity, short and long-term incapacity, old age, survivors and towards funeral costs. There is no contributory unemployment benefit. Contributory benefits are funded through contributions from employers, employees and government. Workers who have been made compulsorily redundant and are out of work may be provided with credits toward their social security contribution record.
- 3.37. Prior to the introduction of Income Support in January 2008, means-tested financial support for living costs was provided on a discretionary basis by the 12 separate parish authorities. Parishes applied their own criteria to job-seeking. Other means tested support was available from a variety of States departments for costs associated with housing, children, childcare and disabilities. Income Support is now operated by the Social Security Department to provide a centralised, consistent, rule-based benefit system and jobseeking regime.
- 3.38. Income Support is available as an in-work and out-of-work benefit and is available to adults of all ages. It provides support to pensioners and the long term incapacitated as well as unemployed adults.
- 3.39. As well as providing a weekly benefit, Income Support provides one-off payments for a variety of circumstances including urgent medical, dental or optical treatment and essential furniture and household equipment, removal expenses and funeral costs etc. Income Support recipients are also eligible for cold weather payments, which are triggered automatically if the temperature drops below a specified level between October and April and the household includes someone over 65 years of age, a child under the age of three or someone with a significant disability.
- 3.40. The Income Support system is funded by central government. Public expenditure on Income Support has increased from £71m in 2008 to £85m in 2010 – an increase of 20 per cent. (SSD, 2010). The bulk of the additional funding is in respect of additional costs associated with the

recession. Just under 14,000 adults and children lived in households receiving Income Support in 2009.

- 3.41. Outside the framework of Income Support the Minister for Social Security has the power to make Discretionary Payments to anyone in Jersey who is in difficult circumstances and in urgent need of financial support.

### **3.3.1 Conditions of entitlement to Income Support**

- 3.42. To be entitled to Income Support claimants must meet residency and work requirements and an income test. One adult member of the household must have lived in Jersey continuously for at least five years immediately preceding the claim. Someone who has lived in Jersey for five years and then moved away must live on the island for the same period of time that they spent away to become eligible again. As an in-work and out-of-work benefit Income Support, with certain exceptions, requires adults in the benefit unit to be in employment or Actively Seeking Work. Income Support is means-tested and the net<sup>9</sup> total household income must be below the level of the benefit for the household with the rate payable dependent on the circumstances of the members of the household, such as age, number of dependants, income, savings etc., taking into account the basic living costs for adults and children, housing, childcare and disability.

- 3.43. An Income Support unit may comprise a single adult, or two adults living together as a couple, together with any dependent children. People under the age of 25 who are still in full-time education are included in their parents' household. People who are above school leaving age and not in full-time education are treated as separate households and can claim Income Support in their own right, even if they live in the family home.

### **3.3.2 Exemption from full-time work**

- 3.44. Although the Income Support regulations include a requirement for adults to be either in work or Actively Seeking Work, certain groups are either completely or partially exempt from the requirement to work or to seek employment. The groups that are completely exempt are:

- People aged 65 or above
- Anyone looking after a child under the age of five. (However, only one adult in an Income Support unit can be exempt from work on this basis)

- 3.45. The following groups are not required to work full-time, but may be expected to work part-time depending on their circumstances:

- Looking after a child aged five and over
- Have a medical condition that limits capacity to work
- Undertaking approved education or training
- Caring for someone with a serious medical condition

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<sup>9</sup> Various disregards are allowed against the income of the household members.

### **3.3.3 Financial incentives**

- 3.46. The Income Support system as a whole currently provides an 18 per cent disregard against gross earned income (of this six per cent is in respect of the employee's social security contribution).
- 3.47. For an individual moving into permanent work after a period of unemployment, the first 28-days of earnings are completely disregarded (the '28-day rule'). Whilst in employment small changes of earnings of less than £40 per week are disregarded between review periods.
- 3.48. One-off payments are available toward the cost of buying clothing or equipment that is essential to taking up employment.

### **3.3.4 Jobseekers**

- 3.49. The SSD Work Zone administers the jobseeking regime. When an individual is first identified as a jobseeker they are required to attend an interview with a Work Zone adviser. If the jobseeker is still claiming Income Support four weeks after this interview they are required to sign a Jobseeker's Agreement setting out the activities they will undertake to find work. After 13 weeks jobseekers are expected to broaden their search for work and not confine themselves to their previous occupations.
- 3.50. Other services provided by Work Zone include:
- Self-service computerised kiosks to identify job vacancies.
  - Advice with CVs.
  - Referrals to Careers Jersey for advice and guidance on careers paths and educational and training opportunities.
  - Referral to Workwise (team that provides intensive client support for job-ready individuals who have significant employment barriers).
  - Referrals to other agencies, for example, recruitment agencies, Jersey Advisory and Conciliation Service, and Skills Solutions (an access point for other agencies such as Jersey Employment Trust, Jobscope, Workwise, and the Pain Management Centre).

### **3.3.5 Sanctions**

- 3.51. If a jobseeker fails to satisfy the Income Support actively seeking work condition, the household entitlement to Income Support is lost and the household is not legally entitled to any benefit. However, as Income Support provides support for housing and children as well as adults, in most cases the household is able to claim a 'special payment' under a different regulation, while support for the non-compliant adult is removed incrementally.

## **3.4 Claimants' characteristics**

- 3.52. This section explores some of the characteristics of jobseekers in receipt of Income Support. The first part of the discussion is based on an analysis of administrative data provided by the Social Security Department. The

data provide a snapshot of the live caseload as at the 30<sup>th</sup> June 2010. On that date there were 1,111 individuals registered as unemployed and of these 770 (69 per cent) were in receipt of Income Support and the reported analyses relate to these 770 cases.<sup>10</sup> The second part discusses the jobseekers' barriers to paid work and this draws upon both documentary sources and the qualitative interviews with Social Security Department staff and others.

### **3.4.1 Socio-economic characteristics**

3.53. Of those unemployed and in receipt of Income Support, 61 per cent were male and 39 per cent female.

3.54. In general, jobseekers are a relatively young population – half of the caseload is aged 28 or under. Indeed, over a quarter (28 per cent) are aged between 16 and 19 years and another 16 per cent aged 20 to 25 (see Table 3.7). A fifth is aged 25 to 39 and a further fifth (22 per cent) aged 40 to 49. Approximately only one in seven (14 per cent) are aged 50 or over; and most of these are aged under 60 (only two per cent are aged 60 and over).

**Table 3.7: Age by gender, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**

	Gender				Total	
	Female		Male		(No.)	(%)
	(No.)	(%)	(No.)	(%)	(No.)	(%)
<b>16 to 19</b>	98	33	116	25	214	28
<b>20 to 24</b>	45	15	77	17	122	16
<b>25 to 39</b>	52	17	105	22	157	20
<b>40 to 49</b>	72	24	94	20	166	22
<b>50 +</b>	35	12	76	16	111	14
<b>Total</b>	<b>302</b>	<b>100</b>	<b>468</b>	<b>100</b>	<b>770</b>	<b>100</b>

Base: 770 unemployed Income Support recipients

Source: Social Security Department administrative data

3.55. By gender the typical male and female unemployed Income Support claimants are of a similar age – the median female age is 27 years and the male 28 years.<sup>11</sup> However, these figures conceal a slight variation in the distribution of ages by gender. A third of the female claimants are

<sup>10</sup> There will be some discrepancies between the figures reported in this section and findings published by the Statistics Unit as the latter will relate to the larger registered unemployed population. The analysis reported here is restricted to those on Income Support.

<sup>11</sup> The median is the midpoint of a distribution – so half the caseload has a lower age than that reported here and half have a higher age. The median is a better measure of the typical jobseeker than the mean (or arithmetical average) where a distribution is skewed, as in this case towards younger people.

aged 16 to 19 compared to a quarter of males (see Table 3.7). At the upper end of the age distribution this is counterbalanced by more men than women being aged 50 or over, 16 per cent and 12 per cent respectively. There are also more men aged 25 to 39 than women; 22 per cent compared with 17 per cent.

3.56. The administrative data are for individuals; however, the household type for each recipient is known and shown in Table 3.8. The unit of analysis of this table is the individual and not the household so, for example, two or more claimants may be living in the same 'two or more adult household'. Similarly some of the single people without a child could be living within the same property as other claimants, but they constitute a separate unit for benefit purposes. Given this proviso, almost half of recipients (44 per cent) are in two or more adult households without dependent children. Over a third (38 per cent) of recipients reside in single person households – albeit some will be living at home with a parent who may also be a claimant. Significantly fewer Income Support recipients live in households with dependent children – ten per cent of recipients live in two or more adult households with children and eight per cent are lone parent households.

**Table 3.8: Household type, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**

<b>Household type</b>	<b>No.</b>	<b>Per cent</b>
<b>Lone parent</b>	58	8
<b>Two or more adults with child(ren)</b>	74	10
<b>Two or more adults without children</b>	337	44
<b>Single adult without a child</b>	289	38
<b>Other</b>	11	1
<b>Total</b>	769	100

Base: 769 unemployed Income Support recipients

Source: Social Security Department administrative data

3.57. The majority of recipients had at some point in the past made a claim for Short Term Incapacity Allowance. Only 11 per cent had a long-term incapacity and received Long Term Incapacity Allowance. The median Long Term Incapacity Allowance percentage award was 15 per cent<sup>12</sup>.

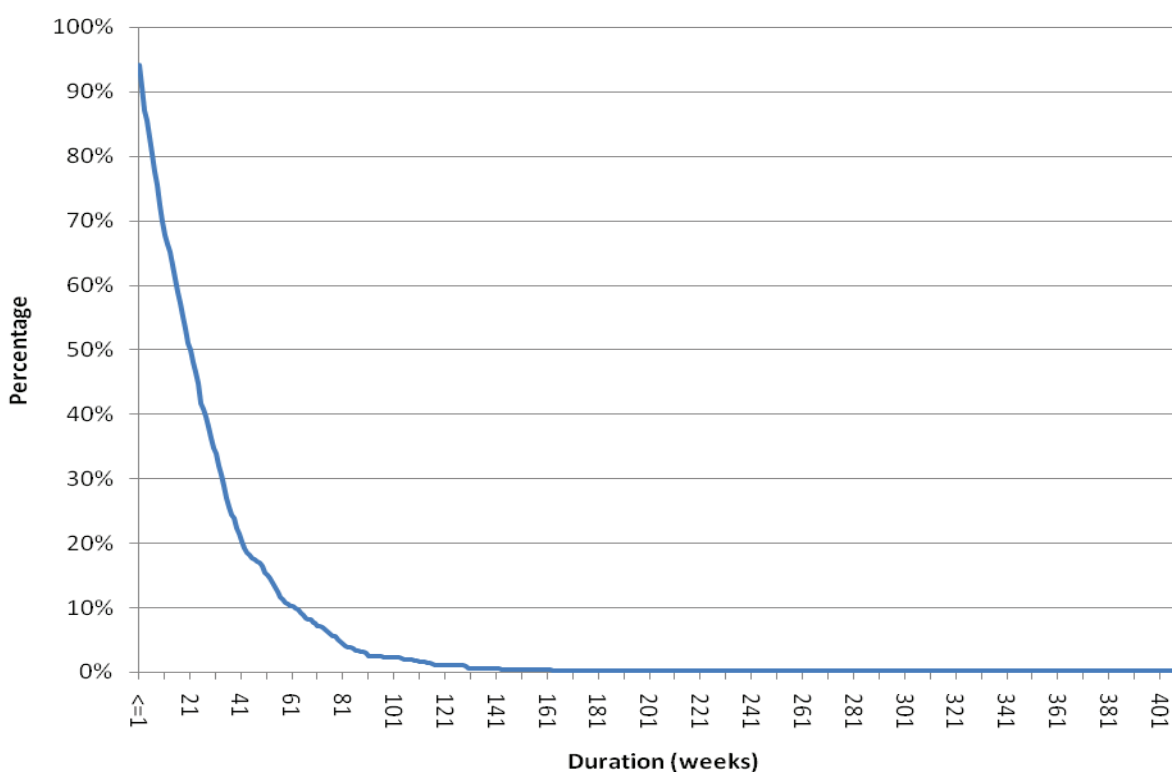
<sup>12</sup> This figure is influenced by the exemption from job seeking of LTIA recipients with awards of 30 per cent or above

3.58. All of the claimants will have met the five-year residential qualification for the benefit. The overwhelming majority (91 per cent) of claimants are Jersey/British. Only six per cent are Portuguese and one per cent Polish. The remaining two per cent cover six other nationalities.

### 3.4.2 Unemployment duration

3.59. The duration of the 770 claimants' current period of unemployment as at the 30<sup>th</sup> June is shown in weeks in Figure 3.6. The Figure has the expected concave shape, showing that most claimants, at any one point in time, are unemployed for a short period of time and that over time an increasing proportion exit unemployment. It also shows that there are a relatively small number of claimants who have been Actively Seeking Work for a relatively long period of time. The maximum duration is 411 weeks. (As a consequence the median rather than the mean is a better measure of a typical claimants' duration of unemployment.)

**Figure 3.6: Unemployment duration, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**



Base: 770 unemployed Income Support recipients  
 Source: Social Security Department administrative data

3.60. The median unemployment duration is 21.5 weeks, that is, 50 per cent of Income Support claimants are unemployed for less than five months. Indeed, 59 per cent are unemployed for six months or less (26 weeks). Three-quarters are no longer Actively Seeking Work by week 37. However, one in seven (14 per cent) jobseekers are long-term

unemployed having been unemployed for more than one year. These exits from unemployment do not, of course, mean that the individuals concerned have ceased to claim Income Support.

- 3.61. The median length of the period of unemployment is similar for men (23 weeks) and women (19 weeks). Similarly, there is no statistically significant difference in duration by age of claimant (see Table 3.9), notwithstanding that the duration for those aged 50 and over is longer. Nor does unemployment duration significantly vary by type of household (Table 3.10).

**Table 3.9: Age by unemployment duration, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**

<b>Age band</b>	<b>Median duration (weeks)</b>	<b>Number of cases</b>
<b>16 to 19</b>	22.0	214
<b>20 to 24</b>	17.5	122
<b>25 to 39</b>	19.0	157
<b>40 to 49</b>	21.0	166
<b>50 +</b>	29.0	111
<b>Total</b>	21.5	770

Base: 770 unemployed Income Support recipients  
Source: Social Security Department administrative data

**Table 3.10: Household type by unemployment duration, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**

<b>Household type</b>	<b>Median duration (weeks)</b>	<b>Number of cases</b>
<b>Lone parent</b>	17.0	58
<b>Two or more adults with child(ren)</b>	22.0	74
<b>Two or more adults without children</b>	22.0	337
<b>Single adult without a child</b>	21.0	289
<b>Other</b>	38.0	11
<b>Total</b>	21.0	769

Base: 769 unemployed Income Support recipients  
Source: Social Security Department administrative data



3.62. The lack of variation by gender, age and household type implies that 'profiling' claimants – that is, assigning claimants to types of intervention based on the support needed to help them gain employment – would be difficult to achieve. However, Jersey's Income Support system has only been operating for a short period of time and in the longer run there may be sufficient data that would allow more accurate modelling of claimants' employability, which in turn might lead to a profiling scheme. This is possible because research has demonstrated that some groups of people are more likely to become long-term unemployed than other groups. Begum (2004) shows that for the UK the groups more likely to experience short-term unemployment are young people and people with higher educational qualifications. Whilst longer spells of unemployment are more likely for older men, people with disabilities (compared to those with no disabilities) and lone parents (compared with couples with children). A more complex analysis is provided by Forfás for the Irish labour market:

*Those most vulnerable to long-term unemployment ... are those with a recent history of long-term unemployment, previous participation on the Community Employment (CE) scheme, advanced age, relatively high number of children, relatively low education, literacy/numeracy problems, located in urban areas, lack of personal transport, low rates of recent labour market engagement, and spousal earnings.*

Forfás (2010:3)

These analyses provide an indication of the administrative data that the Social Security Department ought to capture if it wishes to profile those most at risk of long-term unemployment in the future (see below). However, further research that is Jersey specific will be required because the characteristics of unemployed people that are likely to lead to long-term unemployment interact. So, for instance, further analysis by Forfás (2009:3-6) shows that:

*... those with highest unemployment rates are: older low-skilled workers, younger age cohorts, (under 25's, particularly those with low educational attainment) and those in 25-34 year old age cohort with PLC [Post Leaving Certificate]/upper secondary educational attainment or below.*

Forfás (2010:3)

Nonetheless, Forfás (2010) provide an example of the analysis that Jersey could conduct in the near future. To model moves off unemployment the research literature implies that the Department should capture the following data on claimants:

- Key socio-economic and demographic characteristics particularly gender, date of birth/age, marital status, number of dependants, household type, ethnic origin, whether claimant has a disability or health condition, perceived health status, whether or not an ex-offender, whether claimant has access to a vehicle (vs. public

transport), whether claimant has a valid driving licence, tenure, and if relevant number of employees at previous employer.

- Human capital including year left school, academic and vocational qualifications attained, skills, occupational history and whether basic skills need improving.
- Benefit histories – number and duration of past spells of unemployment.
- Work aspirations (expectations and type of work sought), perceived barriers to employment and wage level sought.
- Jobsearch behaviour including travel to work area, number of job applications, number of job offers, and where looked for employment.
- Employment related services provided by the Social Security Department and other departments.
- Destinations – what happened to the claimant when they ceased to be actively seeking work?

### **3.4.3 Type of client and work sought**

3.63. As at the end of June 2010, 82 per cent of the unemployed Income Support recipients were clients of Work Zone, 12 per cent per were young people on Advance to Work and six per cent were Workwise clients.

3.64. Across the Work Zone and Workwise client groups the overwhelming majority (92 per cent) were looking for full-time employment; a further seven per cent were seeking part-time work and only three people were after term time only employment.

**Table 3.11: Principal occupations sought, unemployed Income Support recipients as at 30<sup>th</sup> June 2010**

<b>Occupation</b>	<b>No.</b>	<b>Per cent</b>
<b>Sales and retail assistants</b>	105	18
<b>General goods handling and storage occupations</b>	90	15
<b>General office assistants/clerks</b>	54	9
<b>General labourers in construction trades</b>	32	5
<b>Painters and decorators</b>	20	3
<b>Accounts and wages clerks book-keepers, other financial clerks</b>	13	2
<b>Gardeners and groundsmen/groundswomen</b>	13	2
<b>Care assistants and home carers</b>	12	2
<b>General Sales related occupations</b>	11	2
<b>Labourers in building and woodworking trades</b>	11	2

Base: 593 unemployed Income Support recipients

Source: Social Security Department administrative data

3.65. Data on the type of work sought are available for 593 cases. A wide range of occupations are sought - a total of 101 occupations. They range from psychologist and teacher to postal worker and cleaner. The 'top ten' occupations desired are listed in Table 3.11. In general, jobseekers sought low-skilled and mainly manual occupations.

#### **3.4.4 Barriers to work**

3.66. Respondents interviewed for this employment review identified a number of barriers to work that they believed affected jobseekers:

- substance use – drugs and alcohol
- lack of self-confidence
- literacy and numeracy problems
- low skills and/or low to average number/level of educational qualifications
- a failure by some individuals to see that their experience has given them a range of transferable skills that could be used in other occupations and sectors
- poor language skills
- lack of adequate childcare
- transport issues
- caring responsibilities, including school-age carers of siblings or parents
- having a criminal record
- physical and mental health issues
- a family history of unemployment

3.67. Some jobseekers face complex and multiple barriers to work. Some argue that specific help should be targeted on this 'harder to help' group (Daguerre with Etherington, 2009:2).

3.68. Although respondents were not asked to rank or prioritise barriers to work, two – a lack of educational qualifications and skills and substance use – were frequently mentioned and highlighted as barriers. A lack of educational qualifications and skills can be a significant barrier to work both in terms of jobseekers' confidence levels and in meeting potential employers' skills requirements. The *Annual Report on Skills and Skills Requirements* (Kelleher, 2009) noted that employers were becoming more inflexible in their demands, making it difficult for less qualified, less experienced jobseekers to enter or re-enter the labour market. Some job applicants were alleged to have attended interviews having had an alcoholic drink. Drug use was seen as an issue with young people rather than with adults. The review team have not investigated the prevalence of problematic substance use in Jersey.

#### **3.4.5 Economic inactivity**

3.69. Not all working age people are employed or actively seeking work; they are classed as economically inactive. The Jersey Annual Social Survey 2008 explored the reasons why working age people were not working (see Table 3.12) (Statistics Unit 2008). Respondents were allowed to choose

as many options as applied. Though 28 per cent of the people said that they were unable to work, 27 per cent said that they would consider working in the future. Twenty-three per cent were looking for suitable part-time work and 12 per cent were seeking suitable full-time work. The cost of childcare was an issue for 13 per cent. However 25 per cent of respondents said that they did not want to find work.

**Table 3.12 Reasons for not currently working 2008**

<b>Reason</b>	<b>Percentage of respondents who identified this as true for them</b>
<b>I am unable to work</b>	28
<b>I would consider working in the future</b>	27
<b>I don't want to work</b>	25
<b>I can't find suitable part-time work</b>	23
<b>I can't afford suitable childcare</b>	13
<b>I can't find suitable full-time work</b>	12
<b>I need re-training</b>	10
<b>I would be worse off financially</b>	10
<b>I can't find suitable childcare</b>	4
<b>I need rehabilitation</b>	3

Source: Statistics Unit, 2008

- 3.70. The survey also found that the reasons for not working changed according to tenure. For instance, the top two reasons chosen by those not working who were living in States, Parish or Housing Trust rental accommodation that they were unable to do so (47 per cent) and they could not afford childcare (31 per cent). For those in owner-occupied accommodation most said the reason for their not working was '*I don't want to work*' (35 per cent) (Statistics Unit, 2008:13).

### **3.5 Conclusion**

- 3.74. This Chapter has sought to provide a context to the discussion of policy issues and options presented in Chapter 4.

3.75. Key findings from the analysis of the labour market are that:

- The majority of people are economically active (86 per cent).
- The workforce is relatively young (51 per cent are aged between 25 and 44 years).
- Most employees are locally qualified.
- It is a relatively skilled workforce (83 per cent have a secondary qualification).
- Most people of working age are employed in the private sector (87 per cent) and nearly a quarter (24 per cent) of employees work in financial services.

3.76. Although there are monthly fluctuations in the recorded numbers of unemployed people, the underlying trend is upwards. The ILO unemployment rate was 2.7 per cent in summer 2009. There are available job vacancies but the ratio of vacancies to numbers unemployed has fallen over time – more unemployed people are chasing fewer jobs. Despite this fall in the ratio, some employers say they are having difficulties in recruiting suitable employees.

3.77. For those people that are unemployed, Jersey has an Income Support system; it does not have a contributory unemployment benefit. To be entitled to Income Support claimants must be locally resident, be either in work or actively seeking full-time work unless falling into one of the exempt categories and meet the household income test. Jobseekers who are not available for work or not actively seeking work are subject to a benefit sanction.

3.78. Unemployed Income Support recipients are a diverse group; however, the typical claimant is young, male, childless and unemployed for nearly 22 weeks.



## **4 Policy issues and options**

### **4.1 Introduction**

- 4.1. This chapter seeks to highlight key policy and practice-related issues that affect moves into employment by Income Support recipients. The Chapter discusses possible policy options and the review's recommendations are summarised in the final chapter of the report; inevitably, there is some overlap between this and the next chapter.
- 4.2 The following discussion is based on the analyses presented in the two previous chapters and on the qualitative interviews conducted with SSD staff and others.
- 4.3 The chapter discusses in general terms the availability of jobs for unemployed Income Support recipients, financial incentives, childcare provision and costs, Work Zone and Income Support recipients, approved education and training courses, Advance to Work, other specialist referral programmes, sanctions policy, and inter-organisational relations.

