



A NEW DEAL FOR WELFARE: EMPOWERING PEOPLE TO WORK

Crisis' Response to the DWP consultation on
Welfare Reform Green Paper

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A new deal for welfare: Empowering people to work

Introduction - Crisis

Crisis is the national charity for single homeless people and works year round to help vulnerable and marginalised people get through the crisis of homelessness, fulfil their potential and transform their lives.

Crisis' client group is single homeless people - individuals or couples, with no dependent children. Crisis' runs and develops innovative services that help homeless people rebuild their social and practical skills, join the world of work and reintegrate into society. We run services directly or in partnership with organisations across the UK. We also regularly commission and publish research, campaign and organise events to raise awareness about the causes and nature of homelessness, to find innovative and integrated solutions and share good practice.

Crisis' response to this consultation is informed by our research and campaigning work on behalf of single homeless people over nearly 40 years and in particular by our knowledge and experiences operating the following projects:

- Crisis' prime focus is on providing opportunities for homeless people to learn and develop their skills. We operate the Skylight activity centre and Learning Zone in East London and will be opening another one in Newcastle this year. These projects successfully enable people to reintegrate into society and move toward work by improving their skills, motivation and self confidence.
- Through our social enterprise café, out of 22 trainees who completed the course, 19 have moved into employment over the last year and 3 into other educational opportunities or training. We also run a member volunteering scheme whereby members/clients undertake specific roles in the administration and operation of the Skylight project and Crisis as an organisation to develop skills and expertise.
- Crisis operates the SmartMove rent deposit guarantee scheme, which is a nationwide programme enabling people who are homeless or vulnerably housed to access homes in the private rented sector by offering landlords a guarantee in place of a cash deposit. It can provide tenants with ongoing support and advice to enable them to sustain their tenancies, as well as befriending support from volunteers for new tenants who may be living independently for the first time. Last year the SmartMove network helped 6,491 people who approached them for advice and assistance in finding long term accommodation in the private rented sector, the vast majority of which were claiming Housing Benefit. SmartMove frontline workers were consulted, particularly on the proposals for reforming Housing Benefit as part of formulating this response. As part of the SmartMove network we also operate, in partnership with local colleges, 2 SmartSkills projects which give clients the opportunity to learn and develop their skills.

Crisis fully supports the points made in the response to this consultation by Homeless Link and Off the Streets and Into Work (OSW) and were closely involved in their consultation processes and the drafting of their response. In this response from Crisis we do not therefore repeat all the points HL and OSW made but would like to expand upon areas of DWP's proposals where we have particular expertise and interest.

Crisis' response consists of some general remarks on the proposals in the Green Paper, responses to Questions 4, 7, 10, 11 and 12 posed in the Green Paper and suggestions for further reform to really empower homeless people into work, in particular on Housing Benefit.

General Remarks on the Welfare Reform Green Paper

Crisis' mission statement is to "*fight homelessness and empower people to fulfil their potential and transform their lives*". We believe that providing opportunities for homeless people to engage, improve their education and move towards employment are fundamental to such empowerment.

We therefore welcome the commitment in the Welfare Reform Green Paper to aspire towards an employment rate of 80% by moving hitherto disadvantaged groups towards the labour market. To be achieved, however, welfare reform needs to effectively support all disadvantaged individuals and provide the right balance and flexibility to genuinely incentivise and encourage those who are able to move into formal paid employment, whilst protecting and supporting those who are unable to work at the present time. All individuals, however, need to be provided with the opportunity to engage in meaningful activity and develop their skills, whether or not this is likely to lead directly into work at the present time.

To meet the 80% aspiration, **it is important not to exclude any particular group and to provide support for all, tailored to the circumstances of their particular disadvantage**. This requires moving beyond the identified targets of moving 1 million of IB, 1 million over 50s and 300,000 lone parents into work, much of which might happen in any case through natural demographic change. The focus should instead be on genuinely helping individuals to move towards work where they can and not on meeting arbitrary numbers to move people off of benefit. The state and its agencies plays a vital enabling role, but it needs to work with the voluntary sector and employers in a role of genuine partnership to help individuals move along their own personal journey from exclusion to inclusion.

Whilst the Green Paper sets out some positive directions, **the devil is in the detail, the delivery and the resources**. The success or otherwise of these reforms will rest in the frontline delivery of them and the extent to which vulnerable groups, such as homeless people are genuinely offered the support and flexibility they need.

In particular Crisis has the following concerns:

1. **Capacity of Job Centre Plus:** Homeless people are far too often given poor advice by Job Centre Plus advisers currently with 42% reporting that they found Job Centre Plus useful. We are concerned as to how further reforms can be effectively delivered against a background of massive cuts across DWP and JCP.
2. **Resources:** whilst £360m has been identified to roll-out the Pathways to Work programme, details of other resources are left vague. We keen to avoid seeing proposals fail due to under-funding.
3. The glaring omission from the Green Paper is the **skills agenda**. There needs to be far greater provision of skills and training to prepare people to return to work and to support them in it. Crisis' response focuses on why delivering the skills agenda effectively with the 3rd sector is crucial in empowering people back to work. In particular:
 - JCP should introduce an 'improving skills' element when interacting with disadvantaged clients;
 - DWP should work in a coordinated and integrated fashion with DfES at national level, and at local level there needs to be much greater co-ordination between JCP and the local LSCs to fund skills provision for disadvantaged groups, including the engagement, upskilling and employability of homeless individuals;
 - DWP and DfES should each work with the sponsor Departments of particular disadvantaged groups to help improve the skills of their clients, help them to move them towards work, whilst tackling the particular issues they face: ODPM for homeless people, HO for ex-offenders, DH for those with long-term health needs etc.
4. The **Housing Benefit system is in need of substantial reform** to genuinely empower homeless people into work and to deliver an effective means of support for some of the most

vulnerable people in Britain today. In particular this requires abolition of the 16 hour rule and the Single Room Rent restriction in any legislation that is brought forward.