### **4.2 A lack of jobs?**

- 4.4. That unemployment increases during and after a recession is to be expected. Following the global recession the increase in unemployment on the island was inevitable, and once the economy recovers the rate of unemployment will begin to diminish. However, it may take several years before the rate of unemployment is at, or below, the rate before the recession began (see Stafford and Duffy, 2009). Nonetheless, policy makers during an economic downturn can seek to minimise the increase in unemployment, to protect those experiencing unemployment and take steps to reduce the likelihood of short-term spells of unemployment becoming long-term. Measures are needed because of the scarring effects unemployment has on individuals and the wider community.
- 4.5. Respondents' views on the availability of employment for jobseekers are mixed. There is recognition that there are not sufficient job vacancies for all the people who are unemployed. Indeed, one respondent correctly pointed out that some degree of frictional unemployment was necessary in any 'healthy' economy and reflected job turnover and the creation and demise of firms. The analysis of the ratio of reported vacancies to numbers unemployed presented in the previous chapter strongly suggests that since the end of 2007 there has been a dramatic reduction in the number of vacancies available to jobseekers.
- 4.6. However, the extent to which respondents believe that there are jobs that jobseekers could obtain, if only they had the motivation, varies. That jobs are advertised on SSD's job vacancy database, in the local newspaper and by recruitment agencies was cited as evidence of the availability of employment opportunities. In particular, some young people are

identified as having the wrong '*attitude*' about entering the world of work. Sometimes this is linked to family history – a 'cultural of dependency' within the family – but at other times it is related to more affluent parents who, it is argued, encourage their unemployed children not to take what they perceive as low quality, low paid jobs. According to one respondent the group more likely to have an attitudinal problem is young men.

- 4.7. In general, respondents agree that jobseekers displaying what they see as a lack of motivation are a minority and not representative of unemployed Income Support recipients in general.
- 4.8. Such views were also often accompanied by acknowledgement of a downturn in certain sectors of the economy, notably in the utilities, hospitality and tourism. Some respondents observed that hotels had been closing and banks (quietly) laying-off people before the 2008 recession. It was claimed that some ex-employees of the utility companies will have thought that they had '*jobs for life*', but this was no longer true.
- 4.9. The impact of the downturn on firms across the finance sector is seen by respondents as mixed. Some firms were badly hit and there were large job losses in banks and associated businesses, but some firms continue to hire people. Some employees left positions with relatively generous exit packages and so in the short to medium term they did not claim Income Support, but may have to do so in the near future.
- 4.10. Jobseekers' skills and qualifications were also seen as important factors influencing the probability of employment. In a tight labour market employers can favour people with experience and qualifications which then limits job opportunities for young people. For example, there is some anecdotal evidence from respondents of '*qualification creep*'; jobs that previously would have gone to school leavers are now being taken by graduates. So, for instance, in the past students from Highlands College with a Level 2 vocational qualification would have found employment, but they are finding it more difficult in the present economic climate. (The relationship between Income Support and education and training is considered in more detail below.)
- 4.11. Some respondents also identified factors in the labour market that might restrict its efficient operation for jobseekers. There was a belief that some employers lack awareness of the opportunity to market jobs to Income Support recipients, especially people at the bottom and top ends of the age range. It is also recognised that employers' business models, especially in hospitality and agriculture, incorporate assumptions about employing migrant workers. Potentially, jobs are available to unemployed young people in hospitality and agriculture but as residents they do not want to accept the '*job, board and lodging package*' employers often offer. This is a policy area that has to be managed sensitively – the jobseekers and the wider economy would not benefit if policy changes undermined the international competitiveness of the tourism and agricultural sectors.
- 4.12. In addition, some employers are perceived as demanding '*oven-ready*' young people, that is, they have unrealistic expectations about the levels



of experience and maturity of young people (see also discussion in Chapter 3 about employers' expectations). Some respondents believe that there is a need for some awareness-type training for employers on the capabilities and benefits of hiring young people.

- 4.13. One policy option to encourage employers to take on unemployed Income Support recipients is a temporary **job subsidy**. Although the Income Support system includes various disregards (see below) Jersey does not have a formal job subsidy scheme for employers. The evidence reviewed in Chapter 2 suggests that job subsidy schemes can be very effective in reducing unemployment. Any such scheme would have to be cost-effective; in effect it would be funded from benefit savings arising from jobseekers moving into employment earlier than they would otherwise do so. The scheme would raise employers' awareness of local jobseekers. It would need to be targeted at certain client groups (notably the long-term unemployed) in order to minimise deadweight loss. The subsidy, paid to the employer, would be for a time-limited period (say, six months), and the jobseeker would receive a wage (that was at least equal to the minimum wage). Those participants whose placement ended without them obtaining employment would return to Income Support without having to reapply for benefit. Post-placement support for jobseekers would include a period of intensive job search activity and a review of their Jobseeker's Agreement.
- 4.14. Potential problems with a job subsidy scheme are substitution and displacement effects. A number of agencies on the island provide work placements. To the extent that programmes like Advance to Work are able to successfully secure placements without subsidy then there would appear not to be a strong case for paying participating employers a fee. However, if the job subsidy is targeted at those most disadvantaged in the labour market – jobseekers who employers would not normally be prepared to offer a non-subsidised placement - then the scheme may be beneficial. There is a risk that employers, wishing to secure the subsidy, offer fewer non-subsidised placements to other programmes. Further work would be required on employers' reactions to a job subsidy and on the amount payable and its duration. This could entail a mixed methods approach initially running focus groups with employers to explore their understandings of the local labour market and the factors they consider when making recruitment decisions for different segments of the market (for instance, young people); and their possible responses to different types and levels of job subsidy. The findings of this qualitative research would inform the design of a survey of employers. The survey, possibly through setting of quotas by industrial sector and size of firm, would be representative of businesses on the Island.

#### **4.2.1 Is youth unemployment cyclical or structural?**

- 4.15. Unemployment amongst Income Support recipients may be increasing for cyclical reasons, arising from the economic recession, or due to longer-term structural reasons. The distinction is important as different policy responses may be required if different groups of recipients are affected by structural as opposed to cyclical factors. A successful anti-cyclical policy

response will not in the long run address unemployment for a group if the causes are structural.

- 4.16. It is possible that the increase in youth unemployment is due to structural reasons rather than cyclical. However, comments made by respondents would suggest that youth unemployment on the island is cyclical rather than structural. Youth unemployment rises more sharply than adult unemployment during economic downturns and they should benefit from economic booms.

### **4.3 Financial incentives**

- 4.17. This section considers work incentives within the Income Support system and covers income disregards and the timing of the commencement of Income Support following an exit from employment. The policy issues arising from ensuring that Income Support incorporates effective work incentives (replacement rates and effective marginal tax rates) are also discussed.

#### **4.3.1 Income Support disregards**

- 4.18. The Income Support system incorporates a number of financial incentives to encourage people to enter and remain in paid work. The principal incentives are: a 12 per cent earnings taper, a '28-day rule' earnings disregard, a social security contribution disregard, and a childcare disregard (see below).

#### **4.3.2 Income disregard**

- 4.19. Staff respondents pointed out that the current 12 per cent earnings disregard was not extensively advertised. Indeed, it is not covered in the SSD booklet *Income Support* nor on the relevant Web page, *How can Social Security help me find work?* The risk is that jobseekers will not intensify their search for work nor take up job offers if they are unaware that they would be better-off in employment. In addition, for jobseekers the calculation of the impact of the taper may not be straightforward. The calculation requires jobseekers to deduct from gross earnings six per cent for social security contributions and the 12 per cent disregard. The existence of the taper and its effect on households could usefully be better publicised. The SSD is trialling a 'Better Off (in work) Calculator' and if a version is rolled out this would enable employment advisers to give more detailed estimates of the benefits of work to jobseekers.
- 4.20. The taper is to increase to 16.5 per cent in October 2010, and this will increase the attractiveness of work over unemployment as recipients will be able to retain more of their earnings (see below).
- 4.21. Income Support also includes a full social security contribution disregard – currently worth six per cent for employees and the amount of the contribution for those in self-employment.

### **4.3.3 '28-day' income disregard and job entry bonuses**

- 4.22. The evidence on job bonuses discussed in Chapter 2 showed that they were effective in the US but the somewhat complex UK Back to Work Bonus where claimants had to accrue the bonus via part-time working was less successful. Formally, Jersey has no job entry bonus, although such a measure could provide a financial incentive for moving into employment and help abate jobseekers' financial concerns over moving from benefits into paid work.
- 4.23. However, Jersey does, as noted in Chapter 2, have a 28-day income disregard that is paid to jobseekers moving to permanent employment and this is a *de facto* job entry bonus. Former jobseekers receive an unadjusted Income Support payment on top of their earnings from their employment. The disregard applies from the person's first pay day (and not from when they commence work). It is paid to recipients by SSD automatically; no claim is required. The amount of the 'bonus' is not a standard amount; it will vary depending upon the individual's entitlement to benefit. However, the 28-day income disregard is not advertised by SSD. Staff respondents maintain that claimants are unaware of the rule. Indeed, some people are only made aware of the incentive once they receive the payment, sometime after they have commenced work. As with the taper it is not covered in the SSD booklet *Income Support* nor on the *How can Social Security help me find work?* Website. There would appear to be scope in the short-term for publicising the existence of the 28-day income disregard and in the medium to longer term to reconfigure it explicitly as a job entry bonus.
- 4.24. To help ease the transition from unemployment to employment, jobseekers in Jersey can also access Special Payments and Discretionary Payments under the Income Support system and disabled people can apply for an Adaptation Grant. According to SSD policy guidance Special Payments can be used for work-related purposes to help jobseekers buy clothes or equipment when they get a new job; and Discretionary Payments to cover specific one-off interview costs. Staff said that few jobseekers enquired about Special Payment for work-related expenditures and they knew of only one Discretionary Payment made for interview costs.<sup>13</sup> The efficacy of lump sum payments to help jobseekers move into employment was not discussed in the literature reviewed in Chapter 2. However, it is likely that there will be individuals who, lacking savings and access to affordable credit, urgently require the sorts of items covered by Special Payments and the Adaptation Grant if they are to move into paid work. The review does not recommend any changes to the current arrangements; although both Special Payments for work-related reasons and the Adaptation Grant could be more widely publicised

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<sup>13</sup> Adaptation Grants were not discussed in the interviews with staff as part of this study, but their provision and use is considered in Stafford (2007:78-9), which found that the relatively small budget was used to '*purchase small scale aids and adaptations (such as computer aided voice recognition software, special chairs and keyboards) for people experiencing difficulties in their workplace*'. The grant could not be used to fund physical adaptations to workplaces. Demand for the grants was perceived to be low.

#### **4.3.4. 'Waiting days' for Income Support**

- 4.25. Currently people making a new Income Support claim in Jersey receive benefit from the first day of the claim. Some other countries have a qualifying period or 'waiting days' before benefit is paid.
- 4.26. Jobseeker's Allowance in the UK has a three day waiting period for most new claims. The waiting days do not apply to: those claiming Jobseeker's Allowance within 12 weeks of a previous entitlement to a relevant benefit, such as Jobseeker's Allowance or an incapacity benefit; and 16 or 17 year olds getting Jobseeker's Allowance under severe hardship rules. In 1997 the then Labour Government proposed to increase the number of waiting days from three to seven, but the measure was revoked the following year. There were concerns that the increase in waiting days could lead to unacceptable levels of hardship amongst newly unemployed people and the 'safety net' mechanism, (crisis) loans from the Social Fund, was not sufficient to compensate those needing financial support over the qualifying period.

4.27. The case for 'waiting days' is:

- To reduce administrative costs by preventing '*... claims of benefit in respect of very short periods of unemployment because of the high administrative costs of such claims.*' (Strickland, 1996:10);
- There is an expectation that those leaving employment will have sufficient earned income to cover expenditure incurred during the waiting days; and
- Social security and social insurance schemes in particular are, it is argued, not designed to provide cover for people moving jobs or for very short periods of unemployment.

There is, however, no evidence that waiting days act as a work incentive for those claiming an unemployment benefit.

- 4.28. If Jersey introduced waiting days for Income Support (in order to achieve the benefits outlined above), the UK experience would suggest that a 'safety net' is required to protect those unable to support themselves during the qualifying period. In the UK this has been provided by the discretionary Social Fund. In Jersey this short-term financial support might be provided by Discretionary Payments. It is possible that the introduction of waiting days for Income Support would lead to an increase in applications for Discretionary Payments, although the benefit savings could exceed the additional expenditure on Discretionary Payments.

#### **4.3.5 Policy design issues: Replacement Rates and Effective Marginal Tax Rates**

- 4.29. The design of policy to promote work incentives is challenging. There are a number of policy trade-offs to be considered. Two key concepts to understanding these challenges are the replacement ratio and the effective marginal tax rate (EMTR).
- 4.30. The **replacement rate** (or ratio) measures the reward for working compared with not working by calculating benefit entitlement as a

proportion of a reference income (Walker, 2005:117). Where the policy objective is to promote work incentives, the relevant 'reference income' is expected or future earnings from employment, which for most people who have not left school will be less than they earned immediately prior to becoming unemployed. A low replacement rate represents a strong incentive to be in paid work, as earnings will be (substantially) higher than remaining on benefit. Thus replacement ratios are used as a measure of the 'unemployment trap', that is, when a person's disposable income from employment is not significantly different from that obtained from benefits they have no financial incentive to leave unemployment.

- 4.31. In practice, replacement rates can be calculated for *earnings* and/or *income*. Which of these should be used depends upon policy objectives. If Income Support is to replace loss of earnings then the former is appropriate, but if it is to ensure an adequate standard of living whilst out of paid work then the latter should be utilised. The replacement ratio may also be calculated using net income or gross income. The former provides a better measure of the incentive to work, but the latter is easier for social security administrations to calculate (Walker, 2005:119). Published replacement rates can be idealised for a hypothetical household or family type, or estimates of what groups of recipients are likely to actually experience.
- 4.32. Calculations often assume the maximum take-up of benefits and as a result the replacement rate is overstated. In practice, lower take-up rates mean that actual replacement rates for groups of recipients are lower. Replacement ratios also usually vary by household type, with families with dependent children having higher rates (to reduce the risk of child poverty (see below)) than households without children.
- 4.33. Income Support includes a requirement that recipients engage in, or actively seek, paid work and so Jersey has in recent years pursued a policy of improving work incentives. Implementing policies to cut the replacement ratio for Income Support recipients helps '*make work pay*' and is a work incentive. (Conceivably, lower replacement rates would also discourage flows from employment to unemployment (and not just maximise Income Support exits).<sup>14</sup>) However, reducing the replacement rate is not a straightforward policy choice and there are potential trade-offs with other policy objectives.
- 4.34. There are two ways to reduce the replacement ratio: cut the value of benefits and/or increase the earnings (or income) of those in employment. The view that generous benefits encourage people who are out of work not to find employment is longstanding; for example, it can be found in the UK's 1834 Poor Law Commission's principle of *less eligibility* whereby in order to deter able-bodied people from claiming poor relief the condition of the pauper in the workhouse had to be made less attractive than that of the independent labourer.

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<sup>14</sup> Yet this impact on the in-flow to Income Support is unlikely as international comparisons show '*no clear correlation*' between net replacement rates and rates of unemployment (Grubb, 2007:6).

4.35. However, reducing the adequacy of Income Support (in order to diminish work disincentives) is in tension with other policy objectives:

- Combating poverty - Income Support sustains an adequate standard of living for those actively seeking work. Reducing benefit rates could increase poverty rates. As mentioned above, replacement ratios are higher for lone parent and couple households with dependent children in order to reduce the risk of child poverty. There is an underlying policy trade-off between reducing replacement ratios by reducing the value of benefits and combating poverty.
- Meeting local housing needs – For all household types in Jersey claiming Income Support towards the cost of rent raises the replacement rate. However, as rental costs are high and the cost of subsidised housing provision from the States is not far below market rental costs, cutting housing support (in order to reduce replacement rates) would increase hardship for these families and possibly lead to an increase in rent arrears and homelessness.
- Encouraging economic growth during an economic downturn – public expenditure on benefits is a 'fiscal adjustment' during an economic downturn that can help maintain consumer spending. Reducing replacement ratios by cutting benefits would possibly endanger economic growth by reducing aggregate demand in the economy.
- Promoting social solidarity – a 'high' replacement rate symbolises support for social solidarity and cohesion. Where benefits are similar to past earnings, workers will have the security of knowing that society will protect them and their families if they lose their job. Enhancing work incentives through reducing benefit rates risks undermining social solidarity.

For these reasons countries tend not to improve work incentives by cutting benefits.

4.36. Jersey already has in place policies that lower the replacement ratio through increasing the earnings of those in paid work (or '*making work pay*'). These policies include the minimum wage and the income disregards discussed earlier in this section. However, the minimum wage in Jersey is mainly relevant to seasonal workers who are not eligible for Income Support. Nonetheless, the proposed raising of the earnings disregard from 12 per cent to 16.5 per cent will have a positive impact on work incentives. Allowing individuals to keep more of their earnings before Income Support is withdrawn makes entering employment more desirable.

4.37. Unfortunately, simply increasing the earnings disregard as a means of improving work incentives (that is, lowering the replacement rate) is also problematic. Increasing the percentage for the disregard expands the coverage of the scheme up the wage distribution, that is, more households on higher incomes become eligible for in-work Income Support. As a consequence through the combination of the withdrawal of benefit, income tax and social insurance contributions more people face higher effective marginal tax rates (see below) and so have less of an

incentive to increase their earnings through working longer hours. Moreover, if more households apply for Income Support, then this will increase both administrative costs and programme expenditure on Income Support. However, giving more (affluent) people entitlement to Income Support could increase public support for the benefit. In the UK New Labour used a generous in-work tax credit scheme to help legitimise popular support for the welfare state by ensuring that relatively affluent families were eligible.

- 4.38. Imposing a threshold or cap on earnings above which entitlement to Income Support is removed will prevent higher earners benefiting from the disregard. Unfortunately, the cap also acts as a work disincentive - net earnings for those above the threshold fall below those just the other side of the cap. The range of incomes affected will depend upon the percentage earnings disregard, where the threshold is set and the rates for tax and social insurance.
- 4.39. In addition, the replacement rate can be affected by other policies. Increasing the rate of personal taxation reduces the marginal value of employment for those on Income Support. Increases in personal tax reduce net earnings and so act as a work disincentive by increasing the replacement ratio.
- 4.40. There are, therefore, a number of issues to take into account when deciding the most appropriate replacement rate, and important policy implications when considering changes to the earnings disregard. There is no definitive guidance in the literature on what is a desirable replacement rate, although it possibly should not be above 65-70 per cent (IDF, 2009:1, see also Grubb, 2007). Moreover, social security systems may be able to tolerate high replacement rates depending upon other services available to benefit recipients. Higher ratios may not hinder moves off Income Support if other administrative requirements, employment interventions and benefit conditionality requirements can serve to increase the flow off benefits. However, this can have implications for the resources required. International comparisons show that high replacement ratios (over 60-65 per cent) are associated with high levels of public expenditure on work programmes (Grubb 2007:6-7). Moreover, other policies, notably tax and wage policies and education and training policies have a key role to play in decreasing replacement rates by enabling people to obtain higher earnings in the longer term.
- 4.41. The **effective marginal tax rate** (EMTR) measures the incentive for those in work to progress and earn more. It is the proportion of a small increase in gross income that is deducted through tax and withdrawn from benefit. A high EMTR represents a weak incentive to progress in the labour market. Rates of 100 per cent mean that a person is not better off by increasing the number of hours worked or gaining a pay rise, and even higher rates mean that a person is actually worse off from earning more because they lose more in tax and benefit than they gain from the increase in pay. It is used as a measure of the 'poverty trap', which arises because the withdrawal of benefit as recipients' incomes increase reduces

their incentive to increase their hours of work or move to higher paying jobs.

- 4.42. EMTRs arise from the interaction of the earnings disregard and the tax system with gross income. The earnings disregard (or benefit taper or withdrawal rate) results in a reduction in the benefit received for each increase in earnings. In Jersey at a low wage the EMTR is 88 per cent with a 12 per cent earnings disregard and 83.5 per cent with a 16.5 per cent disregard. This is because the system of disregards allows recipients to keep 12 per cent, or 16.5 per cent of earnings, before Income Support is withdrawn.
- 4.43. EMTRs increase when tax and social insurance contributions become payable, because more income is deducted from gross earnings. In some instances where benefit is being reduced and there is a liability for tax, EMTRs can exceed 100 per cent. Jersey's relative low rate of income tax means that when Income Support is not being claimed EMTRs are very low. However, once housing support is claimed EMTRs rise considerably, because Income Support is then claimed.
- 4.44. The number affected by high EMTRs is influenced by benefit take-up rates. The higher the take up rate, the higher the number of people that might experience high EMTRs. This is not to advocate not promoting benefit take-up, as low take-up is in itself a problem; as vulnerable people are being denied their social rights and financial support that they need.
- 4.45. In designing work incentives policy makers need to consider the interaction between replacement rates and EMTRs. As mentioned above improving work incentives by increasing the earnings disregard (reducing the replacement rate) does increase the EMTRs of those eligible for Income Support, which can be a work disincentive.
- 4.46. Furthermore, policy makers need to bear in mind that there is a limit in what work incentives in an Income Support system can achieve in encouraging moves into employment and job progression. People claiming Income Support may not simply respond to financial incentives as economic theory might suggest. Poor jobs (low pay and insecurity) may deter moves off benefit into employment: '*... the perceived stability of future income and employment is at least as important as the financial amount.*' (Spicker, 2011:207). There is evidence that work incentives to encourage people to enter employment have only a small impact on unemployment (Cahuc and Zylberberg, 2004:164). Indeed, social research shows that even when faced with work disincentives some unemployed people seek and enter paid work. In part this is because people are unaware of work disincentives and so these do not affect their behaviour (Evans, 1998:291), and partly because work provides people with valued non-financial benefits, such as social contacts, enhanced self-confidence and so on.



#### **4.3.6 Making work pay**

- 4.50. Jersey has no separate in work benefit, although as shown above Income Support is available for those in low paid work and Jersey has a minimum wage to help ensure that work pays. However, both policies are not actively promoted. For instance, the *Working in Jersey* Web page makes no mention of either the role of Income Support as an earnings top-up for those in low pay work nor the minimum wage.<sup>15</sup> That Income Support is a means-tested benefit payable to those in low paid work is also not made explicit on the benefit's Web pages.<sup>16</sup> That Income Support is an in-work benefit could be more actively promoted with jobseekers. The introduction of a benefit calculator may also help to demonstrate to some claimants how much better off they might be by mixing paid work with Income Support.
- 4.51. The retrospective nature of the Jersey income tax system means that a tax credit system is unlikely to have any incentive effects in terms of making low paid work pay. However, one possible policy option is a **'return to work bonus'** for long-term unemployed people (c.f. Chapter 2).

#### **4.4 Childcare provision and costs**

- 4.52. A lack of good quality affordable childcare can be a barrier to employment for unemployed parents (see Chapter 3). Jersey policy makers have sought to address this potential barrier through the benefit system and by providing free nursery care. The Income Support system includes a component for the hourly cost of childcare for children under 12 years old. The component is for claimants who are in work, unable to look after their children for medical reasons or (for parents of children aged five or above) are students on an approved education and training course. It covers registered day carers, pre-school nurseries, after school clubs, holiday activity clubs and nannies, but the provider must be registered with the Education, Sport and Culture Department under the Day Care of Children (Jersey) Law 2002 or a nanny accredited by the Jersey Child Care Trust. The amount paid is the actual average weekly cost of the care subject to a cap, which varies by the age of the child(ren) and the number of hours of childcare required. To be entitled the net earnings (that is, gross earnings minus Income Support deductions) of the nominated parent must be more than the total cost of the childcare for all of the children in the household.<sup>17</sup> There must also be no suitable alternative (such as an unemployed partner) who could look after the child(ren).
- 4.53. In addition, the States provide free childcare for three to four year olds for 20 to 30 hours per week for up to 38 weeks a year during term time. This early years provision is available irrespective of benefit status. If Income

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<sup>15</sup> Working in Jersey, Retrieved from <http://www.gov.je/Working/Pages/default.aspx> on 20th August 2010.

<sup>16</sup> See <http://www.gov.je/Benefits/IncomeSupport/Pages/index.aspx>

<sup>17</sup> From 1 October 2010, this calculation will apply to gross earnings, extending childcare assistance to parents with lower hourly wages.

Support recipients use this free provision, then it is taken into account in their benefit calculation.

- 4.54. Providers' charges vary; staff estimates were from about £3.10 per hour to £6.50 per hour. If claimants purchase more childcare than the maximum amount allowable they have to pay the difference.
- 4.55. Income Support decision makers appear to apply the childcare arrangements flexibly. Income Support recipients cannot always purchase the childcare that exactly matches their working or study hours. Providers can require that users buy half or full day sessions. However, the childcare component can be effectively rounded-up to a half or full session so that the recipient is not disadvantaged. The regulations also allow up to an hour each day for the parent to travel to and from the care provider.
- 4.56. Whilst there may be a shortage of certain types of childcare provision - staff believe that parents can encounter difficulties finding nursery places on the island, especially if part-time provision is sought and there is no childcare provision at Highlands College – the Income Support arrangements appear to be well-designed and sensitively implemented.

## **4.5 Work Zone and Income Support recipients**

- 4.57. SSD brings together in one organisation the administration of benefits and the delivery of employment services, and this is an example of good practice. In addition, Work Zone is located within the SSD building, well signposted and has a bank of job kiosks that are easy to use and provide access to the vacancy database – which is also accessible on-line. However, there are aspects of how services are delivered to jobseekers and internal communications between Work Zone and the benefit team that could be improved.
- 4.58. When an unemployed person makes a claim for Income Support, the Income Support advisers refer claimants to Work Zone to register and they are encouraged to visit Work Zone at that point in time. In addition, Work Zone is automatically notified of the claim by the computer system.
- 4.59. Claimants have an initial brief conversation with a Work Zone adviser, and they are told that they have up to four weeks to find a job on their own and that they will be called-in by letter for a more formal interview to commence the jobseeker process. At this more formal (week four) meeting, which lasts on average about one hour, the adviser explains the jobseeking process. The claimant with the adviser agrees and signs a Jobseeker's Agreement. The adviser will also explain the claimant's contribution liabilities, that recorded job search activities may be checked by staff, the frequency of visits to Work Zone and other claimant obligations. Claimants are usually allowed to restrict their job search activities to work similar to their previous occupation for up to 13 weeks (the 'permitted period'), after which they must look for any appropriate employment.

- 4.60. The Jobseeker's Agreement is a pro forma that outlines the claimant's obligations to be available for work and to actively seek work, and records the claimant's work experience, skills and qualifications, and the type of work sought and the steps s/he will take to search for employment. Currently, the Jobseeker's Agreement does not record the claimant's barriers to employment, nor is it clear how systematically evidence on barriers to work is collected during the (four week) interview. SSD are also seeking to review individual's Jobseeker's Agreements possibly twice yearly, but workloads and resource constraints are limiting what can be achieved.
- 4.61. Not all claimants respond to the (four week) call-in letter, in these cases claimants are sent another letter asking for 'good causes' as to why they did not attend the interview. Work Zone may then re-schedule the interview or take the 'failed route' if the claimant does not respond.
- 4.62. Failed jobseekers can be required to attend Work Zone for up to three times a week before 10.30am in order to comply with their Jobseeker's Agreement.
- 4.63. Once a week jobseekers sign a '*Jobseekers Weekly Declaration*' form that there has been no change in their circumstances, they have been available for, and actively seeking, work, and that they have not undertaken any paid or unpaid work not previously notified. These weekly 'signing-on' meetings are of a short duration (lasting five to 15 minutes). Some recipients will visit the same advisers, others do not and use whichever member of staff is available. SSD propose to introduce a caseworker system whereby recipients will meet with the same adviser.
- 4.64. Claimants also show at their signing-on meeting the record of their job search related activities in their *Looking for Work* booklet. This provides the evidence of their job search activities. Advisers' initial and date each activity. This process is necessary for benefit compliance, to ensure the continuation of their claim. How regularly the booklet is checked will vary depending upon individual circumstances; it could range from weekly to up to every two months, with most coming in weekly. It is argued, for instance, that older workers do not need to attend every week because the probability of them currently finding employment is low.
- 4.65. The process of signing the declaration and checking the *Looking for Work* record is conducted by the Work Zone adviser. High workloads mean that Work Zone staff are unable to provide a more intensive job search advice or assistance service (for example, support with writing a CV). (The need for a more intense job assistance service is discussed below.) Jobseekers may be referred to Careers Jersey (see below), Workwise (see Stafford, 2007) and/or for young people to Advance to Work (see below). Similarly, there is no unemployment duration (or active benefit period) that triggers, say, a spell of more intensive job search activity. Moreover, Jersey has no mandatory employment programmes.

- 4.66. A referral to Careers Jersey, who operate next to Work Zone in the SSD building, is the main intervention offered to most jobseekers.<sup>18</sup> Careers Jersey offer a range of services and have a 'learning area' where claimants can undertake a number of computer based training courses.. (The actual referral is likely to arise from producing the Jobseeker's Agreement.) The open-plan layout of the office would suggest that the two services are part of the same organisation, however, although Careers Jersey is part funded by SSD, it is managed by the Education, Sport and Culture Department. Although no claimants were interviewed as part of this study, it is highly likely that unemployed Income Support recipients using Careers Jersey would soon be aware that it was a different service. The links between employment services and careers is beyond the scope of this particular review, although they are being considered as part of the overall review of Income Support. Nonetheless, from the perspective of this review, there is a need for more integration between employment and skills services.
- 4.67. At Careers Jersey jobseekers are asked to sign a declaration that some limited data (for example, of training and attendance) can be shared with Work Zone for monitoring purposes. However, some unemployed Income Support recipients fail to attend meetings with a careers adviser and are referred back to Work Zone.
- 4.68. Jobseekers may also be referred to outside bodies to help them with their CVs.
- 4.69. The situation is further complicated by Work Zone not operating an appointment system for non-failed jobseekers. With the exception of when the Jobseeker's Agreement is drawn up, jobseekers do not have a set day and time each week when they should attend Work Zone. Such informality has certain advantages, it can ensure a more relaxed office atmosphere and gives jobseekers the flexibility to organise their weekly activities whilst also giving them the responsibility for the proper time management of their claim. It also means that staff do not have to manage a diary and they can be more flexible about the amount of time spent with a claimant – although care is needed so that queues in the office do not develop. However, the timing of the footfall of jobseekers may mean that staff resources might not be being used most effectively. Arguably, productivity could be improved and staff would have more control over their workload if an appointment system was introduced. Moreover, the lack of appointments may not be in the best interests of jobseekers. Work provides people with a structure to their daily lives that unemployed people can lack or find difficult to maintain. An appointments system would help provide jobseekers with some degree of structure to their lives. It might also make the transition to the demands of paid work easier.
- 4.70. These aspects of the delivery of the service combined with the rise in unemployment have increased the pressure on the Income Support system. Staff respondents said that not all cases of weekly non-attendance were being followed up, and as a consequence it can be *'quite*

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<sup>18</sup> Self-referrals by claimants are believed by respondents to be relatively rare.

*a number of weeks'* before appropriate action is taken. Throughout this period of non-attending, jobseekers continue to receive Income Support even though they are in breach of the benefit regulations.

- 4.71. Improving the exchange of information between Work Zone and the benefit section about non-attending jobseekers is unlikely unless jobseekers' footfall in Work Zone is more closely managed.
- 4.72. The proposed creation of a 'back office' for Work Zone advisers should also enable staff to find the privacy needed to complete administrative tasks and monitor and support claimants' job search activities, including increased verification of jobseekers' claims about activities undertaken. At present any verification is at the adviser's discretion.
- 4.73. The Work Zone team, comprising four advisers, a team leader and two to three temporary staff, is small relative to the caseload (around 800 clients – not all of whom are claiming Income Support). High caseloads will affect the type of service provided, and hence the ability of SSD to introduce some of the proposals outlined in this review, notably a more intensive job assistance regime for those at greater risk of becoming long-term unemployed. There are resource and capacity issues that need to be addressed.

#### **4.5.1 Establishing a more intensive job assistance regime**

- 4.74. The evidence considered in Chapter 2 suggests that for jobseekers a job search regime should be more intensive over time. Possible measures include:
  - Earlier interventions: The international evidence is that early interventions help minimise the chances of longer term unemployment occurring (see Chapter 2). At present the Jobseeker's Agreement is agreed and signed at an interview with a Work Zone adviser held at week four or later. Agreeing the Jobseeker's Agreement earlier **may** improve the rate of exit from benefit, although this has to be balanced against any possible deadweight arising from interviewing claimants earlier than at present. The administrative data show that 15 per cent of claimants exit Income Support by week four. However, these interviews do not appear to increase the exit rate; indeed, over the next four weeks it slows so that by week eight 25 per cent have left benefit (see Figure 2.1). The implication is that the interview at week four is not significantly affecting the rate of flow off benefit – albeit, of course, if there was no such interview it is conceivable that the proportion moving off benefit would be even less, but we have no way of observing this. If the interview was conducted during the first week, then approximately 65-70 extra interviews would have been conducted over the period up to 30<sup>th</sup> June 2010, or about 40 extra interviews if the interviews were conducted during the second week of unemployment. As mentioned above, any increase in flows off benefit would need to be set against the additional costs incurred in bringing forward the Jobseeker's Agreement signing interview.

Bringing forward the interview date by two or three weeks would imply that the Income Support advisers liaise with Work Zone advisers (or even have access to a shared diary) to make an appointment for the claimant on the day they make their claim or shortly afterwards. Possibly one Work Zone adviser might need to specialise in taking new claims, although this should not mean that other advisers do not conduct these interviews and formulated Jobseeker's Agreements. If the benefits of this proposal are uncertain or expected to be low, then the Department could triage new claims, whereby claimants with substantial barriers to work could be identified for an earlier intervention. This would be easier to implement if SSD are able to profile unemployed new claimants at greater risk of long-term unemployment (see section 3.2.4). In any event, the interviews need to have a clear work-focus, covering not only the claimants' skills, qualifications, experiences and work aspirations but also their barriers to employment and how these can be addressed.

- More clearly separating signing-on from advisory sessions so that more intense support can be delivered to those taking longer to find employment. For example, jobseekers could attend 30 to 45 minute work-focused in-depth interviews with advisers every three months. Discussions would focus on: methods used by jobseekers to search for employment; a search of the vacancy database and making job applications; a discussion of the claimants' barriers and bridges to work – the focus should be on what the jobseeker can do and not just the obstacles to gaining work. The outcome would be a revised Jobseeker's Agreement. Signing-on would continue to involve jobseekers signing the declaration form and staff checking the *Looking for Work* booklet, and last five to 15 minutes. Checking the *Looking for Work* booklet should be a relatively quick procedure – except when some or all of the recorded actions were checked because of staff suspicions about the reported actions or because the claim was sampled as part of a quality audit procedure. The signing-on process need not be conducted by a skilled employment adviser, but could be seen as a more routine activity. The capacity of Work Zone to deliver the separate more in-depth work focused interviews needs to be reviewed. To deliver these more in-depth job assistance interviews, SSD may need to increase staff capacity.
- A related point, to make the process more intensive and to help manage staff workloads, signing-on for new claimants could initially be fortnightly for the first six months, then (to make the process more intensive) every week.
- The job search regime would be made more intensive if, after an active benefit period, there was a voluntary or mandatory referral to an activation programme. This referral might apply to all or some groups of jobseekers. Possible interventions include referring young people to Advance to Work (or any successor programme) after, say, six months of unemployment, referral to specialist programmes and support, such as Workwise/careers job coaches or specialist programmes addressing say problematic alcohol use, and claimants becoming eligible for a job subsidy. These options are discussed further elsewhere in this chapter.

4.75. Establishing a more intensive regime after jobseekers have been in receipt of benefit for several months would have resource implications. It is recognised that policy makers are anticipating cuts in budgets following the Comprehensive Spending Review. However, the evidence reviewed in Chapter 2 is that a more intensive regime, although incurring start-up costs, would in the longer run produce public expenditure savings due to lower levels of unemployment. However, the design of any intervention would need to minimise potential deadweight loss.

## 4.6 Approved education and training

4.76. Jersey's Income Support system, as a social assistance policy, has many of the features associated with a work first approach to promoting unemployed people's moves into employment (see Chapter 2). However, it also contains elements of a human capital development approach as Income Support recipients can receive Income Support while attending **approved** education and training courses.<sup>19</sup> Many countries' social protection programmes include a mix of work first and human capital development approaches. However, the issue for Jersey policy makers is whether the right 'balance' between the two approaches has been struck, and as a consequence whether Income Support is being asked to support education and training activities that might traditionally be funded by other programmes. Accordingly, after discussing the current arrangements policy options both for a more work first approach (if policy makers wished to re-focus the 'balance' in this direction) and the current 'balance' are considered. The underlying tension between work first and human capital development approaches also applies to Advance to Work and this is discussed later on.

4.77. SSD's Income Support staff determine whether benefit will be paid to a recipient attending a course; whether the person is accepted on the course is for the course provider to decide. At present, there is limited policy guidance for decision-makers on the approval of education and training courses. However, further guidance is being developed and this should provide a more structured framework for decisions in this area.

4.78. Currently, there is no time limit on the duration of the course for which Income Support can be paid. However to obtain the exemption from full time work, the course must be full-time and whether approval is granted mainly depends upon the circumstances of the individual.<sup>20</sup> The decision is taken in the context of the Income Support system, rather than as an educational or skills development decision, and the main factors taken into account are:

- age (for instance, if the recipient is aged under 25 and living at home with their parents then they would normally be included on the Income Support claim of the parents if they remained in full-time education);

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<sup>19</sup> Most of the courses approved are provided by Highlands College. Funding for University courses is provided separately by the Education Department.

<sup>20</sup> Recipients exempt from full time work requirement, for example, those with a serious medical condition, can participate in a part-time course and receive Income Support.

- how long they have been a jobseeker (recipients must usually have been out-of-work for a minimum of three months);
  - if a Workwise client, the advisers' views on the suitability of the course;
  - how the course would improve the recipient's job prospects and employability; and
  - the content of the proposed course (for instance, someone doing a course in media studies would be unlikely to subsequently obtain employment in this area on the island).
- 4.79. SSD would not usually approve a course where someone had given up paid work in order to commence a course; if they are a 'habitual' student; or wanted to use the course as a stepping stone to University (and possibly not return to the island once graduated) (but see below). However, a course could be approved where the person had given up work for medical reasons and needed to retrain to take up work in a different occupation.
- 4.80. Work Zone staff are not routinely consulted on whether approval for a course for a jobseeker should be granted; although Income Support staff can access work-related information on the computer system. In certain cases, Careers Jersey will advocate on behalf of a client in terms of the benefits of the proposed training for the jobseeker.
- 4.81. Approved courses are likely to be provided by Highlands College. In general, Highlands College teaching staff do not know if a student is in receipt of Income Support. From the college's perspective students, whether in receipt of Income Support or not, need to support themselves including course fees. Course applicants are asked if they can afford the fees, which vary depending upon materials and/or equipment used and level of qualification. Registered jobseekers may be entitled to a reduction of 50 per cent in course fees.
- 4.82. Nonetheless, Income Support recipients are believed to be well-represented on two approved full-time courses:
- Access to Higher Education, a Level 3 Open College Network course, which is a one year fast-track to University or to improve employment prospects (but see comment above that SSD is unlikely to approve courses leading to an off-Island University place).<sup>21</sup>
  - Return to Study, a Level 2 Open College Network course, which is designed as a course to help people progress in their careers.<sup>22</sup> It provides a basic education in English, mathematics and information technology at Level 2, as well as a Progression Award for two 'taster' units in, for example, business studies, media studies, painting and decorating, social care, sports studies and so on. The course is seen by some as controversial because it is popular with people who are either out of work or in low paid employment, but the skills training received is not sufficient to obtain employment in the chosen area,

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<sup>21</sup> Comparable to NVQ Level 3, A and AS Levels, Advanced Diploma.

<sup>22</sup> Comparable to NVQ Level 2, GCSEs A\* to C and Higher Diploma.



although it gives the student an indication of what is involved if they wished to progress. Moreover, some of the participants face other barriers to employment (such as mental health conditions or are ex-offenders) that would need addressing. Consequently the course does not always lead to employment or to a higher quality job for those already in work. However, from a human capital perspective, the course may have wider psychological, social and health benefits, for example, improving self-confidence and well-being.

- 4.83. Potential students apply directly for admission to these and other courses; they are not referred to the college by SSD.
- 4.84. SSD and Highlands College have a data sharing agreement whereby if a course applicant needs Income Support and they give their permission then the college can pass information to SSD, and the college is informed by the department about the outcome of the Income Support claim. Where an Income Support claim is turned down admission to the course is not necessarily refused, rather the applicant is asked if they could support themselves.
- 4.85. Once SSD approval has been granted, SSD staff do not monitor in detail recipients' attendance, retention or attainment on courses, unless staff have doubts about a student's benefit entitlement. However, under the data sharing agreement SSD staff have access to the Highlands College student database and do check whether named individuals have withdrawn from their course. The database also enables SSD to know who has applied for a course and whether they have been accepted.
- 4.86. Although recipients on approved courses do not have to sign-on each week (as they are not Actively Seeking Work), there appears to be no regular monitoring of attendance. There are data on students' attendance that SSD could access in the database. Whilst the college's attendance registers are, of necessity, relatively complex, it is possible that the SSD could make more systematic use of the data for monitoring purposes.

#### **4.6.1 Studying whilst in employment**

- 4.87. The broader skills challenge that Jersey policy makers and workers face is globalisation and the rise of the knowledge economy. Ensuring that the Island's workforce has the necessary skills to enable firms to compete internationally should not be seen as a policy trade-off between '*more plumbers and more graduates*' (DfES, 2003:58), as Jersey needs both. The Income Support provisions for approved education and training are in part a response to this challenge, but for those in employment there can be a need for updating skills and knowledge. The extent to which this requires a policy response will vary. For some professions updating skills and knowledge can be a requirement for continued membership of the profession, and takes the form of credited continuing professional development courses. Here policy makers need do very little, but encouraging other workers to study whilst in employment can be more difficult.

- 4.88. This difficulty in part arises because the reasons why workers might choose not to study are not fully understood. One of the dominant discourses is that those employees who choose not to study have low aspirations and this is a barrier to rising skill levels. This perspective leads to policies that seek to raise aspirations (and attainment levels) amongst school aged children (that is, before they enter the labour market), and/or policies (typically aimed at vulnerable groups) that can involve, for example, a system of mentoring, publicising successful individuals from a particular community and so on.
- 4.89. Whilst these policies can be valuable, they rely on the assumption that individuals have low aspirations. However, workers opting not to participate in further education and training may not have low, but **different**, personal aspirations. From their perspective they can achieve their aspirations without engaging in further study. Indeed, they may resent the implication that they have low aspirations and that their existing skills and experiences are, by implication, not valued.<sup>23</sup>
- 4.90. Broadly the policy issues to address are:
- Getting the 'right' balance between the responsibilities of individuals, employers and State for promoting, and enabling access to, and funding of, studying whilst in paid work.
  - Ensuring equal access to education and training for those wishing to study whilst in employment. This could entail: developing funding mechanisms so those on low incomes are not denied access; giving employees a legal right to ask employers to reasonably consider their request to study part-time; providing information on education and training by sources known to be trusted by those in employment (such as, trade unions, professional bodies, independent advice agencies and so on)
  - In practice and symbolically (that is, how policy is presented) give equal status to vocational and academic education and training.
- 4.91. Possible policies include (in no particular order):
- Giving employees in a business above a minimum size (say, 20 employees) a statutory right to ask for paid working time to study part-time. Employers would have to consider the request, and if rejected give reasons for doing so.
  - Encouraging adults to study part-time in higher education - mature students are often highly motivated academic learners (Richardson, (1994). This may involve, for example, additional marketing of Highlands College's Access to Higher Education course, and exploring with the Open University additional promotion of its programmes on the Island.

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<sup>23</sup> Watts and Bridges (2006) present evidence, based on a small scale qualitative study, for this outcome. Although their study is of young people and higher education in the UK, its broad findings can be seen as being applicable to other settings.

- Holding information events aimed at small and medium sized enterprising where the business case is made to demonstrate the benefits to employers of investing in their employees' training.
- Providing a wider choice of (vocational and academic) accredited courses in the evening.
- Careers Jersey offering Income Support recipients about to leave the benefit for employment a 'careers health check' in three to six months. This post-unemployment meeting would give the former recipient time to get acquainted with their new job, and for Career Jersey to provide advice on further training and education opportunities.

4.92. Policies in this area raise issues beyond the scope of this review, notably the appropriate funding mechanism for adult education and skills training, such as options for reducing employees' debts (for instance, low cost training and education loans (which need not be funded by the State), and company tax incentives for those investing in training.

#### **4.6.2 Work First and Human Capital Development approaches and Income Support**

4.93. It appears that some Income Support recipients are attending approved education and training programmes and there is no resulting short-term employment outcome. From an activation or welfare to work policy perspective this could be perceived as an undesirable outcome. However, an alternative perspective is an education or skills approach which sees the programmes as enhancing participants' employability and possibly their quality of life and well-being. Here the lack of an immediate employment outcome does not undermine the policy. Indeed, it might mean that having completed a course an Income Support recipient could be funded for another course on the grounds that it would improve their employability and self-esteem. As already mentioned, there is an underlying tension between these two perspectives which underpins the current Income Support system as it applies to the exemption to be Actively Seeking Work if attending an approved education and training course.

4.94. Policy makers need to consider whether the balance or mix of work first and human capital development approaches in the current Income Support system fully reflects broader policy aims. Jersey's Income Support, as a social assistance benefit, would traditionally be viewed as a one where employment, not employability and skill enhancement, would be prioritised (that is, a work first approach). If this stance was adopted, then the current use of Income Support to fund approved education and training needs revision. Given the evidence outlined in Chapter 2 on the mixed findings on the effectiveness of education and training activation programmes, possible issues for policy makers to consider are:

- The need for clearer guidance on the targeting of who should receive Income Support whilst studying. The literature would suggest that the criteria currently used by Income Support staff need reviewing and should prioritise those at either end of the 'distance to the labour market' spectrum - the most disadvantaged in the labour market and those with some skills/labour market experience who need to re-train.

- The literature would also suggest that the courses should be for a relatively short duration, include some work-based training and followed by an intense period of job search assistance for those who had not found employment.
- There is a need for a greater priority to be placed on the likely employment outcome of any approved education or training programme. If a more intensive job assistance regime is introduced then Work Zone/Workwise advisers should have an input to the decision to approve a course. This is to help ensure that jobseekers are made aware of the connection between receipt of Income Support whilst studying and their participation in the labour market. Possibly Work Zone/Workwise advisers should have to make a referral to the Income Support team to initiate the approval process. Unemployed Income Support recipients would then have to have had a discussion with their adviser, and the adviser would have to be satisfied that the course would improve the likelihood of the client finding paid work before referring the case to Income Support. A referral to Income Support would be necessary to ensure that benefit rules and regulations are followed. The Work Zone advisers will need labour market expertise and intelligence in order to make judgments on the likely effect of the proposed course on the employability of the person seeking approval.
- The language used to describe benefits and conditions might influence behaviour. Using the same name (Income Support) for the social assistance paid to students on approved courses and to jobseekers is potentially misleading to recipients. The review team did not interview jobseekers, but it is possible that in order to reinforce the obligation to actively seek work the benefit paid to students should be renamed 'training allowance' in order to distinguish it from Income Support and its connection with paid work. (There is also a need to promote Income Support as an in-work benefit –see Section 4.36).
- There is a case for more rigorous monitoring of attendance and attainment by jobseekers. Any monitoring would need to cover young people with Income Support claims in their own right and households (typically parents) where the student was a member of a larger Income Support unit.

4.95. If, however, a human capital development approach is preferred then the first three bullet points listed above are possibly not relevant. Yet there may still be benefit in considering the last two bullet points even under this second perspective. This tension in policy perspectives is also found in the Advance to Work programme. The longer term resolution of this tension will require a review of the provision and funding of skills training in Jersey – but this is an issue outside the remit of this particular review.

#### **4.6.3 Advance to Work**

4.96. Advance to Work is a voluntary programme targeted at unemployed 16 to 19 year olds which aims to get participants 'job ready'. The programme commenced in September 2009 and has funding for two years under the island's Fiscal Stimulus Plan. The programme typically has about 105 to 120 participants at any one point in time; the maximum capacity is

currently 150 participants (and this is being increased to 175). There is also a planned programme for 20 to 25 year olds.

- 4.97. Entry to the programme is open to all young people. Receipt of Income Support is not an entry condition for Advance to Work, rather participation on Advance to Work often initiates an Income Support claim. Programme participants in receipt of Income Support do not have to sign-on each week, but are expected to look for paid work throughout its duration and can apply for jobs at any stage. There is no financial inducement offered for young people to participate in the programme, so the rate of Income Support paid is the same as that to non-participants.
- 4.98. Work Zone can put forward names of jobseekers to the Advance to Work programme, but there is no mechanism for Work Zone to require young people to attend the programme, and the selection of participants is the responsibility of the Advance to Work team.
- 4.99. Participants have to demonstrate that they are motivated to join the programme, there is an application form and everyone is interviewed. There are no other set eligibility criteria, for instance, in terms of academic qualifications. On rare occasions the team will say to applicants that they are not convinced that the programme is, at that time, right for them or that they are not engaging with the programme. The Advance to Work team will also refer applicants to other agencies if they consider that they are better able to assist the individual. Those joining the programme sign an agreement that highlights that the training and the placement are of equal importance and that attendance is required and non-attendance notified to SSD.
- 4.100. Advance to Work involves a taught component delivered by both Highlands College and a range of other training providers, and up to two three month work placements of 3.5 days per week. Approximately half of the programme's participants are on a placement at any given time. The placements are followed by one month of intensive job search activity, which can include help with making job applications, how to apply to a recruitment agency, personality profiling and possibly job broking.
- 4.101. Each participant has an Advance to Work personal mentor, who assesses training needs, organises the participant's placement and training schedule, and provides personalised social/welfare support including liaising with other relevant services such as social work and probation. The programme is tailored to the needs of the individual participant with mentors selecting units from a schedule of training, although specific courses for particular individuals can also be commissioned.
- 4.102. Advance to Work during the first year of operation has been a 'drop-in' (or 'roll in, roll-off') programme, with students joining existing groups as they join the programme. Participants have also left the programme as they have found jobs. Consequently the duration of attendance is variable – ranging from a couple of weeks to most of the academic year. This pattern of delivery means that outcomes are also varied. However, from September 2010 there will be more structure to the programme with

taught units of ten weeks duration with set start and end dates and the work placements held around this taught component. This revised taught component should make establishing programme outcomes easier.

- 4.103. There are no financial costs for employers who offer placements, nor are they paid a subsidy for taking on participants. However, employers do contribute time to manage the placement. In return they benefit from having an extra employee, and can gauge the potential of someone who otherwise might not have gained work experience.
- 4.104. The placements must offer a 'meaningful' work experience, and their job descriptions are individually negotiated. The programme has been successful in securing placements.
- 4.105. In some cases placements also generate new jobs at the placement employer.
- 4.106. Highlands College have been commissioned to provide the main classroom training element of Advance to Work. They provide three courses covering literacy, numeracy and a workplace related skills module, 'The Seven Habits of the Highly Effective Teenager'. The latter module is accredited; and the literacy and numeracy courses can be accredited depending upon student retention and attainment. The literacy and numeracy units are each delivered in ten 1.5 hour per week sessions, and the 'Seven Habits' is a ten session unit. The latter is perceived by staff to be a successful module; it is seen as motivating and the students can obtain a qualification. The review of the literature (see Chapter 2) shows that such human capital development programmes should be accredited and valued by employers.
- 4.107. The three courses are effectively a 'menu' of modules; the programme is flexible with students only attending those courses where they have a need. This assessment of the participants' training needs is conducted by the Advance to Work team; although the college also carries out a screening assessment. As the number of courses taken varies for participants the amount of time they spend at the college also varies, but is approximately one day per week.
- 4.108. A wide range of other general and vocational training is delivered by a number of other providers on the island. Courses cover, for example, first aid in the workplace, driving theory lessons, ICT, vocational skills (office skills, construction and so on), and a wide range of personal development units to help build self-confidence and self-esteem.
- 4.109. The total number of young people engaging with the scheme from September 2009 until end July 2010 was 258, of whom 72 (28 per cent) entered employment. Some of those moving into employment will do so before completing the programme. However, it is likely that some of the scheme participants who obtained jobs would have done so even if the programme had not run (the deadweight loss) and some will have secured jobs at the expense of other young people not on the programme (the substitution effect). Thus the reported figure is a gross measure of the

impact of the scheme, the programme's net impact (which takes into account deadweight effects) is unknown but will be smaller. Those moving into employment found mainly entry level jobs across a wide range of industrial sectors, notably administration and construction.

- 4.110. The first group of Advance to Work participants was seen by respondents as being successful in terms of securing employment outcomes. However, this outcome is likely to have included a high level of deadweight loss. The review team have not conducted any formal impact assessment of the programme, but respondents stated that the participants were a highly motivated group who wanted employment, implying a high deadweight loss. The evidence reviewed in Chapter 2 suggests that programmes like Advance to Work should be focused on the most disadvantaged, those harder to reach and furthest from the labour market.
- 4.111. Indeed, some subsequent participants on the programme were '*not really ready for work*', and they had never been in, or had been out of, work for some time. Their attitudes towards work, literacy and numeracy were different from the initial cohort. This confirms that there was a '*creaming effect*' for the initial participants. This later group has been less successful in terms of attendance and attainment, and employment outcomes. Even though, arguably, it is the sort of client group that programmes like Advance to Work should target.
- 4.112. Moreover, one respondent said the programme was '*becoming a club*' with some participants less motivated and low attendance rates (see below) becoming an issue. In part these issues might reflect the relatively poor employment prospects of subsequent participants.
- 4.113. Some young people leave the programme for other reasons – some of whom have completed the programme and as a result are judged to be more work ready, but it also includes those that have disengaged for various reasons.
- 4.114. Non-attendance by participants is a '*big issue*'. The number of non-attenders varies weekly, but is estimated at 10-12 participants per week not attending any session, or not attending a key training unit or the placement. The mentors decide each week whether a participant has attended sessions or not; and this can be a difficult decision where a participant attends some but not all events during a week (excluding any sickness leave and (notwithstanding their 'unemployed' status) annual leave). SSD are informed about non-attenders and the usual Income Support sanctions regime applies.<sup>24</sup> The Advance to Work team is usually consulted by Work Zone about any possible extenuating circumstances. Sanctions are imposed by SSD, and not by Advance to Work. Participants who fail to attend the programme have to attend Work Zone three times a week and may have their benefit reduced. As with other Income Support recipients the sanctions regime is seen by staff respondents as reacting too slowly to non-attendance.

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<sup>24</sup> Advance to Work participants are covered by the data sharing agreement SSD has with Highlands College.

4.115. The Advance to Work programme appears to be well administered. The Advance to Work team has a good working relationship with Work Zone.

4.116. There is competition between agencies for some types of work placement. However, there is no significant competition with Highlands College for placements required for Advance to Work. This is possibly because Advance to Work is looking for placements with longer durations and/or for an older age group compared to other agencies.

4.117. Issues for policy makers to consider are:

- Although in practice the distinction between work first and human capital development programmes is not clear cut – a programme can contain elements of both – there is a need for greater clarity about the purpose of Advance to Work. The tension between the two approaches noted above in relation to receipt of Income Support whilst studying also applies to Advance to Work. Specifically the degree to which non-job outcomes, as well as employment outcomes, are seen as a measure of success needs to be clarified. If the aim of Advance to Work is to include improving the employability of young people, then explicit measures of ‘distance travelled’ towards employment need to be developed in order to assess the effectiveness of the programme.
- Whether the programme should be voluntary or mandatory – the arguments for and against voluntary and mandatory programmes were outlined in Chapter 2. If policy makers seek a more work first approach to Income Support then there would be a case for making participation mandatory.
- Whether the focus of the programme is human capital development or work first, the programme could be better targeted at those young people most disadvantaged in the labour market. Entry to the programme should follow a benefit active period of, say, six months in order to minimise possible deadweight loss. Criteria to identify those further from the labour market are also required. As this group may be more challenging for employers, a job subsidy might be required to generate sufficient placements, although a possible implication is that fewer young people would participate on the programme.
- The social assistance paid to participants should be renamed ‘training allowance’ in order to emphasise the obligation to be Actively Seeking Work when in receipt of Income Support and not on an activation programme (c.f. above).
- Research (Stafford, 2002:58-61; and see also Lødemel and Stafford, 2002) shows that the effectiveness of programmes like Advance to Work partly depends upon programme participation not being perceived as stigmatising. So, for instance, Advance to Work placements, need to **continue** to be of a high quality and supported by the mentors.



## 4.7 Specialist referral programmes

- 4.118. SSD Income Support advisers refer new claimants to Work Zone and social security contributions advisers, and depending upon a claimant's circumstance they can also refer people to Careers Jersey, but do not make any other referrals. Work Zone staff can refer clients to Workwise and Advance to Work (see above). Work Zone staff can also refer jobseekers to private recruitment agencies; although staff reported that most agencies served the finance industry and were less likely to be interested in unemployed Income Support recipients.
- 4.119. For people with drug and alcohol use issues there is the Jersey Alcohol and Drug Service. However, it is a self-referral service. Work Zone advisers can refer claimants to Workwise and young people may also initially contact the Youth Enquiry Service. The review does not have information on the extent to which drug and alcohol use is a significant barrier to employment. Nonetheless, problematic drug and alcohol use was identified by some respondents as being a barrier to work in Jersey.
- 4.120. International evidence suggests that problematic drug and alcohol users face particular difficulties in finding and retaining work. For example, evidence from the UK has found that while problematic drug users make up one per cent of the working age population they account for almost seven per cent of the working age population on benefits in England (Hay and Bauld, 2008 cited by Bauld *et al.*, 2010). They face a variety of obstacles to finding employment, which may include mental and physical health problems, poor self-confidence, lack of education, training and skills (Sutton *et al.*, 2004), employers' unwillingness to employ those with criminal records (Kemp *et al.*, 2004; Payne-James *et al.*, 2005; UKDPC, 2008) and problems with housing and homelessness (Kemp *et al.*, 2006 cited by Bauld *et al.*, 2010).
- 4.121. The UK Government's Drug Strategy states:
- '... we will explore the case for introducing a new regime for drug misusers which provides more tailored and personalised support than is currently provided by the existing Incapacity Benefit or Jobseeker's Allowance regimes. In return for benefit payments, claimants will have a responsibility to move successfully through treatment and into employment.'*<sup>25</sup>
- (cited in DWP, 2008:48)
- 4.122. The 2009 Welfare Reform Act following the Green Paper *No one written off: reforming welfare to reward responsibility* (DWP, 2008) proposed the introduction of the Welfare Reform Drug Recovery Pilots across five areas across England from October 2010. This would have involved:

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<sup>25</sup> Jobseeker's Allowance is the UK's unemployment benefit and Incapacity Benefit was broadly the UK's equivalent of Long Term Incapacity Allowance.

- A voluntary Additional Support programme to provide personalised support for recipients of unemployment and incapacity benefits undergoing drug treatment.
- A Treatment Allowance in place of unemployment or incapacity benefits for problematic drug users undergoing treatment, who engaged with the Additional Support programme.
- Removal of some of the normal conditions of entitlement to benefit to allow drug users the time to focus on their recovery. For example, this would have included waiving the requirement for those on unemployment benefit to sign on or show that they are actively seeking work (Bauld et al., 2010).

4.123. However, the Social Security Advisory Committee (SSAC) found that the proposed Welfare Reform Drug Recovery pilots contained a number of significant flaws and would be unlikely to produce robust results and as a consequence the Government decided in June 2010 not to proceed, but instead to look at how Government departments can work together to provide the help and support people need to overcome drug and alcohol dependency and get back to work (DWP, 2010).

4.124. This approach is in line, in form at least, with Bauld *et al's* (2010) finding that greater integration is needed between UK drug treatment services, the benefit system, employment services and employers. This approach is also likely to be applicable in Jersey.

4.125. Evidence from the UK and the US would suggest, however, that for problematic alcohol and drug users, additional and specific sanctions regimes may not bring about the desired behaviours and outcomes. For example, DrugScope in its response to the then Government's announcement that they would carry out a review into the potential effectiveness of the use of benefit sanctions for people with a dependency who fail to engage or stay in treatment argued:

*'We welcome the fact that the Government is engaging with the problems faced by people with drug or alcohol dependency issues when they try and re-enter the job market. But we feel that the positive and supportive aspects of this policy could be undermined by the threat of withdrawal of benefits for those who do not engage with or remain in treatment. There is no evidence that using benefit sanctions to compel people into treatment will be effective. Withdrawing benefits could be counterproductive, driving some people further away from the support they need and potentially impacting upon their families financially and emotionally in the process ... Previous schemes that use benefit sanctions as a way of encouraging behaviour change or compliance with stipulations appear to have had little success. In February the government announced it is abandoning a sanction-led pilot scheme for offenders on community sentences, after it resulted in only a 1.8 per cent improvement in compliance and cost £5.60 in public money for every £1 saved.'*

(Martin Barnes, DrugScope chief executive, cited in DrugScope, 2009)

4.126. US studies reviewed by Bauld *et al.* (2010) on the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) reforms of the mid-1990s, also support this view – although caution must be exercised over the very different context. These US studies suggest that drug users in the US who lost entitlement to benefits through not complying with the new regime were more likely to return to drug-related crime to fund their drug use (Montoya and Atkinson, 2002; Swartz *et al.*, 2004 cited by Bauld *et al.*, 2010).

#### **4.7.1 Jobseekers wishing to enter self-employment**

4.127. Jersey has a high proportion of small and medium sized businesses. A voluntary activation measure could be established to help jobseekers enter self-employment. The numbers wanting to pursue this route are likely to be relatively small. The scheme could build upon existing provision on the island. Jersey Enterprise has a number of funding schemes for individuals starting-up new business: including Jersey Innovation Initiative; Enterprise Grant; Angels investment; and Small Firm Loans Guarantee Scheme (see Chapter 2). Those taking up these schemes tend to be individuals who have been made redundant; they tend not to be referred from Work Zone. The SSD in collaboration with Jersey Enterprise should review whether a new (or revised) scheme tailored to the likely funding requirements of jobseekers is required.<sup>26</sup> The review could explore the extent to which those leaving Income Support for self-employment made use of Jersey Enterprise services. Social security administrative data can be used to identify a sample and a brief postal survey or telephone survey used to collect data on the former recipients' experiences of the self-employment route including use of Jersey Enterprise and any 'difficulties' or barriers encountered. Some of the conditions of the existing schemes possibly limit their applicability to jobseekers, for example, an Enterprise Grant of up to £5,000 is available for essential fixed assets, but it excludes motor vehicles, yet a long-term jobseeker wanting to set up as a market trader or as a window cleaner may not already own a suitable vehicle. The possibility of self-employment should be actively promoted by Work Zone advisers.

4.128. There may also be scope for social enterprises to generate employment opportunities.

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<sup>26</sup> The review team has no data on the number of jobseekers who use Jersey Enterprise support programmes to move off benefit into self-employment, hence the tentative nature of the 'issue' and the call for further review.

## 4.8 Sanctions policy

4.129.If someone fails to satisfy the employment condition for Income Support, benefit is progressively removed for the non-compliant adult.

4.130.The Income Support regulations specify a timetable for withdrawal of benefits associated with the failure to Actively Seek Work. This timetable is set out in Regulation 5 of the Income Support (Jersey) Regulations 2007 which states that:

- (1) *A person is actively seeking work if the person has, during the past 28 days –*
  - (a) *taken all reasonable steps (including any appropriate training or work experience) to obtain suitable work;*
  - (b) *not unreasonably turned down any offer of suitable work; and*
  - (c) *attended every interview with an officer of the Department of Social Security to which he or she has been invited unless he or she had a reasonable excuse for not so attending; and*
  - (d) *either not received a written notice from the Minister in the form specified in paragraph (2) or, if the person has received such a notice, has, during the 28 days since receiving it, complied with sub-paragraphs (a), (b) and (c).*
- (2) *The notice mentioned in paragraph (1)(d) shall warn the person that, in the opinion of the Minister, the person has not, during the past 28 days, been actively seeking work and unless he or she does so during the next 28 days he or she will be treated as not actively seeking work and will be liable to lose entitlement to income support.*

4.131.Thus the timetable requires the Department to send a written notice to a jobseeker after four weeks of failure to actively look for work, giving them a further four weeks to satisfy the Actively Seeking Work criteria. If at the end of the second four week period they continue to fail to meet these criteria, they lose their entitlement to Income Support. However, in this case protection is provided through a 'special payment' for housing costs and children and the failed jobseeker's personal allowance is reduced incrementally by removing one-quarter each week for up to four weeks.

4.132.Some staff believe that, in general, the level of sanctions imposed are insufficient to affect jobseekers' behaviour – it is perceived as having a small deterrent effect and as lacking responsiveness. They have three objections to the current regime. First, the sanction is only applied to the adult component of Income Support; any other components continue to be paid in full. In the UK the sanction is applied to the total benefit. However, as this can cause hardship claimants can claim a Hardship Payment to militate against the effect of the sanction. Secondly, a sanction of 25 per cent is seen as producing too small a reduction in benefit. A 25 per cent sanction on the adult component of £92.12 is £23.03. Further non-compliance leads to progressive 25 per cent reductions every week for four weeks. Staff claimed that they knew of claimants who, due to sanctions, received no payments. Thirdly, the

benefit sanctions regime is relatively complex and too slow to impose a benefit reduction. Staff respondents estimated that it can take between 12 weeks and three months before a jobseeker who misses a weekly signing-on is sanctioned. A jobseeker missing a weekly signing-on session receives a call-in letter, if there is no response this is followed in seven days by a 'good causes' letter, followed by a first warning letter, and four weeks after this warning letter the claim for benefit is suspended. Jobseekers can incur repeat disallowances of benefit. Jobseekers not complying with benefit regulations for 12 weeks have to re-apply for Income Support if they wish to claim benefit.

- 4.133. Some respondents also highlighted that there is no benefit sanction if an individual voluntarily leaves their employment without good cause or is dismissed for misconduct. Staff respondents claimed that there were 'a lot' of cases where people resigned (for example, to travel or take a break from paid work for (unknown) reasons) and then claimed Income Support even though this could entail a drop in their household incomes. The administrative data records that 21 per cent of jobseekers resigned from their previous employment (see Chapter 3). In the UK new claimants can face a benefit sanction for up to 26 weeks if they leave their employment without good cause or are dismissed for misconduct. The sanction is not applied where people have been made (voluntarily) redundant. A case for promoting job retention and minimising flows onto unemployment could be made for introducing similar regulations in Jersey. However, whether such rules are an effective deterrent to voluntary resignations is unknown, and there would be administrative costs to verifying whether some exits were voluntary or not. The review does not make any recommendation on the need for changes to entitlement rules where someone resigns. However, given staff concerns it is an area requiring further investigation by SSD (see below).
- 4.134. Studies in the UK would suggest further research is required before radical changes are made to the sanctions regime in Jersey (Goodwin, 2008). A recent qualitative study of lone parents and Jobcentre Plus staff shows that lone parents tended to have '*little knowledge*' of the sanction regime and believed it would not be applied in practice (Goodwin, 2008:63). Many were only aware of the sanction after their benefit had been reduced. Nonetheless, the lone parents did believe that the risk of a sanction would encourage people to attend work focused interviews (Goodwin, 2008:37).<sup>27</sup> However, and critical to this review, both the lone parents and the staff believed that '*... the sanction regime had only a negligible effect upon the labour market behaviour of the lone parents ...*' (Goodwin, 2008:67).
- 4.135. At present there is a gap in knowledge about jobseekers' comprehension of the Income Support sanctions regime and their responses to sanctions. In the next chapter reform of the timing of the imposition and lifting of sanctions is proposed, but more radical changes to the regime ought to be

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<sup>27</sup> SPARK (2004:84) also found that in the UK: '*The majority of the people who had been through the sanctions regime believe that the experience they have had will deter them from committing fraud again.*'

based on a better understanding of its operation in Jersey. The aims of the research would be to identify: the factors and motivations that lead to behaviours that result in a sanction; public and claimant awareness of the sanction regime; and for those sanctioned the effect of the sanction. The research would entail a literature review of the international evidence and in-depth qualitative research with those sanctioned at different stages in the sanction regime process. This would be complemented by focus groups with the public and non-sanctioned claimants to assess their awareness/knowledge of the sanctions regime and to identify what types of behaviour they expect or want to be sanctioned. The former requires investigation because a sanctions regime will not have a deterrence effect unless users are aware of the benefit rules and the consequences of not following the rules. The latter would help inform policy, for instance, whether individuals who voluntarily resign should have to wait for a specified period before claiming Income Support. An example of the type of study proposed is provided by SPARK (2004).

4.136. Nonetheless, as part of introducing a more intensive job assistance regime there may be a need to highlight to jobseekers that their reported contacts with employers will be verified, and for SSD to ensure that procedures are in place so that a random sample of jobseekers reported contacts with employers and agencies (alongside those advisers are suspicious of) are checked each month.

## **4.9 Inter-organisational relations**

4.137. Jersey is fortunate in that the relationships between the various organisations involved in helping jobseekers enter employment have improved over time. For instance, Highlands College has a good working relationship with Workwise and the Income Support unit. Underpinning these relationships, however, are different organisational approaches, policy aims and outcomes sought. There will always be some degree of tension between the bodies involved as they respond to different pressures and demands, but this situation can be exacerbated by an economic downturn. Fortunately, there is a shared will between the organisations to work together to address the unemployment problem.

## **4.10 Conclusions**

4.138. This chapter has sought to identify the main policy issues that have emerged from the review. In this section the key issues are summarised, and the review's recommendations are summarised in Chapter 5.

4.139. The economic downturn has led to there being fewer jobs for jobseekers in Jersey. Although there are job vacancies, the vacancy to unemployment ratio (see Chapter 3) shows that there are fewer job vacancies per jobseeker. Respondents also noted a decline in employment in financial services, the utilities and hospitality and tourism.

4.140. In addition, young people with little work experience and few educational qualifications are seen as disadvantaged in the labour market. They

possibly face 'qualification creep' with jobs previously available to this group now going to those with more and higher qualifications. Some employers may also have raised their expectations about the level of motivation and experience of young people beyond what some potential recruits could reasonably provide (see also discussion in Chapter 3). Respondents claimed that there is a minority of jobseekers who lacked the necessary motivation to obtain employment.

- 4.141. One policy option for engaging employers that has been shown to be effective in generating employment is a subsidy for work placements (c.f. Chapter 2).
- 4.142. There is a relative lack of publicity about the in-work aspect of Income Support. How the various disregards can increase household income and that Income Support can supplement low paid work needs to be promoted amongst jobseekers and employers.
- 4.143. Jersey has a *de facto* job entry bonus in the form of the 28-day disregard whereby recipients continue to receive Income Support for four weeks after their first pay day. Job entry bonuses are an effective mechanism for encouraging jobseekers into employment. Policy makers should consider re-engineering the 28-day disregard as a job entry bonus.
- 4.144. The proposed increase in the withdrawal rate (the taper) from 12 per cent to 16.5 per cent will improve work incentives. However, there are work disincentives in the current system, for instance, for single people and couples working full-time and in receipt of the housing support component. The replacement rate rises whenever an individual is liable to pay income tax and is claiming Income Support.
- 4.145. To help make work pay a return to work payment could also be introduced. The benefit would be paid for a fixed period and could be targeted at client groups. Effectively the benefit improves jobseekers' replacement rates whilst it is in payment. It helps with the costs of the transition from unemployment to paid work as well as improving the financial attractiveness of employment. Any return to work benefit could be instead or in addition to a job entry bonus. The target groups for the two measures could be the same or different.
- 4.146. The Income Support system includes a component for the hourly cost of childcare for children aged under 12 years, which appears to be well-designed and sensitivity implemented.
- 4.147. Many features of the interface between Income Support and Work Zone are commendable. Jersey has an integrated benefit and employment service. Work Zone offers job kiosks with access to the on-line job vacancy database. The system includes a Jobseeker's Agreement (or action plan), a Permitted Period of 13 weeks (during which jobseekers can seek employment in their usual occupation before broadening their search), jobseekers are required to regularly sign-on and produce evidence of their independent job search activities.

- 4.148. However, the Jobseeker's Agreement is set at the earliest at week four of unemployment. Chapter 2 argued that employment regimes should have early interventions, so that formulating the Jobseeker's Agreement should be at the earliest opportunity – within two weeks of the claim for Income Support.
- 4.149. The more frequent signing-on function should be distinguished from the less frequent provision of detailed job assistance/coaching services. Although there is some overlap between the two functions, there is scope for them to be more clearly separated. The situation is complicated by the absence of an appointments system in the Work Zone for jobseekers, which could also make it difficult for staff to manage their workloads. As part of introducing a more intensive job search regime in Jersey, the review recommends that an appointments system be introduced and that the processes of signing-on and delivering more work focused support to jobseekers are made more distinct. The frequency of signing-on should vary by jobseekers' duration of unemployment and the more in-depth job assistance interviews should be held periodically. These services could be supported by a voluntary or mandatory referral to an employment intervention, such as Advance to Work (or any successor programme), a specialist programme (say, Workwise/careers job coaches or a specialist programme addressing alcohol abuse), and/or claimants become eligible for a job subsidy (see above). To be effective any such interventions must be appropriately resourced.
- 4.150. Chapter 2 introduced two approaches found in welfare to work policies – work first and human capital development. Although in practice countries' policies can incorporate elements of both approaches, the tension between these two perspectives is manifest in the Income Support rules on approved education and training and in the Advance to Work programme.
- 4.151. If the policy intent was that Income Support was a welfare to work measure then there is evidence from the respondents that it is being used in a way not originally envisaged. Income Support is being used to fund students where there is little immediate prospect of an employment outcome. This finding needs to be read in conjunction with the evidence presented in Chapter 2 that education and training programmes only have positive impacts on employment under certain situations – they need to be well targeted, small scale, and include work-based training.
- 4.152. The key issue for policy makers is the balance between work first and human capital development. If Income Support is to be 're-balanced' towards work first there are a number of reforms that could be made to the existing system. These changes include tighter targeting of who receives approval for courses and consulting Work Zone advisers on the suitability of the proposed course. If policy makers wish to continue with the current balance between work first and human capital development then few changes are needed to existing arrangements – although rebadging Income Support as a training allowance and improving the monitoring of course attendance are reforms that can be made irrespective of any change in policy aims.



- 4.153. The same tension between work first and human capital development underpins Advance to Work. Advance to Work is a voluntary programme open to **all** unemployed young people. It follows that there is no mandatory referrals from Work Zone (which might be expected if there was more of a work first focus). Similarly, it is not explicitly targeted on the most disadvantaged Income Support recipients. However, in practice most participants will be in receipt of Income Support and to varying degrees have problems with numeracy and/or literacy. The intake also includes young people who are ex-offenders and probation service clients. Nevertheless, the evidence considered in Chapter 2 implies that Advance to Work (as an employment programme) should be explicitly focused on the most disadvantaged young people. Whilst accepting that it does recruit disadvantaged young people, the risk with the current 'open' selection policy is that the programme has a high deadweight loss. Possibly those young people seen as not being motivated to find work are the group that should be most encouraged to participate, if not compulsorily referred to the programme after a set period of unemployment.
- 4.154. On the other hand, if a human capital development stance is preferred the entry criteria to the programme can remain unchanged and mandating programme participation would be unnecessary. However, there would be a need to formalise the non-employment outcomes sought and a need to devise 'soft outcome' measures. As with 'approved study' there is a case for renaming the benefit participants receive. Irrespective of the broad policy perspective adopted, it is also important that placements are of a high quality and provide participants with a meaningful activity.
- 4.155. Advance to Work appears to be a well-resourced and administered programme.
- 4.156. Income Support jobseekers can be referred to other agencies and programmes including Advance to Work, Careers Jersey, recruitment agencies, Skills Solutions and Workwise. The review does not have data on the prevalence of drug and alcohol use as a barrier to employment. However, a few respondents highlighted problematic drug and alcohol use as a major barrier to work. UK and US experience suggests that intervention programmes should be personalised, multi-agency and not involve the threat of additional benefit sanctions for non-compliant behaviour by participants.
- 4.157. Moving off benefit into self-employment is only likely to appeal to a small minority of jobseekers, especially during an economic downturn. Nonetheless, SSD and Jersey Enterprise could review provision to those wishing to leave unemployment for self-employment.
- 4.158. The evidence reviewed in Chapter 2 showed that benefit sanctions are seen as a key component of an effective employment service. Staff respondents are critical of the island's existing benefit sanctions regime: it is seen as imposing too small a cut in benefit and taking too long to implement a sanction.

- 4.159. However, UK research would suggest some caution before making radical changes to Jersey's benefit sanction policy. Whilst the time it takes to impose a benefit sanction arguably needs to be reduced – not least to help the claimant see the connection between their behaviour and the resulting sanction – other changes should be considered only after research has been conducted. Benefit sanctions do not always operate as policy makers might expect. Jobseekers can lack the necessary knowledge about benefit and sanction rules. As a consequence research shows that benefit sanctions can have only a small effect on claimants' behaviour.
- 4.160. In taking forward reform of the Income Support system, Jersey will benefit from the good will and close working relationships from the various organisations involved.

# 5 Conclusions

## 5.1 Introduction

- 5.1 This review has focused on the links between Income Support and employment. The aim of the review is to provide SSD with some specialist advice on enhancements to the Income Support system. The review is based on official documents, a review of international evidence, and an analysis of both administrative data and qualitative interviews with representatives of SSD and other organisations.
- 5.2 This Chapter highlights the main findings of the review and summarises the policy recommendations.

## 5.2 Main findings

### 5.2.1 Evidence base

- 5.3 An examination of the international evidence suggests that the activation measures most likely to be successful are:
- job search assistance (with in-depth job counselling, monitoring and sanctions);
  - subsidised work placements;
  - active benefit periods – compulsory participation in measures for the longer term unemployed; and
  - small scale targeted training programmes that maximise on-the-job training.
- 5.4. Subsidised work placements (or job subsidies) are identified in the evidence base as being particularly effective. The content of these placements and the nature of the subsidy can vary. However, crucial to the success of the programmes is the 'quality' of the work or training the participant is required to undertake. The activity has to be worthwhile; otherwise it will not affect behaviour but may instead be stigmatising (Lødemel and Trickey, 2001; see also Ellwood, 1988:228).
- 5.5. The evidence review raises doubts about the effectiveness of public job creation schemes and education and training schemes. However, it would be wrong to simply dismiss them as policy options, rather policy makers need to be clear about the aims and objectives of such programmes as they may have a role in promoting employability amongst certain disadvantaged groups, such as the long-term unemployed. They may also achieve 'softer outcomes' such as improving self-confidence, maintaining an individual's contact with the world of work and so on that whilst not leading to an immediate job outcome may do so longer term or be valued as outcomes in their own right.
- 5.6. Moreover, the international evidence shows that small scale, tightly targeted training programmes may assist both those most disadvantaged

in the labour market and those with some existing work experience and skills to secure employment outcomes. This would imply that Advance to Work (and any successor programme) should be re-focused on the most vulnerable young people. (The proportion of jobseekers with some work experience or qualifications is unknown, but there may also be a role for short courses aimed at this group with better labour market prospects.) Training programmes should also lead to a qualification valued by employers, and incorporate an on-the-job training component.

- 5.7. Effective organisational and delivery mechanisms identified in the literature include:
- early interventions;
  - personalised support;
  - adequate staff/client ratios to ensure effective programme performance; and
  - targeted support on the harder-to-help with measures to minimise drop-out.
- 5.8. The financial work incentives likely to be effective are: job entry bonuses, low replacement rates and EMTR's, and a wage supplement (or return to work payment). However, the magnitude of the impact of financial work incentives on employment outcomes can be relatively modest.
- 5.2.2 Labour market**
- 5.9. Jersey has a relatively young and skilled workforce. The labour market is dominated by employment in financial services - in 2009 it employed 24 per cent of the island's 46,900 employees. A significant contribution to employment is also made by retail and wholesale (16 per cent of employees), and by construction and quarrying and education, health and other services (private) (both ten per cent).
- 5.10. The trend in the registered number of unemployed people who are Actively Seeking Work is upwards, although unemployment peaked at 1,180 in March 2010. At the end of July 2010 there were 1,250 people registered as unemployed and Actively Seeking Work.
- 5.11. The States of Jersey Statistics Unit publish each month the number of registered unemployed rather than the rate of unemployment. However, the estimated ILO unemployment rate was 2.7 per cent during summer 2009 (Statistics Unit, 2009c:47). For a developed country during a recession this is a relatively low rate of unemployment. Even if the current rate was double this figure, Jersey's rate of unemployment would be lower than in many other economies. The UK's ILO unemployment rate for the quarter ending June 2010 was 7.8 per cent. This is not, of course, to diminish the seriousness of the problem of unemployment in Jersey or of the increase in Income Support receipt.
- 5.12. During the current economic downturn there has been a fall in the number of job vacancies per unemployed person. Despite the fall in the ratio of vacancies to unemployment, some employers say they are having difficulties in recruiting suitable employees.

### **5.2.3 Income Support and those Actively Seeking Work**

5.13. Provided they meet eligibility conditions residents may have an entitlement to Income Support when unemployed. To be entitled to Income Support claimants must be locally resident, be either in work or actively seeking full-time work unless falling into an exempt category and meet the household income test.

5.14. Although there is some variation in the composition of the unemployed caseload, the typical jobseeker is:

- male (61 per cent);
- young (28 per cent aged 16 to 19);
- living without dependent children with another adult (44 per cent) or on his/her own (38 per cent) (however, some of these single people will be residing with their parents, but under Income Support rules are classed as a separate unit for benefit purposes); and
- a Work Zone client (82 per cent) and is looking for employment as a sales or retail assistant (18 per cent).

5.15. The typical claimant has a current unemployment duration of 21.5 weeks. The majority of unemployed Income Support recipients have a short duration of unemployment with 59 per cent unemployed for six months or less (26 weeks) and three-quarters are no longer Actively Seeking Work by week 37. However, 14 per cent have been unemployed for more than one year. Policy needs to minimise the numbers flowing onto unemployment and target help on those most disadvantaged in the labour market to maximise flows off unemployment.

### **5.2.4 Policy issues**

5.16. The review has identified a number of policy and practice issues for policy makers to consider. In some instances the review suggests that further research or information is required. In other cases the review proposes a number of policy options for considerations and these are summarised in Section 5.3 below. In yet other cases, such as the childcare component, the review finds no policy related issues requiring attention.

5.17. The recession has led to a decline in the number of jobs available to unemployed people, notably in financial services, the utilities and hospitality and tourism. As indicated above, there were only 1.8 job vacancies per jobseeker in December 2009 compared with 8.9 per claimant before the recession in December 2007. Young people appear to have been particularly adversely affected by the economic downturn.

5.18. Although Income Support is an in-work benefit as well as an out-of-work benefit the former aspect is relatively under-publicised. In particular the disregards and how much better-off people might be in employment could be promoted more widely.

5.19. Formally, Jersey does not have a bonus that is paid to jobseekers when they secure employment. Such bonuses can reduce unemployment durations (see Chapter 2). However, Jersey does have a 28-day disregard

whereby recipients continue to receive Income Support for four weeks after their first pay day, which is a *de facto* job entry bonus.

- 5.20. The system of income disregard and a relatively high threshold before income tax is paid offers incentives for low earners to enter the labour market. The proposed raising of the 12 per cent income disregard to 16.5 per cent will have a positive effect on financial incentives to enter employment. However, setting income disregard levels is challenging for policy makers. Reducing the replacement rate by increasing a disregard means more households on higher incomes become eligible for in-work Income Support. As a consequence through the combination of the withdrawal of benefit, income tax and social insurance contributions more people face higher EMTRs and so have less of an incentive to increase their earnings through working longer hours.
- 5.21. To help 'make work pay' in the short to medium term Jersey could introduce a return to work payment that those moving into employment receive for a fixed period.
- 5.22. In many respects Jersey's benefit and employment service follows recognised best practice. For example, jobseekers have an action plan (Jobseeker's Agreement), there is a Permitted Period of 13 weeks (during which jobseekers can seek employment in their usual occupation before broadening their search), jobseekers are required to regularly sign-on and produce evidence of their independent job search activities. However, the recommendations presented below would lead to a more intensive job assistance regime. This is proposed because the findings from the evidence review presented in Chapter 2 show that it would have an improved impact on employment outcomes compared to current arrangements.
- 5.23. In policy terms there are two features of Jersey's system that are particularly challenging – the rules on studying whilst in receipt of benefit and Advance to Work. There are two aspects to this challenge at a policy level. First, the evidence reviewed in Chapter 2 reveals that studies of the employment impacts of education and training programmes give mixed results with positive impacts more likely if the programme is well targeted, small scale and incorporates on-the-job training. Secondly and a related point, there are two broad approaches to welfare to work interventions – work first and human capital development. From a work first perspective the mixed findings for education and training programmes would lead to a more cautious use of such programmes. From a human capital development perspective outcomes other than employment are given equal weighting and can be used to justify investment in education and training programmes.
- 5.24. From a work first point of view the review finds a number of shortcomings with the existing arrangements with both studying whilst in receipt of benefit and Advance to Work. Both would need to be more explicitly focused on the 'hard to reach', and decisions on the former should involve Work Zone advisers. Although no summative evaluation has been conducted, the deadweight loss of the current system is believed to be

relatively high. On the other hand, a more human capital development approach would be less critical of these two measures in terms of employment impacts. But there needs to be more transparency about what non-employment outcomes are sought and the collection of data on performance.

- 5.25. Work Zone advisers can refer jobseekers to some other programmes and agencies.
- 5.26. The evidence considered in Chapter 2 shows that benefit sanctions are a key component of an effective employment service. However, the benefit sanctions regime in Jersey possibly takes too long before a reduction in benefit is imposed. Both imposition and lifting of benefit sanctions needs to occur more quickly than at present.

### **5.3 Recommendations**

- 5.27. There is no single policy response that provides a 'magic bullet' for reducing unemployment. There needs to be a 'package' of activation policies and financial incentives, combined with the effective organisation of services supported by sufficient resources and a motivated and skilled staff.
- 5.28. Recommendations to enhance employment outcomes for Income Support recipients cannot be made in the abstract. Underpinning the review's findings is a policy tension between adopting a narrow employment focused approach and a broader educational and skills development approach. It is not for this review to recommend which of these two perspectives should be adopted by Jersey; ultimately it is a political decision, albeit informed by the likely consequences. This 'tension' in policy approaches is well-illustrated by Advance to Work. From a welfare to work perspective it is difficult to justify the current arrangements – the implication is that it becomes more clearly targeted on disadvantaged young people and that individuals only become eligible for the programme after six months of unemployment. However, from an educational and skills policy stance, few changes to the existing programme would be required. (However, Income Support for participants should probably be renamed 'training allowance', and participation needs to lead to an accredited qualification whichever policy stance is adopted.). Whilst it is possible to argue for a welfare to work or activation stance towards Advance to Work on employment effectiveness grounds, especially in the context of the forthcoming Comprehensive Spending Review, policy makers should also consider the fall in the number of entry level jobs as a consequence of the recession and that the programme may have wider social benefits (such as lower levels of anti-social behaviour). There is no robust evidence base for either the net impact of Advance to Work on employment outcomes or for its possible wider social impacts, leaving policy makers with a difficult decision.
- 5.29. Whatever position policy makers adopted on Advance to Work (and studying whilst in receipt of benefit), the review does recommend that in

order to increase moves into employment the Income Support system needs a more **intensive job assistance** focus. The main features of this are:

- A clearer separation of the signing-on process from the in-depth job search assistance/counselling function.
- The introduction of an appointment system for both signing-on and job search assistance functions.
- The signing-on and job assistance functions to become more intensive by:
  - Completion of the Jobseeker's Agreement earlier than at present, say, within two weeks. If the interview was conducted during the first week, then approximately 65-70 extra interviews would have been conducted (based on the caseload at 30<sup>th</sup> June 2010), or about 40 extra interviews if the interviews were conducted during the second week of unemployment. Any increase in exits from Income Support would have to be balanced against any possible deadweight arising from interviewing claimants earlier than at present.
  - Jobseekers to sign-on fortnightly for the first six months of unemployment then weekly.
  - Jobseeker's Agreements to be reviewed every three months with an adviser – review meetings to include a discussion of job search behaviour, barriers to work and steps to be taken to address them, a better-off in work calculation, a job search by the adviser and, if successful, either immediate contact with an employer or agreement on steps to be taken by the jobseeker.
  - Regular random sampling of jobseekers in order to have their actions in the *Looking for Work* booklet to be checked by staff when signing-on, this may involve contacting employers and recruitment agency staff.
  - Either voluntary or (for certain client groups) mandatory referral to an employment intervention. Client groups that might benefit from a referral are ex-offenders, those lacking basic skills, people with a health condition or a disability, those leaving care, homeless people, the long-term unemployed and disadvantaged young people. A referral would normally take place after so many months of unemployment (often six months). Although members of vulnerable groups, such as ex-offenders, might benefit from an earlier referral to a support programme. Possible interventions are:
    - Eligibility for a job subsidy and placement
    - (a revised) Advance to Work
    - Workwise
    - A start-up programme for the self-employedCompulsory referrals to programmes may require legislation.

5.30. Job subsidises are known to be an effective employment intervention (c.f. Chapter 2) and policy makers should consider introducing at least a temporary subsidy for work placements. The value and duration of the subsidy would need to be determined. To minimise deadweight loss eligibility for the subsidy should be limited to those who had been unemployed for at least six months. Policy makers might also wish to



target the subsidy on those client groups most disadvantaged in the labour market.

- 5.31. Paying jobseekers that move into employment a bonus can reduce unemployment durations. Jersey does have such a bonus in the form of the 28-day disregard. However, its impact as a work incentive could be enhanced if it was renamed as a job entry bonus and more widely publicised. The amount of the rebadged payment could be calculated as at present or it could be a standard amount payable to all jobseekers. As with the job subsidy, the job entry bonus should be payable to jobseekers who had been unemployed for six or more months and could be targeted on certain client groups, such as lone parents and older workers.
- 5.32. The literature suggests that an effective intensive job assistance programme needs to be supported by a monitoring and sanctions regime. Jersey's current sanctions regime is complex and imposition of a sanction can take a relatively long period of time. Sanctions 'work', that is, encourage job search behaviour, through the deterrence effect. However as noted in Chapter 2, during an economic downturn the lack of vacancies in the economy, which is a feature of the current Jersey economy (see Chapter 3), is likely to militate against any deterrence effect. Jersey needs to adopt policies to support job search, and tightening the Income Support sanction policy is likely to have a limited effect on its own. Nonetheless, the gap between when someone fails to comply with benefit regulations and when they are sanctioned is arguably too long. Possibly sanctioned claimants have difficulty in recalling and so relating their behaviour to a sanction because of the length of time involved. If this is the case, then it undermines any possible deterrence effect of a sanction. So there may be a case for shortening this duration. Thus warning letters could be posted after one week, and if the individual failed to give good cause be subject to a sanction. Equally, once a claimant had complied with the regulation, payment of Income Support should resume quickly.
- 5.33. SSD should also conduct research with claimants (sanctioned and non-sanctioned) and the public in order to investigate the effectiveness of the sanctions regime. Without the claimants' perspective on the sanctions regime it is impossible to know if, for instance, increasing the size of the benefit sanction would be effective or lead to an unjustifiable increase in hardship.
- 5.34. Although the impact of work incentives may be less than some people might expect, there are some financial disincentives in Jersey's benefit and tax system. To improve replacement rates and EMTRs policy makers could:
- Raise the minimum wage, but this would place the burden of lowering the replacement rate with employers and could potentially have an adverse effect on the overall rate of employment.
  - Increase further the income disregard (or taper) so that that more income could be kept before benefits are withdrawn. However, this would raise in-work Income Support expenditure and bring more people into the Income Support system.

- Jersey policy makers should also consider introducing a return to work payment that would be paid for a limited period (say, six or 12 months). The payment could be means-tested (for example, not payable if gross earnings are above the median wage level), require a minimum number of hours work each week (say, at least 16 hours), for the job to last a minimum number of weeks (such as 13 or 26 weeks), targeted on certain groups (for example, lone parents or those in receipt of Long Term Incapacity Allowance and Income Support) and possibly be duration dependent (for instance, only payable to those who had been unemployed for six or more months). Assuming the deadweight loss of the bonus is 50 per cent and that those eligible no longer have entitlement to the adult component of Income Support then any bonus of less than £415 paid at week 13 (and allowing for the 28-day disregard) would produce a benefit saving. In calculating the amount of the bonus, policy makers would need to model more complex scenarios with higher levels of benefit and assume varying deadweight loss, but there should be scope for a reasonably generous bonus that can be funded effectively from benefit savings arising from claimants leaving benefit earlier than they otherwise would have done so. How this payment interacted with any job entry bonus would also need to be considered. Depending upon how they were targeted Jersey could introduce both or either.

5.35. In addition, the in-work nature of Income Support for those on low incomes needs to be more widely publicised. How the various disregards can increase household income and that Income Support can supplement low paid work needs to be promoted. Vignettes or case studies could be used in leaflets and posters to demonstrate how different family types might gain financially from part-time and full-time employment. Such marketing should not only be directed at Income Support customers, but also those already in work (as it may reduce exits from employment if low wages are topped-up by Income Support) and employers (who might then widen the pool of people from whom they recruit). SSD should seek to ensure that at the first Work Zone interview claimants receive a better-off calculation and that the reviews of Jobseeker's Agreements also include a better-off calculation.

5.36. The analysis of the administrative data on unemployed Income Support recipients suggests that at present there is little scope for profiling the caseload. Profiling would allow SSD to tailor appropriate support to clients' needs. However, currently there is insufficient data to robustly model the caseload in terms of their likely duration on unemployment. This does not mean that some form of profiling would not be possible in the future. To assist with this SSD should begin to collect data on the characteristics of unemployed Income Support recipients (notably, socio-economic and human capital attributes, benefit work history, work aspirations, jobsearch activities, use of employment programmes and destinations) needed for the statistical analysis to develop a profile scheme. Such information could also help in assessing the demand for, and content of, education and training courses for client groups.

5.37. There are also issues that fall outside the remit of this review, but that would also affect employment opportunities for certain jobseekers. For instance, the introduction of equal opportunities legislation in the workplace would increase the chances of older workers and people with health conditions and disabilities obtaining employment. Although making policy recommendations in these areas is outside the remit of this review, they are part of its context.



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# **Review of Income Support: Stage 1 - Interaction between Income Support benefit system and employment: Follow up report**

**A report for the Social Security Department, States of  
Jersey prepared by the International Centre for Public  
and Social Policy**

**Bruce Stafford and Simon Roberts**



international centre for  
public and social policy

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International Centre for Public and Social Policy  
School of Sociology and Social Policy  
The University of Nottingham  
University Park  
Nottingham, NG7 2RD  
United Kingdom

Tel: (0115) 846 67439

Fax: (0115) 951 5232

Web: <http://cmslive.nottingham.ac.uk/sociology/index.aspx>

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# Disclaimer

The views in this report are the authors' own and do not necessarily reflect those of the Social Security Department.

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# The Authors

**Simon Roberts** is a Special Lecturer at the International Centre for Public and Social Policy, School of Sociology and Social Policy, University of Nottingham. Before joining the University of Nottingham he was a social and policy researcher at the universities of Brunel and Loughborough. His main research interests include UK, European and international social security, disability and discrimination, and housing benefit reform. He is the UK expert, a visiting international expert and member of the think tank on the European Commission's Training and Reporting on European Social Security network.

**Bruce Stafford** is Professor of Public Policy at the International Centre for Public and Social Policy, School of Sociology and Social Policy, University of Nottingham. Before joining the School in February 2006, he was a social and policy researcher in local government and at the universities of Birmingham, Loughborough and Salford.

His research interests are focused on policy evaluations and on social security in particular welfare to work, disability issues, and the implementation of policies and delivery of welfare services.

In recent years the majority of his research has been for government departments, notably the Department for Work and Pensions.

# Abbreviations

CV	Curriculum Vitae
JACS	Jersey Advisory and Conciliation Service
NEET	Not in Education, Employment or Training
SSD	Social Security Department
UK	United Kingdom

# Summary

## Introduction

S.1 The States of Jersey commissioned the International Centre for Public and Social Policy at The University of Nottingham to undertake a review of the interaction between Income Support and employment as part of its wider review of the Income Support system. The aim of the review is to provide specialist advice on how the Social Security Department (SSD) might achieve higher rates of employment amongst Income Support recipients. An interim report was submitted in July 2010 (Stafford *et al.*, 2011) and SSD has considered its findings and recommendations. This report accompanies the final version of the original report and considers measures taken by the Department since July 2010 and proposed legislative and other changes.

## Background and context

S.2 Unemployment continues to be a major economic and social challenge for Jersey. The number Actively Seeking Work in receipt of Income Support has increased from 780 in April 2010 to 990 in April 2011, a rise of 27 per cent. The numbers in employment have fallen slightly and the number of private sector vacancies is unchanged.

## Policy changes made since Summer 2010

S.3 The SSD as part of its review has implemented the following measures:

- A Personal Adviser Service;
- Essential Skills training provision; and
- Additional resourcing and improvements in management information reporting.
- An increase in the percentage earnings disregard from 12 per cent to 20 per cent

## Personal Adviser Service

S.4 The implementation by SSD of a Personal Adviser Service with associated active labour market interventions both reflects the Review's recommendations and evidence base.

S.5 Jersey's Personal Advisers will develop a supportive relationship with their clients. This support includes a work focus, a consideration of education, training and career development and a more holistic exploration of wider barriers to employment. Unpublished research from the University of Nottingham shows that it is important that SSD communicates clearly to

staff, recipients and potential claimants the nature of the Personal Adviser service, so that service delivery closely matches consumers' expectations.

- S.6 In the UK there have been some practical difficulties with delivering a Personal Adviser Service, for example, staff do not always make referrals to other agencies when they are appropriate. On the basis of the precautionary principle, the Department should monitor the delivery of the service to take any necessary corrective measures if some of the difficulties found in the UK begin to emerge in Jersey. However, there are reasons to believe that these issues may not arise in Jersey as SSD provided relevant training to the Personal Advisers.
- S.7 The Personal Adviser Service will lead to a more intensive regime for those Actively Seeking Work in receipt of Income Support, and there is some evidence from the UK that a small proportion of jobseekers may leave Income Support when they should not have done so (see Hales and Collins (1999) and O'Donnell (2001)). Hence it is recommended that SSD undertakes a small scale sample survey every two to three years of those leaving Income Support to unknown destinations to assess whether this is a risk.
- S.8 Personal Advisers will need to work closely with the provider for the Essential Skills Programme, and to help ensure this a good start has been made by all Personal Advisers attending the programme's modules.

### **Essential Skills Training Provision**

- S.9 The Essential Skills Programme addresses the 'job search skills' set, a vital area for helping people move off Income Support into employment and complements other training and employment-related provision on the Island.
- S.10 Supporting job search (that is both the skills training and support from advisers) is both a cost-effective intervention and required to enhance the effectiveness of other interventions. However, the effectiveness of the measure will reduce over time; although it highly likely to remain cost-effective (Meadows, 2006). However, studies elsewhere suggest that the intervention is less effective for those with no qualifications or the long-term unemployed. Accordingly, Personal Advisers should refer to the programme jobseekers that have recently become unemployed and have qualifications. In order to minimise assisting those Actively Seeking Work who would find employment without support, here 'recent' claimants refers to those who have been unemployed for at least six months (c.f. recommendations in Stafford *et al.*, 2011). The effectiveness of the measure is also likely to be lower during an economic downturn.
- S.11 It will be critical that the outcomes of the Essential Skills Programme (for example, improved CVs and interview skills) for participants are integrated into Jobseeker's Agreements and other related activities with Personal Advisers (Johnson *et al.*, 2011:16).

## **Resources and improvements in management information reporting**

- S.12 The introduction of the Personal Adviser service and of a more intensive jobseeker's regime increases Work Zone staff workloads. SSD is to be congratulated for increasing the number of staff working in this area by eight.
- S.13 SSD has responded to the Review's recommendation to systematically monitor recipients and regularly report management information. SSD could also consider sharing data on jobseekers with the Essential Skills Programme provider to improve the integration of the employment and skills services (Johnson *et al.*, 2011:19).
- S.14 In addition, alongside the introduction of the Enhanced Work Zone, further management information reports have been developed to improve the monitoring and management of the caseload. The improved reporting will allow SSD to assess performance, caseloads and activities by team group and Personal Adviser. The Review report highlighted that organisational performance can be increased through the judicious use of performance indicators (Stafford *et al.*, 2011:36).

## **Early outcomes for recent reforms**

- S.15 SSD has implemented a 'package' of reforms, and as such it is impossible to attribute quantifiable outcomes to its component parts. Instead outcomes for the reforms overall can be explored. However, it is not possible to simply attribute job entries to the enhanced employment service - because it is not known how many jobseekers would have obtained jobs without the reform.
- S.16 Nonetheless, SSD has anecdotal evidence from staff that the enhanced service has been successful in moving people into employment and the number of disallowed claims has risen slightly, which reflects both the more intensive nature of the jobseeker regime and the increase in numbers not attending interviews.
- S.17 The small number of referrals to date to the Essential Skills Programme means that it is not yet possible to assess its impact.

## **Proposed reforms**

- S.18 The Minister for Social Security has proposed legislative changes to Income Support that affects (Minister for Social Security, 2011a, 2011b):
- The timescale for invoking sanctions against those who fail to actively seek work and the percentage reduction in benefit;
  - The treatment of jobseekers aged under 19; and
  - Individuals leaving employment.

If approved these changes will apply from the 1<sup>st</sup> August / 1<sup>st</sup> September 2011.

In addition, SSD has proposals that would affect parents of young children. This proposal remains under consideration and has no planned implementation date at present.

### **Failed jobseekers**

- S.19 If someone fails to satisfy the Actively Seeking Work condition for Income Support, the sanction process is applied progressively over a 12 week period.
- S.20 The Review found that staff believed that the current sanction process is not seen as a deterrent by Income Support claimants.
- S.21 The Minister's proposals are:
- To amend the Income Support Regulations to reduce the first 28 day period to a 14 day period; and after the warning letter has been sent to reduce the second 28 days to seven days (Minister for Social Security, 2011a:11).
  - To amend the Income Support Special Payments Regulation to alter the rate of reduction from 25 per cent of the adult component per week to 50 per cent of the adult component per week (Minister for Social Security, 2011b:3).
- S.22 The Review highlighted that there is international evidence that compulsory job search requirements backed with sanctions for non-compliance are highly effective in promoting moves into employment (Kluve, 2006:11; Daguerre with Etherington, 2009:13; Martin and Grubb, 2001:17).
- S.23 The first amendment listed above could be regarded as increasing the '*crispness and clarity*' of the sanctions regime through closing the distance in time between non-compliance with Actively Seeking Work rules and the consequent sanction. Research in other countries suggests that, whilst there is no evidence that this is an issue in Jersey, care must be exercised to ensure that sanctions do not disproportionately penalise those with multiple barriers to work, such as those with substance use or health problems (see Daguerre with Etherington, 2009:11), and/or those lacking the necessary detailed knowledge of social security rules.
- S.24 Although the sanction only applies to the basic component (and any child and rental components are unaffected) of Income Support, the second amendment might mean that more households with a sanctioned member face a degree of financial hardship than in the past – because the reduction in benefit is initially larger and applied more quickly. As a consequence the reform may have wider implications, for example, an increase in the caseload of advice agencies and charities working with vulnerable people.
- S.25 The Review recommended that further research, especially with sanctioned recipients, is required to better understand the factors leading

to non-compliant behaviour and to gauge whether changes to the sanction regime are likely to be effective. That Jersey is planning to speed up the imposition of sanctions reinforces the importance of the proposed research.

### **Treatment of jobseekers aged under the age of 19**

- S.26 At present, a 16 or 17 year-old who has left school, is still living at home, and is Actively Seeking Work, is classed as a separate household and entitled to Income Support, regardless of the financial situation of their parents. This contrasts with an adult child who lives at home and remains in full-time education who continues to be included within the Income Support household of the parents.
- S.27 There is a perception that young people having an entitlement to benefit in their own right is acting as a disincentive to remain in full-time education because if the young adult remains in education, no Income Support is paid to either the young adult or the parent (assuming the parents have no entitlement to benefit).
- S.28 The proposed change to the Income Support General Provisions Order is that (2011a:9):

*'... adults under the age of 19 will be included within their parents' household if they are out of work and actively seeking work.'*

The intention is to remove the possibility of a '*perverse incentive*' for a young adult to choose not to remain in education, in order to be able to claim benefit.

- S.29 Some of these young adults may return to full time education but the most significant risk associated with this reform is for those young people already in receipt of Income Support, living in non-Income Support households, who will lose their entitlement and may consequentially disengage from the job seeking process and lose contact with SSD.
- S.30 For this Summer's cohort of school leavers it will be important that SSD, secondary schools and Highland College publicize the change in the Order.

### **Individuals leaving employment**

- S.30 Under current legislation recipients, unless exempt for caring responsibilities or on health grounds, must be in full-time paid work or Actively Seeking Work in order to be eligible for Income Support. There is no additional test or condition in respect of an individual aged under 65 who voluntarily leaves employment and they can immediately claim Income Support.
- S.32 The SSD believes that a small, but significant proportion of Income Support recipients who are Actively Seeking Work have resigned from previous employment and are now receiving additional benefits to make up for the loss of employed earnings.

S.33 The Minister's proposal is that the amount of Income Support (Minister for Social Security, 2011:12):

*'... payable for a period of 13 weeks after employment has ended, due to the actions of the individual, should continue to be based on the income that the household was receiving before the employment ceased.'*

S.34 A case for imposing a waiting period on a person who gives up remunerative employment voluntarily without good cause is based on promoting job retention, minimising flows onto unemployment and avoiding administratively costly short duration claims. The importance of these benefits should not be underestimated. However, it is unknown whether waiting periods are an effective deterrent to voluntary resignations.

S.35 Moreover, Income Support is a unified benefit and preventing immediate access to the full benefit could create substantial financial difficulties for existing Income Support claimants who leave employment without sufficient justification.

S.36 In addition, there may be an increase in the number of reported redundancies as those intending to leave employment have a financial incentive to avoid the 13 week waiting period.

S.37 Given the possible impact of this change on family finances, it will be important that SSD widely publicizes the reform so that both employers and employees are aware of the change to the rules.

## **Parents**

S.38 The main carer of a child aged under five is automatically exempted from having to be available for work. Although there is no automatic exemption for the main carer of a child aged five or above, they are permitted partial exemptions in specific situations. Policy guidelines require the parent of a secondary school child to be seeking at least part-time work and parents of primary school children to be making efforts toward re-entry into the workplace.

S.39 Some SSD staff believe that it is appropriate that the rules should be amended to reflect the changes that have taken place in the provision of nursery education since the introduction of Income Support.

S.40 The SSD's proposals are to:

- Amend the full exemption in respect of a child aged under five to apply to a child aged under four;
- Amend the guidelines to require all parents with children of school age to at least be available for part-time work;



- It is also proposed to explore the possibility of extending the age at which the childcare component is available with the Education, Sport and Culture Department.
- S.41 Increasing the income of parents through employment requires action on two main fronts. The first entails increasing parents' access to employment, and the second involves making work pay (Frazer and Marlier, 2007, cited by Roberts *et al.*, 2009).
- S.42 Jersey policy makers have recognised that lack of good quality and affordable childcare can be a barrier to employment for unemployed parents and have sought to address this potential barrier through the benefit system and by providing free nursery care for three to four year olds. Income Support decision makers appear to apply the childcare arrangements flexibly.
- S.43 The proposed changes could have a significant impact on parents. It is recommended that SSD consult employers and parents - both in receipt and not in receipt of Income Support - on the consequences of this proposal before it is implemented.

## **Conclusions**

- S.44 SSD has implemented a number of changes that reflect the recommendations of the Review, which will be effective in helping jobseekers move from Income Support to employment.
- S.45 Whilst the measures taken are undoubtedly a step in the right direction, they are not without limitations and SSD should be alert to the factors that can undermine the effectiveness of Personal Advisers, and the appropriateness and effectiveness of referrals to the Essential Skills Programme. Fortunately, SSD has enhanced management information to enable this to be undertaken successfully.
- S.46 As the proposed changes could have a significant impact on individual claimants and their families, it is vital that the States of Jersey devote sufficient resources to publicize the reforms if they are implemented. Moreover, the reforms should be monitored and in some cases further investigations are required so that there is a better understanding of their likely effects to avoid unintended consequences.



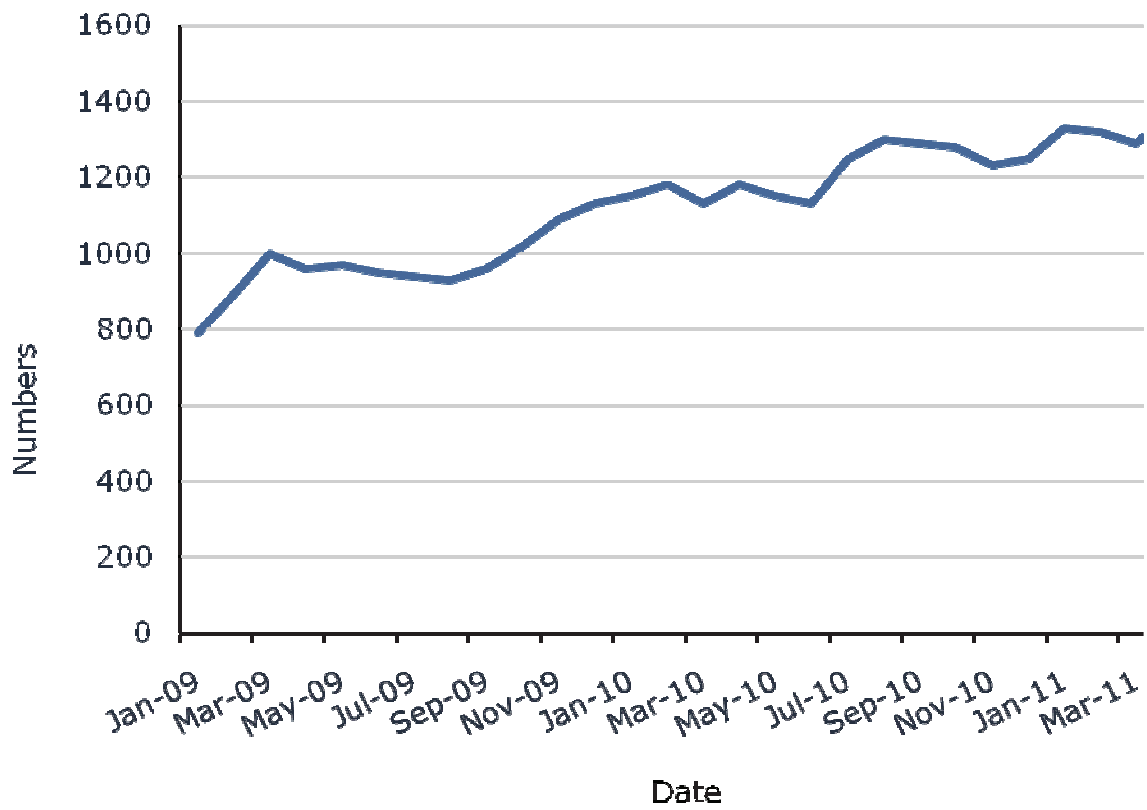
# 1 Introduction

- 1.1. The States of Jersey is undertaking a review of the Income Support system introduced in January 2008. The Social Security Department (SSD) commissioned the International Centre for Public and Social Policy at The University of Nottingham to inform one strand of this review, the interaction between Income Support and employment. The aim of the review is to provide specialist advice on how the SSD might achieve higher rates of employment amongst Income Support recipients. An interim report was submitted to the Department in July 2010 (Stafford *et al.*, 2011). Since receiving the report the Department has implemented and developed a number of policies. The purpose of this supplementary report is to provide an assessment of the actions taken and proposed changes to the law.
- 1.2. The main report drew upon an examination of the international evidence on welfare to work and work incentives policies and of relevant documents on Jersey's labour market and Income Support system; an analysis of administrative data on unemployed Income Support recipients; and a small number of face-to-face and group interviews with people directly or indirectly involved with the delivery of Income Support to unemployed people. The data used related to the period up to the end of June 2010. Before assessing SSD initiatives and proposals, recent changes in unemployment and Income Support are outlined.

## 1.1 Background and context

- 1.3. The number Actively Seeking Work (ASW) continues to increase (see Figure 1.1). The number has increased from 1,180 in April 2010 to 1,380 in April 2011, a rise of 17 per cent (Statistics Unit, 2011a). The number claiming Income Support has also risen from 780 to 990 over the same period, an increase of 27 per cent. Thus tackling unemployment and moving Income Support recipients into employment remain significant challenges for policy makers.
- 1.4. There has also been a slight fall in the numbers in employment. Employment in December 2010 was 53,460, down from 53,570 in December 2009 (Statistics Unit, 2011b). The reduction in employment in the private sector is driven by changes within the finance sector; with significant falls in employment in banking (750 jobs between December 2008 and December 2010) (Statistics Unit, 2011b:4-5).
- 1.5. The number of full- and part-time job vacancies in the private sector is unchanged; 2,020 in both December 2009 and December 2010 (Statistics Unit, 2011b, Appendix 2).

**Figure 1.1 Number of individuals registered as Actively Seeking Work  
January 2009 – April 2011**



Seasonally adjusted figures

Source: Statistics Unit (2011a)

## 2 Policy changes made since Summer 2010

- 2.1. In Summer 2010 the Social Security Department (SSD) recognised that its management of the Activity Seeking Work caseload could be improved. In January 2011 funding was secured for an enhanced employment service (the Enhanced Work Zone). This service commenced on the 4<sup>th</sup> April 2011. Having regard to the initial Review report (Stafford *et al.*, 2011) the SSD implemented the following measures:
- A Personal Adviser Service;
  - Essential Skills training provision; and
  - Additional resourcing and improvements in management information reporting.
  - An increase in the earnings disregard from 12 per cent to 20 per cent
- These are discussed in turn below.

### 2.1 Personal Adviser Service

- 2.2. The review of the international evidence in the first report highlighted that there is widespread support in the literature for the delivery of employment services to be personalised (Stafford, 2009:261-4). Indeed, personalised job search assistance with stricter conditionality is often seen as cost-effective (Daguerre with Etherington, 2009:11, 13; see also de Koning, 2005; Kluve, 2006; Martin and Grubb, 2001; Meager, 2008). Personal Advisers have been used in a number of countries. In the UK they were integral to the then Labour Government's New Deal programmes, where a more flexible and tailored service to people out of work has been seen by many claimants and staff to have been a success (McNeil, 2009:34-42; Stafford, 2009:261-264).
- 2.3. The review of the international evidence also revealed that more intensive employment regimes are more effective than passive ones.
- 2.4. The implementation by SSD of a Personal Adviser Service with associated active labour market interventions both reflects the Review's recommendations and evidence base. The SSD policy is summarised in Table 2.1. As part of the Enhanced Work Zone each of the 11 Personal Advisers has a registered unemployed caseload comprising one of the following target groups:
- People aged 16 to 24 years who are in receipt of Income Support
  - People aged 25 and over who are in receipt of Income Support and who have been Actively Seeking Work for six or more months
  - People aged 25 and over who are in receipt of Income Support and who have been Actively Seeking Work for less than six months

- 2.5. These target groups reflect the composition of the caseload; over two-fifths are aged 16 to 24 years and they are at greater risk of long durations of unemployment (SSD personal communication). The groups allow SSD to target staff resources on younger jobseekers – the group at most risk of the ‘scarring effect’ of unemployment.

**Table 2.1: Framework for the Personal Adviser Service**

---

Personal Advisers will develop a supportive relationship with their clients which will include the following functions:

- administration of the jobseeker element of the Income Support Scheme and creation and monitoring of Jobseekers’ Agreements in all cases.
- carry out regular one-to-one interviews (in most cases on a weekly basis) with Jobseekers to develop a supportive relationship. In the case of people who are in receipt of Income Support this activity will be mandatory.
- complete a skills/issues matrix with each customer which identifies barriers to employment and areas where development is necessary
- develop for each customer an Individual Development Plan and arrange training as required (and monitor adherence to the plan)
- refer customers to appropriate elements of the “Essential Skills Programme” operated on behalf of the Department, obtaining feedback from the service provider
- refer customers to other agencies for assistance if appropriate
- monitor customers’ adherence to their personal development plan. In cases of non-compliance with the Jobseeker’s Agreement challenge customers and if necessary commence the failed jobseeker process
- provide intensive job search assistance and interview preparation with their customer

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Source: Social Security Department, States of Jersey

- 2.6. The nature of the service provided by Personal Advisers can vary. It can have a narrow work focus (a work first approach), a more broad approach that considers education, training and career development (a human capital development approach) or a more holistic service that would cover wider barriers to employment, for example, addressing potential homelessness for ex-prisoners, or referrals to drug and alcohol services (a holistic approach). A more holistic service requires more of a caseworker approach with continuity of contact between adviser and recipient. (At the work first end of the spectrum, recipients do not need contact with

the same adviser throughout the intervention period.) Jersey's enhanced service includes elements of all three: the more intensive regime represents a 'work first' stance, there is a human capital approach with not only a skills assessment, but also a commitment to provide relevant training (see below), and a desire to provide a supportive, tailored service (the holistic approach).

- 2.7. It is important that SSD accurately conveys to staff, recipients and potential claimants where the Personal Adviser service lies on this continuum, so that service delivery matches consumers' expectations. For instance, unpublished research on lone parents using Jobcentre Plus (Senior, 2011) shows that several of the lone parents thought that they were going to receive a 'special' service reflecting their needs and experiences as lone parents - the 'personal' in Personal Adviser. Their experience of the service, however, could be very different; for example, those with specific job aspirations were disappointed when advisers were unable to refer them to, and fund, a training programme required if their career ambition was to be fulfilled.
- 2.8. Whilst implementing a Personal Adviser Service is strongly supported by the research evidence (see above), there are a number of issues or risks that both managers and policy makers need to review as the service becomes established. These concerns are as follows (see also Stafford, 2009:263-4):
  - there are doubts about the extent to which services have been individualised and tailored to the needs of jobseekers in practice;
  - a related point, is that caseloads may be too high and / or time allocated to jobseekers too short to deliver an effective service;
  - that the use of discretion (necessary if services are to be tailored to individual needs) leads to arbitrary decision making and undermines the social justice notion of equity (that all individuals should be entitled to the same rights); and
  - that organisations have not been successful in joining up services at the local level so that claimants with complex needs are referred to relevant support services. This might be because Personal Advisers are unaware of such services or lack the training and assessment tools to make referrals. Even if the support services are available Personal Advisers can be reluctant to use them, for instance, not wishing to submit a vulnerable claimant to another orientation process or they may be critical of the quality of the service provided.
- 2.9. This is not to suggest that these problems will arise in Jersey, merely that the Department should monitor the delivery of the service to take any necessary corrective measures if some of the difficulties found in the UK begin to emerge in Jersey. Indeed, there are reasons to believe that these issues may not arise in Jersey. As part of implementing the enhanced service, SSD provided relevant training to the Personal Advisers, which included interviewing skills, presentations from other Agencies and attendance of all of the Essential Skills Programme's modules (see below).

- 2.10. The Personal Adviser Service has also led to a more intensive regime for those Actively Seeking Work in receipt of Income Support. Indeed, it has meant that there is more intensive scrutiny of jobseekers' activities. This has included the immediate suspension of Income Support for non-compliant jobseekers, which according to some Personal Advisers has encouraged customers to engage with the service (SSD personal communication). As mentioned above the international evidence shows that job assistance/counselling in combination with a monitoring and enforcement regime is an effective policy mix (Stafford *et al.*, 2011:30). The literature also suggests that jobseekers' action plans need to reflect the skills and job aspirations of the individual as well as the demand for labour locally.
- 2.11. Actively Seeking Work customers who are in receipt of Income Support are required to attend work focused interviews with Personal Advisers. The advantage of mandatory interviews is that those recipients who could benefit from the intervention, but who would not otherwise attend, are more likely to receive a service.
- 2.12. There is a risk, however, that some people will leave Income Support when they should not have done so. Evidence from the UK suggests that some vulnerable customers – for example, people with basic skills or health problems or previous contacts with the judicial system – may exit the benefit system for unknown reasons (Hales and Collins 1999; O'Donnell 2001). To assess whether or not this is happening, SSD should undertake a sample survey of those leaving Income Support whose destinations are not education or training, incapacity or employment to investigate outcomes and reasons for leaving benefit. This survey is likely to be small scale and conducted, say, every two to three years.
- 2.13. A key role for Personal Advisers will be administering the skills/issues matrix to identify barriers to work. It is possible to identify skill gaps using a 'light touch' eyes and ears approach, for example, through talking with claimants, asking about qualifications attained and observing how they complete forms (Bellis *et al.*, 2011:13). However, a lack of basic skills, for instance, can be stigmatising and people can develop coping strategies that serve to conceal the extent of their skills deficiency. Accordingly, Personal Advisers may on occasions need access to diagnostic tools (and staff trained to use them). In some instances it may be appropriate to refer the individual to the Essential Skills Programme provider (see below), but in other cases an in-house assessment may be preferable.
- 2.14. Notwithstanding that Personal Advisers should be well placed to be able to assess skills of recipients (c.f. discussion on Personal Adviser training above); UK experience is that '*not all advisers do this as well as they might, nor as systematically as they might*' (Bellis *et al.*, 2011:15). Moreover as stated in the first report, employment advisers can find it difficult to accurately identify individuals who will benefit most from the training (OECD, 2009:22 cited in Stafford *et al.*, 2011:24). Although these concerns might **not** apply to Jersey, recommendations from UK research might be instructive (Bellis *et al.*, 2011:15-6):



- *Define (or redefine) skills needs and skills groups simply and clearly so that advisers have a 'checklist' against which their screening activity can be undertaken.*
- *Make the purpose of, and responsibility for, skills screening more explicit as part of the [interview], using language that advisers can understand. It is important that advisers know (and are able to articulate) why skills screening is critical.*
- *Identify and provide 'best practice' examples of how skills screening can be done and encourage advisers ... to share good practice. Managers should facilitate peer support ...*
- *Maintain close working relationships with providers ... to ensure that referrals are appropriate and meet the skills needs of individuals and employers.*

2.15. Furthermore,

*'Advisers who displayed more effective techniques in relation to skills screening seemed self-motivated but, more importantly, they approached each (interview) with an open mind, and had used the techniques associated with best practice to elicit information from claimants about their skills and to identify skills gaps.'*

(Bellis et al., 2011:15)

Where best practice involved:

*'... effective questioning techniques, probing into claimants' work experience and skills to identify gaps; exploring claimants' transferable skills; challenging unrealistic job goals, ensuring claimants' commitment to particular courses of action etc. More negatively, some advisers failed to question claimants adequately and missed key pieces of information, or made judgements about claimants' skills or job goals with little evidence to substantiate their reasons for doing so. Some advisers were more reliant on the (jobseeker's agreement) structure or the (computer) screens to guide them through (interviews) and were less confident about having an exploratory discussion with claimants about barriers to work and skills needs.'*

(Bellis et al., 2011:14-15)

2.16. Moreover, if referrals are to be made to a provider for skills audits and job search training (see below), then Personal Advisers need to develop a good understanding of the services provided so that appropriate referrals are made (Johnson et al., 2011:15). A good start has been made in this direction by all Personal Advisers attending the Essential Skills Programme modules (see below). Good communications between the two organisations and clarity about roles are important so that recipients do not feel that they are having too similar discussions with staff from each body. For instance, Personal Adviser discussions on employment issues

and the provider's training on CV writing will both include conversations about employment history, and yet their different purposes need to be clear to recipients if they are to avoid believing that they have given what appears to them to be the same information twice for no discernible reason.

- 2.17. Personal Advisers may make mandatory referrals of jobseekers to the Essential Skills Programme. Non-attendance (or non-engagement if the person attends) is reported to SSD and can result in the failed jobseeker process commencing, which can result in the imposition of a benefit sanction. Mandatory referrals have the advantage that those who would not otherwise participate, for whatever reason, are more likely to do so. However, the failure to attend rate for a similar UK programme, Skills Health Check, was 35 to 40 per cent and this was attributed to poor promotion of the service by Jobcentre Plus advisers (Johnson *et al.*, 2011:16).
- 2.18. Once the Personal Adviser scheme has 'settled in', SSD might wish to consider whether the role of Personal Advisers should be expanded to include job broking, that is, where they would actively contact employers and seek to place jobseekers and/or seek job vacancies for SSD clients. However, this is a controversial change as Employment Agencies might see it as undermining the role they perform.

## **2.2 Essential Skills Training Provision**

- 2.19. Modern economies need labour forces with a range of skills. To compete internationally countries need to integrate employment and skills provision (Leitch, 2006). Jersey has sought to more closely align its employment and skills provision. Personal Advisers, as mentioned above (and see Table 2.1), assess Income Support recipients' skills and, as appropriate, make mandatory referrals to the Essential Skills Programme. This programme aims to re-motivate and build the self-confidence of jobseekers. The skills provided by this programme are listed in Table 2.2; and the programme can offer a more in-depth skills audit for recipients with complex needs.
- 2.20. Provision of the Essential Skills Programme has been contracted-out. The programme commenced on the 13<sup>th</sup> April 2011. In April, 24 customers were referred to the programme and 51 in May (SSD personal communication).
- 2.21. Analysis by SSD of Work Zone customers revealed that a quarter believed that they needed training in the areas listed in Table 2.2 (SSD personal communication). There is also recent evidence from the UK that jobseekers value the type of training provided by the programme, notably (Johnson *et al.*, 2011:17):

*'... information on job search skills, goal-setting, advice on changing career after redundancy, or a greater insight into their own skills*

*and the sort of jobs to which they would be suited, which improved their confidence and motivation.'*

**Table 2.2 Essential Skills Programme: training modules**

- 
- Skills Audit (for people with multiple or complex needs)
  - CV Workshop
  - CV Support
  - Psychometric Testing
  - Interview Skills
  - Mock Interviews
- 

Source: Social Security Department, States of Jersey

2.22. Johnson et al. (2011:14) make a useful distinction between types of skills training:

- basic skills (literacy, numeracy, and basic IT skills);
- employability skills support (for example, timekeeping, confidence and motivation);
- job search skills (for example, effective job applications, interview techniques); and
- vocational skills (training related to a specific occupation or industrial sector).

2.23. The Essential Skills Programme addresses the 'job search skills' set, a vital area for helping people move off Income Support into employment. As such the programme complements other training and employment-related provision on the Island, for example, Workwise and Advance to Work, which can address gaps in basic and employability skills.

2.24. Indeed, supporting job search is both a cost-effective intervention and required to enhance the effectiveness of other interventions. This is because job search training **and** associated support from advisers:

*'... speeds up the rate at which people move into jobs, it has an immediate impact on employment rates, and the costs are recouped through benefit savings relatively quickly (typically in under a year).'*

(Meadow, 2006:7)

It does this because:

*'... it encourages people to be more active in their job search activity, and makes it more likely that they will use formal rather than informal channels. It does this both by improving motivation, and also because there may be sanctions in the form of loss of benefits for those who fail to take part. More active and structured job search means that some people find jobs more quickly than they would otherwise have done, and this in turn shortens the period of benefit receipt.'*

(Meadow, 2006:23)

- 2.25. However, the effectiveness of the measure will reduce over time; although it remains cost-effective (Meadows, 2006:24). Job search training **and** support from Personal Advisers is less effective for those with no qualifications or the long-term unemployed (Meadow, 2006:7). The implication is that Personal Advisers should refer to the programme jobseekers that have recently become unemployed and have qualifications, possibly because they are more job ready (Meadows, 2006:22). In order to minimise assisting those Actively Seeking Work who would find employment without support (that is, deadweight), here 'recent' claimants refers to those who have been unemployed for at least six months (Stafford *et al.*, 2011). The effectiveness of the measure is also likely to be lower during an economic downturn (Meadows, 2006:25). Those without qualifications and/or the long-term unemployed may require basic, employability and/or vocational skills training to assist moves into employment, although the benefits of this may not be realised for a few years (Meadows, 2006:35).
- 2.26. The key role of the Personal Advisers in skills screening and referrals was also discussed above. In addition, the provider's courses must have a clear work focus. It will be critical that the outcomes of the Essential Skills Programme for benefit recipients, such as a new CV, are integrated into Jobseeker's Agreements and other related activities with Personal Advisers (Johnson *et al.*, 2011:16). Completion of the programme should be followed up quickly with a meeting with an adviser and any relevant changes to Jobseeker Agreements made.
- 2.27. If possible staff from the Essential Skills Programme should be co-located in the Work Zone, if only for a limited period each week. The advantages of this are (Johnson *et al.*, 2011:18-9):
- It enhances the jobseeker's journey, by facilitating access to the provider's service and so may increase take-up;
  - It facilitates informal working relationships between staff of both organisations and this will enhance communications and levels of understanding (c.f. Personal Adviser section on the importance of achieving this).

### **2.3 Resources and improvements in management information reporting**

- 2.28. The introduction of the Personal Adviser service and of a more intensive jobseeker's regime would increase workloads and demands upon Work Zone as a whole, if staffing levels remained unchanged. The Review highlighted an OECD study stating that during a recession active labour market policies required an increase in resources if they were to be effective (Stafford *et al.*, 2011). In particular, adequate staff/client ratios are needed to deliver an effective service. This has been recognised by SSD and they are to be congratulated on increasing the number of staff working in this area by eight FTEs. In addition to establishing a Personal

Adviser scheme, the Enhanced Work Zone also has Employment Assistants who support the Personal Advisers.

### **2.3.1 Monitoring and management information**

- 2.29. Effective implementation of the Enhanced Work Zone service for those Actively Seeking Work requires systematic monitoring of recipients and regular management information reporting. Accordingly, SSD has undertaken to record all contacts with jobseekers on the benefit computer system, Nessie, including skill and training provision. As recommended in the Review, such information is required if SSD is to develop a model that can be used to 'profile' those jobseekers at greater risk of long-term unemployment (Stafford *et al.*, 2011).
- 2.30. SSD could also consider sharing data on jobseekers with the Essential Skills Programme provider, as this should improve the integration of the employment and skills services (Johnson *et al.*, 2011:19).
- 2.31. In addition, alongside the introduction of the Enhanced Work Zone, further management information reports have been developed to improve the monitoring and management of the caseload. The data, which have been developed since July 2010 and now analysed daily, cover summary and individual-level information on a range of relevant factors, such as the signing of Jobseeker's Agreements, 'failed jobseeking', attending training and whether found employment due to an intervention with a Personal Adviser. The benefits of this improved reporting are listed in Table 2.3. The Review report highlighted that organisational performance can be increased through the judicious use of performance indicators (Stafford *et al.*, 2011:36). The improved reporting will allow SSD to assess performance, caseloads and activities by team group and Personal Adviser.

**Table 2.3 Improvements in management information reporting**

- 
- Improved effectiveness of the training provision provided to customers in securing employment
  - Improved monitoring and management of 'failed jobseekers'
  - Assessment of the net cost benefit of the enhanced service
  - Ongoing analysis of resource utilisation to ensure that service provision is suitable for a changing labour market and unemployed client base
- 

Source: Social Security Department, States of Jersey

## 2.4 Early outcomes

2.32. SSD has implemented a 'package' of reforms, and as such it is impossible to attribute quantifiable outcomes to its individual components – Personal Advisers, skills programme, additional resources and improved management information. Instead outcomes for the reforms overall can be explored. SSD has the following outcome data for Income Support recipients for April and May 2011:

<b>Target group</b>	<b>Number entering employment</b>	<b>Number Actively Seeking Working and on Income Support</b>	<b>Percentage entering employment</b>
<b>April</b>			
Aged 16 to 24	21	416	5.0
Aged 25 and over and Actively Seeking Work for less than six months	13	303	4.3
Aged 25 and over and Actively Seeking Work for six or more months	15	267	5.6
<b>Total for April</b>	<b>49</b>	<b>986</b>	<b>5.0</b>
<b>May</b>			
Aged 16 to 24	28	388	7.2
Aged 25 and over and Actively Seeking Work for less than six months	41	317	12.9
Aged 25 and over and Actively Seeking Work for six or more months	18	273	6.6
<b>Total for May</b>	<b>87</b>	<b>978</b>	<b>8.9</b>

Source: Social Security Department, States of Jersey

2.33. It is not possible, however, to simply attribute all of the above job entries to the enhanced employment service. This is because it is not known how many jobseekers would have obtained jobs had there been no reform.

That is, the additional jobs that could be attributed to the reforms (those over and above what would have happened anyhow) is unknown. Interpretation of the statistics is also complicated by the recent nature of the reforms; it will take time before the new arrangements become stable. Moreover, seasonal factors and other factors (such as changes in the labour market) outwith the influence of SSD could account for a proportion of the job entries.

- 2.34. Nonetheless, SSD has anecdotal evidence from staff that the enhanced service has been successful in moving people into employment. The extra time available to advisers means that they are more proactive in their dealings with jobseekers (SSD personal communication). The number of Personal Adviser interview appointments was 417 in April and 608 in May (SSD personal communication). The increase represents the development of the service as it establishes itself. In April the number of customers failing to attend interviews was 12 per cent and 28 per cent in May 2011.
- 2.35. The number of disallowed claims in April was 10 and 14 in May 2011 (SSD personal communication). This increase reflects both the more intense nature of the jobseeker regime and the increase in numbers not attending interviews.
- 2.36. The SSD recognises that the small number of referrals to date to the Essential Skills Programme means that it is as yet impossible to gauge its impact (SSD personal communication).

## **2.5 Conclusion**

- 2.37. SSD has implemented a number of changes that reflect the recommendations of the Review. The measures taken are reasonable and, based on evidence from other studies, will be effective in helping jobseekers move from Income Support to employment.
- 2.38. However, as noted in the Review report there is no 'magic bullet' that can solve the problem of the increasing number of unemployed people on Income Support. Whilst the measures taken are undoubtedly a step in the right direction, they are not without limitations. This follow-up report, therefore, advises that SSD bears in mind some of the challenges and risks associated with the changes made and periodically assesses whether corrective measures are required. More specifically SSD should be alert to the factors that can undermine the effectiveness of Personal Advisers, and the appropriateness and effectiveness of referrals to the Essential Skills Programme. Fortunately, SSD has the enhanced management information to undertake this successfully.





## 3 Proposed reforms

3.1. The Minister for Social Security has proposed legislative changes to Income Support that affect (Minister for Social Security, 2011a, 2011b):

- The timescale for invoking sanctions against those who fail to Actively Seek Work and the percentage reduction in benefit;
- The treatment of jobseekers aged under 19; and
- Individuals leaving employment.

If approved these changes will apply from the 1<sup>st</sup> August (sanctions) / 1<sup>st</sup> September (under 19 years and job leaver) 2011. In addition, the Social Security Department (SSD) has draft proposals that would affect parents of young children. These proposals are considered in turn below.

### 3.1 'Failed Jobseekers'

#### 3.1.1 *The current situation and legislation*

3.2. If someone fails to satisfy the Actively Seeking Work condition for Income Support in Jersey (see Section 3.1.1), benefit sanctions are progressively applied to the non-compliant adult over a 12 week period.

3.3. The Income Support Regulations specify a timetable for withdrawal of benefits associated with the failure to Actively Seek Work. This timetable is set out in Regulation 5 of the Income Support (Jersey) Regulations 2007 which states that:

- (1) *A person is actively seeking work if the person has, during the past 28 days –*
  - (a) *taken all reasonable steps (including any appropriate training or work experience) to obtain suitable work;*
  - (b) *not unreasonably turned down any offer of suitable work; and*
  - (c) *attended every interview with an officer of the Department of Social Security to which he or she has been invited unless he or she had a reasonable excuse for not so attending; and*
  - (d) *either not received a written notice from the Minister in the form specified in paragraph (2) or, if the person has received such a notice, has, during the 28 days since receiving it, complied with sub-paragraphs (a), (b) and (c).*
- (2) *The notice mentioned in paragraph (1)(d) shall warn the person that, in the opinion of the Minister, the person has not, during the past 28 days, been actively seeking work and unless he or she does so during the next 28 days he or she will be treated as not actively seeking work and will be liable to lose entitlement to income support.*

3.4. Thus the timetable requires the Department to send a written notice to a jobseeker after four weeks of failure to actively look for work, giving them

a further four weeks to satisfy the Actively Seeking Work requirement. If at the end of the second four week period they continue to fail to meet these criteria, they are classed as a 'failed jobseeker' and lose their entitlement to Income Support. However, social protection is provided through a 'special payment' for housing costs and children and the failed jobseeker's adult component is reduced incrementally by removing one-quarter each week for up to four weeks, so that by week 13 the maximum sanction has been applied.

### **3.1.2 Statement of the perceived problem**

3.5. The Review found that staff believed that the current sanction process is not seen as a deterrent by Income Support claimants. Some staff believe that, in general, the level of sanctions imposed are insufficient to affect jobseekers' behaviour – it is perceived as having a small deterrent effect and as lacking responsiveness. They have three objections to the current regime, that:

- The sanction is only applied to the adult component of Income Support; any other components continue to be paid in full. In the UK the sanction is applied to the total benefit. However, as this can cause hardship, claimants can claim a Hardship Payment to militate against the effect of the sanction.
- A sanction of 25 per cent is seen as producing too small a reduction in benefit. A 25 per cent sanction on the adult component of £92.12 is £23 per week. Further non-compliance leads to progressive 25 per cent reductions every week for four weeks, hence the system is too slow to impose a benefit reduction. As a consequence failed jobseekers may not make the connection between their behaviour and the reduction in their benefit – this is a finding of UK research on sanctioned claimants.
- In general, the benefit sanctions regime is too complex.

The proposal reflects these concerns.

### **3.1.3 The proposal**

3.6. The Minister's proposals are:

- To amend the Income Support Regulations to reduce the first 28 day period to a 14 day period; and after the warning letter has been sent to reduce the second 28 days to seven days (Minister for Social Security, 2011a:11).
- To amend the Income Support Special Payments Regulation to alter the rate of reduction from 25 per cent of the adult component per week to 50 per cent of the adult component per week (Minister for Social Security, 2011b:3).

### **3.1.4 Discussion**

3.7. The Review highlighted that there is international evidence that compulsory job search requirements backed with sanctions for non-compliance are highly effective in promoting moves into employment

(Kluve, 2006:11; Daguerre with Etherington, 2009:13; Martin and Grubb, 2001:17). The UK's Gregg review (2008:71) called for a more '*crisp and clear*' sanctions regime, and in particular one that dealt more effectively with '*repeat offenders*' through including an escalation in the severity of sanctions.

- 3.8. The first amendment could be regarded as increasing the crispness and clarity of the sanctions regime through closing the distance in time between non compliance with Actively Seeking Work rules and the consequent sanction. Research in other countries suggests that, whilst there is no evidence that this is an issue in Jersey, care must be exercised to ensure that sanctions do not disproportionately penalise those with multiple barriers to work, such as those with substance use or health problems (see Daguerre with Etherington, 2009:11), and/or those lacking the necessary detailed knowledge of social security rules.
- 3.9. Knowledge of the benefit rules by claimants is an important issue because if the policy intention is to change behaviour, then knowledge and understanding of Actively Seeking Work rules and the consequences of non compliance are essential. In the UK, the Gregg review (2008:71) found that a significant minority of claimants (up to 20 per cent) had little or no knowledge of benefit rules and it was '*unreasonable to expect people to comply if they do not understand what is required of them*' (Gregg, 2008:72).
- 3.10. Although the sanction only applies to the basic component of Income Support (and any child and rental components are unaffected), the second amendment might mean that more households with a sanctioned member face a degree of financial hardship than in the past – because the reduction in benefit is initially larger and applied more quickly. As a consequence the reform may have wider implications, for example, an increase in the caseload of advice agencies and charities working with vulnerable people.
- 3.11. As a consequence the reform may have wider implications for SSD and other organisations on the Island. Internally, Personal Advisers (see Section 2.1) may find an initial increase in their caseload as newly sanctioned recipients are subject to the Regulations. Sanctioned recipients are likely to want to discuss their sanction with a Personal Adviser. This may only be a temporary increase however, until Income Support recipients become more aware of the new rules. There may also be an increase in applications for Special Payments from sanctioned claimants. Externally, advice agencies and charities on the Island may also see an increase in caseloads with sanctioned recipients seeking support. Although this would have the positive effect of sanctioned claimants receiving independent advice on the need to engage with the jobseeking process.

### **3.2.5 Recommendations**

- 3.12. The Review recommended that SSD reduces the time between non-compliant behaviour and the imposition of a sanction (Stafford *et al.*, 2011). The Minister's proposals would achieve this. The Review also recommended that further research, especially with sanctioned recipients, is required to better understand the factors leading to non-compliant behaviour and to gauge whether changes to the sanction regime are likely to be effective. That Jersey is planning to speed up the imposition of sanctions reinforces the salience of the proposed research.
- 3.13. SSD should publicize the change in the sanction regime. SSD should also monitor changes in the numbers sanctioned (to assess if there is a deterrence effect) and applications for Special Payments. SSD could also liaise with advice agencies and charities on the impact of this change to sanctions policy.

## **3.2 Treatment of jobseekers aged under the age of 19**

### **3.2.1 The current situation and legislation**

- 3.14. At present, a 16 or 17 year-old who has left school, is still living at home, and is Actively Seeking Work, is classed as a separate household and entitled to Income Support, regardless of the financial situation of their parents.

This contrasts with an adult child who lives at home and remains in full-time education who continues to be included within the Income Support household of the parents. An exception is made for young disabled adults who are treated as separate households even if they continue in education. This enables a disabled young person to be eligible to receive Income Support in their own right whilst they continue to live at home.

- 3.15. The definition of the Income Support household is provided in the Income Support (General Provisions) Order:

*"5 Persons treated as being members of the same household*

*(1) A person who normally occupies the same dwelling as his or her principal residence as another person is treated as being a member of the same household as that other person for the purposes of Article 2(2) of the Law if –*

- (a) they are married to each other (unless they are living separately in the dwelling under a formal agreement) or are in a marriage-like relationship (whether or not both persons are of different sexes);*
- (b) they live together as part of a family unit and the circumstances set out in paragraph (2) apply; or*
- (c) one of them is a child and the other has parental responsibility for, or otherwise cares for, him or her as part of a family unit.*
- (2) The circumstances mentioned in paragraph 1(b) are that one of the persons is exempted from the requirement to be engaged in full time remunerative work by virtue of Article 3(1)(e) of the Law (persons undergoing education or training on any course*

*approved by the Minister) but does not meet the criteria for the rate payable in respect of the personal care element of the impairment component under paragraph 6(3)(b), (c) or (d) of Schedule 1 to the Regulations.*

- (3) *Where a child normally occupies more than one dwelling as his or her principal residence, the child shall be treated as part of whichever household would result in the higher total amount of award or awards being paid."*

### **3.2.2 Statement of the perceived problem**

- 3.16. Since the introduction of Income Support the economic climate has deteriorated (see Stafford *et al.*, 2011) and, for some groups, in particular the 16–18 age group, job opportunities have become increasingly limited. As a consequence there has been a substantial increase in the number of young people who leave school and are unable to find work and a significant minority of this age group is currently neither in education nor employment. As a result an increasing number of young unemployed adults are living at home with their parents and claiming Income Support.
- 3.17. In many cases the household income of the parents is above the level for entitlement to Income Support. It is considered to be important that a '*culture of dependence*' (Minister for Social Security, 2011a:8) is not allowed to develop within this group. There is a perception that young people having an entitlement to benefit in their own right is acting as a disincentive to remain in education because if the young adult remains in education, no Income Support is paid to either the young adult or the parent (assuming the parents have no entitlement to benefit).

### **3.2.3 Proposal**

- 3.18. The proposed change to the Income Support General Provisions Order is that (2011a:9):

*'... adults under the age of 19 will be included within their parents' household if they are out of work and actively seeking work.'*

- 3.19. The intention is to place the young jobseeker in the same position as a person in full-time education so that the decision to leave full-time education has no direct financial impact on either the parents, or the young person, in terms of their Income Support claim. It is believed this will remove the possibility of a '*perverse incentive*' for a young adult to choose not to remain in education in order to be able to claim benefit.
- 3.20. SSD estimates that currently up to 104 young adults below the age of 19 are claiming Income Support and living in a household that does not have any other Income Support claim (Minister for Social Security, 2011a:9). For a small number of these households, the parents will be able to claim Income Support when the young adult is added to the household claim. An additional 88 young adults are claiming Income Support and living in a household that already receives Income Support. It is estimated that the removal of the Income Support payments from the first group will create a saving in Income Support costs of £400,000 to £500,000 over a year.

- 3.21. This saving is calculated on the basis of the high numbers of young people who are Actively Seeking Work at present, and savings will diminish as the labour market improves. The Minister proposes to use this temporary saving to support the provision of employment services for young people. However, the exact nature of this support is still to be determined (Minister for Social Security, 2011a:9-10).
- 3.22. It is proposed to make a related change at the same time to allow the part-time earnings of young adults under the age of 19 who are in full-time education to be excluded from the calculation of Income Support for the household. The aim is to encourage young people who remain in full-time education to take up part-time employment without any adverse impact on the Income Support rate paid to their parents.

### **3.2.4 Discussion**

- 3.23. The proposed change would impact differently on different households depending on the household's income. For a 'better-off' household, where the parents are not in receipt of Income Support, the young jobseeker will no longer be able to claim Income Support in their own right. They will instead remain financially dependent on their parents, as if they had stayed in full-time education.
- 3.24. For the household where the parents receive Income Support, retaining the young person in the household does not change the total amount of money received by the household but switches the benefit currently paid to the young person onto the parents' entitlement. Should a young person find work they would no longer be included in the Income Support household of their parents and their benefit rate would fall by up to £92 per week. However, the young person, and their family, would be significantly better-off with the young person in work as the minimum wage at which a young person could be employed would be the 'trainee' rate of £4.74 per hour (which can be paid for up to one year). For a 40 hour week this is a **net** (of social insurance) wage of £178.22, compared to the adult Income Support component of £92.12 per week.
- 3.25. Two types of issues arise from this reform: one philosophical, the other practical. The philosophical issue is whether a young person who wants to work but because of the current economic climate is unable to find work should be denied financial independence and responsibility. Whilst the young jobseeker will be in the same position as a peer in full-time education, with respect to Income Support, the two young people have made different choices. The young person opting to remain in education has chosen to be financially dependent upon their parents. However, the extent to which young people without post GCSE qualification can realistically exercise this choice is limited due to the lack of entry level jobs.
- 3.26. The practical issue is that under the proposal, parents will need to decide, or to agree with their children, how much 'pocket money' they transfer from their Income Support to their dependent children. In some cases they may opt to allocate in full the current £92 per week. However, some parents may, in order to meet ongoing household expenses, transfer less,

in effect taking a 'board and lodgings' payment from their child(ren). Of course under the current system, such intra-household transfers are likely to be taking place, except the transfer is from the child(ren) to the parents. The proposal brings about a change in the dynamics of families, effectively a shift in negotiating power from children to parents. The effect of this change in family dynamics is very difficult to predict. It may have no effect, especially if the same amount of money is transferred within the household. However, one possible outcome of the change is an increase in tensions within families.

- 3.27. However, these possible risks have to be balanced against the benefits of the savings being invested in services that could increase youth employment.

### **3.2.5 Recommendations**

- 3.28. There is a 'perverse incentive' in the current Income Support Regulations that may lead to young people not to engage in full-time education during a time when there are few entry level jobs. Thus the Minister is right to address this issue.
- 3.29. It is possible that some of those young people already in receipt of Income Support who will lose their entitlement may disengage from the jobseeking process. The parents of this group of young people are above the income limit for Income Support and could be in a position to encourage the young people to re-enter full-time education or undertake jobseeking activities (either independently or through Advance to Work or the Enhanced Work Zone).
- 3.30. For other young people, whose Income Support is already paid to their parents, there is no change in entitlement; the payment of Income Support to parents before the age of 16 years continues. The young adult will be required to meet the Actively Seeking Work conditions to ensure that the family retains its entitlement to Income Support. As a result there may not be any (or any more) family conflict about intra-household transfers from parents to children. Under the proposals, parents will have more knowledge of the actions of the young person than the SSD, and may be in a position to encourage their child(ren) to actively engage with the jobseeking process.
- 3.31. For this Summer's cohort of school leavers it will be important that SSD, secondary schools and Highland College publicize the change in the Order.

## **3.3 Individuals leaving employment**

### **3.3.1 The current situation and legislation**

- 3.32. Under current Income Support legislation recipients, unless exempt for caring responsibilities or on health grounds, must be in full-time paid work. A non-exempt unemployed person must be Actively Seeking Work in order to be eligible for Income Support. There is no additional test or

condition in respect of an individual aged under 65 who voluntarily leaves employment and they can immediately claim Income Support.

3.33. The Income Support Regulations define *Actively Seeking Work* as follows:

- (1) *A person is actively seeking work if the person has, during the past 28 days –*
  - (a) *taken all reasonable steps (including any appropriate training or work experience) to obtain suitable work;*
  - (b) *not unreasonably turned down any offer of suitable work; and*
  - (c) *attended every interview with an officer of the Department of Social Security to which he or she has been invited unless he or she had a reasonable excuse for not so attending; and*
  - (d) *either not received a written notice from the Minister in the form specified in paragraph (2) or, if the person has received such a notice, has, during the 28 days since receiving it, complied with sub-paragraphs (a), (b) and (c).*
- (2) *The notice mentioned in paragraph (1)(d) shall warn the person that, in the opinion of the Minister, the person has not, during the past 28 days, been actively seeking work and unless he or she does so during the next 28 days he or she will be treated as not actively seeking work and will be liable to lose entitlement to income support."*

### **3.3.2 Statement of the perceived problem**

3.34. The SSD believes that a small, but significant proportion of Income Support recipients who are Actively Seeking Work have resigned from previous employment and are now receiving additional benefits to make up for the loss of employed earnings.

3.35. The Review reported that some staff respondents claimed that there were 'a lot' of cases where people resigned (for example, to travel or take a break from paid work for (unknown) reasons) and then claimed Income Support even though this could entail a drop in their household incomes (Stafford *et al.*, 2011). The administrative data record that 21 per cent of jobseekers resigned from their previous employment, although this figure is likely to include many individuals with legitimate reasons for needing to leave employment.

3.36. There is SSD staff support for reforming this aspect of the Income Support system by introducing a waiting period for those jobseekers who have voluntarily resigned from their employment or been (fairly) dismissed.

### **3.3.3 Proposal**

3.37. The Minister's proposal is that the amount of Income Support (Minister for Social Security, 2011:12):

*'... payable for a period of 13 weeks after employment has ended, due to the actions of the individual, should continue to be based on the income that the household was receiving before the employment ceased.'*



Thus someone in employment whose earnings mean that they were not entitled to Income Support and who then resigns their position will receive Income Support after 13 weeks of jobseeking. Similarly, an individual in a low paid job in receipt of Income Support who voluntarily resigns will continue to receive Income Support for 13 weeks before it is increased to reflect their Actively Seeking Work status.

- 3.38. The proposals will not apply to those resigning due to caring responsibilities or for health reasons, the termination of temporary and short-term contracts and cases of redundancy. There is also protection for claimants who can show that their employer acted unreasonably or where they resigned in 'good faith' (for instance, to take another job which then did not materialise).

### **3.3.4 Discussion**

- 3.39. Compared to some other countries the arrangements in Jersey could be perceived as 'generous'. Other countries can impose a 'waiting period' before benefit is paid when an individual has voluntarily left employment or has been dismissed. As the Minister's proposal highlights '*... certain benefits cannot be claimed for 9 weeks in the Republic of Ireland, 14 weeks in New Zealand ...*' (Minister for Social Security, 2011a:12). In the UK new claimants can face a benefit sanction for up to 26 weeks if they leave their employment without good cause or are dismissed for misconduct. The sanction is not applied where people have been made (voluntarily) redundant. Countries also include 'reasonable grounds' provisions to protect ex-employees in cases, for example, where their employer placed undue pressure on them to resign and for unfair dismissal.
- 3.40. A case for imposing a waiting period on a person who gives up remunerative employment voluntarily without good cause is based on promoting job retention and minimising flows onto unemployment. This case could be made for introducing sanctions in Jersey for not seeking employment. The question is, whether such rules work, that is, whether they are an effective deterrent to voluntary resignations. Unfortunately, this is unknown.
- 3.41. However, perhaps more seriously Income Support is a unified benefit and preventing immediate access to the full benefit could create substantial difficulties for existing Income Support claimants. In particular, to what extent someone receiving a relatively low weekly wage (and hence in receipt of Income Support) would be in a position to cover a period of 13 weeks without earnings. Although they will continue to receive Income Support, it is possible that some may encounter financial hardship. For example, rent payments could fall into arrears and, in an extreme case, potentially families could be made homeless. In the UK there is a 'safety net' for those not receiving benefit for 26 weeks. They can apply for a Crisis Loan from the discretionary Social Fund. Whilst the loan has to be repaid from their benefit, it does reduce any immediate hardship. Jersey's Income Support legislation also includes the provision of discretionary payments or loans. The extent of any increase in hardship

amongst those leaving employment for non-acceptable Income Support reasons in Jersey is unknown. A possible consequence of the reform however, is that the caseloads of local relevant charities increase, and possibly an increase in applications for Special Payments.

- 3.42. In addition, there may be an increase in the number of reported redundancies as those intending to leave employment have a financial incentive to avoid the 13 week waiting period. Conceivably, in the past former employees and employers may have 'informally' agreed that the former would simply resign rather than having to go through the redundancy procedure. Under this proposal, employees now have an incentive to be made redundant and/or pursue cases for unfair dismissal. One possible consequence of this reform, which can be monitored, is an increase in employees' contacts with the Jersey Advisory and Conciliation Service (see JACS, 2010).
- 3.43. It could be argued that an employee not previously receiving Income Support should have made provision for their living expenses between jobs, for instance, through savings. This raises two important points; the first about information, knowledge and understanding of benefit rules in general and those concerning sanctions in particular. Stafford *et. al.*, (2011) reviewed the literature concerning claimants' awareness of UK benefit rules. As noted above, the Gregg review (2008:71) found that a significant minority of claimants (up to 20 per cent) had little or no knowledge of benefit rules and it was '*unreasonable to expect people to comply if they do not understand what is required of them*' (Gregg, 2008:71). (See also Goodwin, 2008).
- 3.44. Another justification for waiting days is that they prevent very short-term claims being made, for instance, when people move between jobs. Of course, in Jersey entitlement to Income Support could arise from both the new and the former job. Nonetheless, avoiding short claims has benefits for the efficient and effective administration of benefits - both cost savings and a lower overall caseload, which should mean longer term claims are processed more quickly. These savings, however, have to be set against increased administrative costs in verifying whether some exits were voluntary or not.

### **3.3.5 Recommendations**

- 3.45. As with the change in sanction regime above, it will be important that SSD widely publicizes the reform so that both employers and employees are aware of the change in Income Support rules.
- 3.46. However, UK literature would suggest further research is required before radical changes are made to the sanctions regime in Jersey (Goodwin, 2008). At present there is a gap in knowledge about jobseekers' comprehension of the Income Support sanctions regime and their responses to sanctions. Stafford *et al.* (2011) outline the parameters of the research that could be undertaken to inform any further introduction of sanctions.

- 3.47. JACS could be asked to monitor any changes in the number of redundancies and claims for unfair dismissal in order to see if it affects the reporting of job terminations.

## 3.4 Parents

### 3.4.1 Current position and legislation

- 3.48. Income Support for those of working age requires that they are engaged in remunerative work so that a person must either be in work or Actively Seeking Work to be eligible to receive Income Support. However, there are exemptions for specific groups from the requirement to be Actively Seeking Work (see Table 3.1). The main carer of a child aged under five is automatically exempted from having to be available for work. Although there is no automatic exemption for the main carer of a child aged five or above, there are permitted partial exemptions in specific situations. Policy guidelines require the parent of a secondary school child to be seeking at least part-time work and parents of primary school children to be making efforts toward re-entry into the workplace.

- 3.49. Specifically, Policy Guidelines provide that:

*'A parent with a child at primary school is expected, as a minimum, to be making efforts towards re-entering the workplace. This could include getting their office skills up to date or undertaking a confidence building course. A parent of a child at secondary school is expected, as a minimum, to be available for at least part time work, taking into account the possible limitations imposed by school hours and school holidays.*

*This can be overridden by additional caring responsibilities – for example an elderly relative also living with the family or a child with a disability.'*

- 3.50. Since the introduction of Income Support in 2008, the Education, Sport and Culture Department has introduced a scheme to provide 20 hours per week term time nursery education to children in the year before they start school. Children who are eligible for free nursery education will be those who are three years old in the September that they start school and will have their fourth birthday during that school year.
- 3.51. At present, parents of school-age children aged below 12 years can receive a childcare component in respect of before and after school care, and holiday care. The provider must be registered with the Education, Sport and Culture Department under the registration of day care law. Some holiday schemes are registered under the day care law while others are not.

**Table 3.1: Persons exempt from the requirement to be engaged in full-time remunerative work**

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- (a) persons aged 65 years or over;
  - (b) persons with the main responsibility for the physical care of any child under the age of 5 years who is a member of the same household;
  - (c) persons with the main responsibility for the physical care of any child aged 5 years or over who is a member of the same household;
  - (d) persons incapable of full time work due to any physical, sensory or mental impairment;
  - (e) persons undergoing education or training on any course approved by the Minister for the purposes of this Article;
  - (f) persons with the main responsibility for the physical care of any person with such degree of physical, sensory or mental impairment as would make the carer eligible to claim a special component under Article 5(3)(d);
  - (g) persons available for, and actively seeking, full time remunerative work;
  - (h) persons remanded in custody or detained by virtue of a sentence of imprisonment, youth detention or similar punishment (whether in Jersey or elsewhere)
- 

### **3.4.2 Statement of the perceived problem**

3.52. It is felt by some SSD staff that the exemptions from work for parents are no longer in line with developments that have taken place in the provision of nursery education since the introduction of Income Support and it is appropriate that the rules should be amended to reflect these changes. There is support from staff that the age limit of a child to create a full exemption from work conditions should be reduced from five to four, in line with the recent provision of nursery education. In addition, that the work requirements on parents of school-age children should be strengthened.

### **3.4.3 Proposals**

3.53. The SSD's proposals are to:

- Amend the full exemption in respect of a child aged under five to apply to a child aged under four;
- Amend the guidelines to require all parents with children of school age to be available for at least part-time work;
- It is also proposed to explore the possibility of extending the age at which the childcare component is available with the Education, Sport and Culture Department.

#### **3.4.4 Discussion**

- 3.54. The general direction of policies to counter poverty in families in EU member countries in recent years has been aimed at promoting employment (Roberts *et al.*, 2009:61). Increasing the 'intensity' of the conditionality arrangements for parents of young children is a development that can be seen in many countries as one component of this approach. For example, the UK has recently increased the conditionality on lone parents based on the age of the youngest child.
- 3.55. The rationale for increasing parents' participation in the labour market is that '*work is the best route out of poverty for most people*'. Joblessness represents the main poverty risk for households with children in the European Union (EC, 2008:27, cited by Roberts *et al.*, 2009:55).
- 3.56. Increasing the income of parents through employment requires action on two main fronts. The first entails increasing parents' access to employment, and the second involves making work pay, in other words, ensuring that income from work is sufficient (Frazer and Marlier, 2007:60, cited by Roberts *et al.*, 2009:61).
- 3.57. Jersey policy makers have recognised that lack of good quality and affordable childcare can be a barrier to employment for unemployed parents and have sought to address this potential barrier through the benefit system and by providing free nursery care. The Income Support system includes a component for the hourly cost of childcare for children under 12 years old. The amount paid is the actual average weekly cost of the care subject to a cap, which varies by the age of the child(ren) and the number of hours of childcare required (For further details see Stafford *et al.*, 2011).
- 3.58. In addition, the States provide free childcare for three to four year olds for 20 or 30 hours per week for up to 38 weeks a year during term time. This early years provision is available irrespective of benefit status. If Income Support recipients use this free provision, then it is taken into account in their benefit calculation. (Stafford *et al.*, 2011).
- 3.59. Nevertheless, SSD staff believe that Income Support recipients cannot always obtain the childcare that exactly matches their working hours. Staff suggested that parents can encounter difficulties finding nursery places on the Island, especially if part-time provision is sought (Stafford *et al.*, 2011). Childcare providers can require that users buy half or full day sessions. This is allowed for in the Income Support system.
- 3.60. SSD staff also suggested that it was very difficult to find term time only employment. While there was evidence that family networks played an important part in childcare for many Income Support claimants, staff suggested that good, accessible holiday care is necessary for parents to maintain full-time employment.
- 3.61. SSD staff also felt that the upper age of 12 for eligibility for free childcare was a possible barrier to finding suitable work and suggested that steps should be taken to extend the scope of the childcare component.

- 3.62. In addition to good quality, affordable, flexible childcare parents need to have access to jobs that enable them to balance home and work. Flexible working hours have the potential to enable parents to balance employment and family responsibilities. However, irregular working schedules and non-standard working hours create problems for parents in combining their hours of work with their children's hours of care and school, homework and play (Letablier, 2006:206, cited by Roberts *et al.*, 2009: 63) This can be a particular challenge for single parents.
- 3.63. In addition to work-life reconciliation policies, specific measures aimed at increasing the access of parents to paid work are important. Activation measures, such as training initiatives or programmes to reintegrate parents into the labour market, are important means of providing increased access to paid work. The UK's New Deal for Lone Parents introduced a '*care to learn*' scheme for teenage lone mothers, which resulted in an increase from 23.1 per cent in 1997 to 29.7 per cent of teenage mothers in education, employment, or training (EC, 2006:90 cited by Roberts *et al.*, 2009:64). Increased educational opportunities for young single mothers with poor educational attainment can lead to long term improvement of employment opportunities.
- 3.64. While joblessness represents the main poverty risk for households with children in the European Union, in-work-poverty remains a significant cause of low income among families, as single parents face particular difficulties in reconciling work and family life. Children living in single parent households are at a much lower risk of poverty if their parent works full-time, but the same is not the case for single parents who work part-time (EC, 2008:36 cited by Roberts *et al.*, 2009:57).
- 3.65. Thus, policies to increase the employment and employability of parents must be accompanied by measures to '*make work pay*', as '*raising employment levels, without raising income does not reduce child poverty*' (EC, 2004:6 cited by Roberts *et al.*, 2009:64). Here UK policies are instructive. The UK government sought to improve in-work incomes by increasing the minimum wage faster than average earnings and by substantially increasing Child Benefit for the eldest eligible child (Frazer and Marlier, 2007:61 cited by Roberts *et al.*, 2009:64). Nevertheless, a single earner family had to work 45 hours per week on the minimum wage in if the household's net income was to reach the UK poverty threshold (Bradshaw and Bennett, 2007:14 cited by Roberts *et al.*, 2009:63). For this reason, single parents can remain particularly vulnerable to in-work poverty.
- 3.66. Thus simply promoting employment for parents is not on its own an adequate policy response to family and child poverty. Welfare to work policies must be supported by policies to guarantee job security, 'family friendly' working arrangements and decent wages on which to raise children and opportunities for skill enhancement and career development to avoid the risk of coercing women in to poorly paid work that may be damaging to both their own and their children's welfare (Roberts *et al.*, 2009:141).

### **3.4.5 Recommendations**

- 3.67. The proposed changes could have a significant impact on parents, therefore, SSD ought to consult employers and parents - both in receipt and not in receipt of Income Support - before they are implemented.
- 3.68. A broader question concerns the extent to which it is desirable for parents with young children to have a choice to be at home with their child before and after the school day and during school holidays. The question may be particularly pertinent to lone parents who may not have the flexibility available to two parent families and who may have particularly weak positions in the labour market to negotiate flexible working arrangements that enable them to balance work and home responsibilities satisfactorily. This tension will be recognised in the proposed Income Support guidelines that will take account of the needs of parents where appropriate and allow lone parents to take up part-time employment in given situations (SSD personal communication).
- 3.69. The nature of family relationships is changing throughout Europe. There are several routes into single parenthood, which include widowhood, separation, divorce and births outside marriage or without a partner. With the well documented decline in marriage in most European countries, increasing divorce rates (evidence from the EU27 shows nearly one divorce for every two marriages across the European Union in 2005 and 2006 (Roberts *et. al.* 2009:32)) and the proportion of births outside marriage across Europe rising steeply (with Eurostat data for 2006 reporting that in some countries, including the UK, the proportion of extramarital births exceeds 30 per cent (Roberts *et. al.* 2009:24)), it is likely that the proportion of one parent families in Jersey will continue to increase. Therefore, the States of Jersey should monitor child outcomes for lone parent households.

## **3.5 Conclusion**

- 3.70. SSD is considering four proposals to amend Income Support legislation and guidelines intended to promote employment by strengthening sanctions and increasing the 'intensity' of the conditionality attached to receipt of benefit. Promoting employment by increasing conditionality is a development that can be seen in many EU and OECD countries.
- 3.71. The changes to the timing of the imposition of sanctions reflect the recommendations of the Review. As the proposed changes increase the intensity of the conditionality of the Income Support rules, there will be a significant impact on claimants. It is, therefore, vital that the States of Jersey devote sufficient resources to publicize the reforms if they are implemented. Moreover, the reforms should be carefully monitored and in some cases further investigations are required so that there is a better understanding of their likely effects to avoid unintended consequences.





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