5. **The role of employers needs much greater attention.** For welfare reform to work, suitable jobs with willing employers have to be available. The state therefore needs to provide pro-active and on-call support for employers to help them understand and support the specific needs of disadvantaged clients and to mitigate any risks. As the consortium of mental health groups has argued, DTI should be working with employers to encourage them to not to discriminate against disadvantaged applicants, particularly those with gaps or potentially negative experiences on their CVs.
6. **Compulsion is not the answer and sanctions should not be used as a threat through the process.** Interaction not instruction is seen to provide the best net result, as Pathways to Work has in fact shown – what is needed are the options, personal advice, training and support to help people to move into suitable and sustainable employment.
7. For homeless people, whilst sharing many of the characteristics of other disadvantaged groups, the lack of a permanent, settled home has particular consequences and DWP should **identify homelessness as a particular disadvantaged group.** DWP should develop a particular strategy to tackle the issues homeless people face, building on the work of specialized services such as Wedge House JCP in Southwark, London and expertise from the voluntary sector and elsewhere.
8. Homeless people, like other disadvantaged individuals are often dealing with a number of different issues and negotiating multiple transitions simultaneously. A **holistic approach** is therefore needed, with applicants receiving flexible, personalized support. A relevant model to adopt would be that contained in the NOMs National Reducing Re-offending Delivery Plan which identifies the need for support to be provided across seven strands: Accommodation; Education, training & employment; Health; Drugs & Alcohol; Finance, Benefit and Debt; Children and families; Attitudes, thinking & behaviour.
9. To facilitate this holistic approach, employment support needs to be brought together with that provided through other strands on an individually tailored and consistent basis. Crisis has argued that for homeless people and others, **support for the individual should be co-ordinated by one lead professional or Service Navigator.**¹
10. The **importance of progression for its own sake and not just employment** needs to be recognised. People are often on a personal journey from exclusion to inclusion, and a simple working or not working divide will not suffice. In employment terms, the emphasis should be on **sustainable job outcomes, not just quick wins.** Support for an individual in the necessary strands should, as has been suggested by IPPR, continue until employment has been sustained for 6 months.
11. There is still a huge problem over **benefit administration**, particularly Housing Benefit, and the processing of applications and transitions between benefits. There needs to be an **effective watchdog** that can monitor performance and make sure that reforms at the aggregate level and any sanctions at the individual level are carried out fairly and transparently and when mistakes are made that they are rectified quickly without recourse to lengthy appeal and tribunal.
12. There is a need for a wholesale shift in the culture of welfare structure, attitude and delivery to **shape it around the needs of the client and not the process.** This requires significant funding and will to make it a reality. Also should increasingly develop the approach applied to pensioners and **move to a conception of minimal income** – i.e. what is the minimum amount people need to live on, and then deliver and pay that as a single benefit, rather than looking at separate benefits for different issues.

¹ Crisis, 2005, *From the Margins to the Mainstream, a new model of delivering public services for homeless people*

A Response to Relevant Questions Set out in the Welfare Reform Green Paper

Question 4: Page 44: Do the types of 'suitable activity' we have set out provide a sensible range of activities that could be undertaken in order to fulfil an acceptable action plan?

The guiding principle here should be *work for those who can, support for those who cannot, but meaningful activity and progression for all*. It is important to remember, however, that these are individuals who have often been out of the labour market for some time, are disillusioned and mistrustful of authority and employers.

It is helpful to give some statistical context:

- Unemployment amongst homeless people stands at 95% up from 14%;
- However, homeless people would like to work, 77% now, 97% at some point in the future;
- But, half of all homeless people have no skills, only ¼ have five good GCSEs or above;
- And homelessness de-skills and isolates people.

It is vital that an 'improving skills' element is added to the proposed action plan, with DfES taking lead responsibility and delivery co-ordinated at a local level between JCP and LSCs and adequately funded. Progression into and within employment cannot be delivered through a separation of work and skills development. To this end we welcome the announcement in the 2006 Budget that *"The Chancellor has also asked Lord Leitch, in his final phase of his review on skills, to report specifically on how skills and employment services can complement each other even more effectively to support labour market flexibility, better employment outcomes and greater progression to productive and sustainable jobs for those with skills needs"*. We look forward to seeing how DWP engages with DfES to achieve *"the significant economic and social benefits that would result from higher productivity and employment gained through improving skills"*.

Improving skills needs to be at the centre of engaging with clients because:

- Across the economy those with no qualifications have seen employment rates fall consistently since '97 – whereas amongst lone parents, and over 50s rates have been rising (HMT).
- Evidence suggests a 'work-first' approach may not be effective for entrenched groups (from HMT);
- Improved skills improves employability, job sustainability and pay and career paths;
- Improved skills improves people's ability to manage health - enabling people to become work ready or stay in work;
- Improved skills helps people use and navigate services better – helping people get their lives in order;
- Improved skills improves confidence, and leads to more willing engagement from clients.

Skills need to be improved across the piece either:

- directly – through improving qualifications, vocational or job-specific training;
- indirectly – engagement activities, volunteering to improve core competencies or soft skills.

Crisis' experience demonstrates both approaches to be effective – but it is not an either/or, both approaches are vital

Such skills development can be delivered either in mainstream settings, such as FE colleges or by the voluntary sector. However, as the Public Accounts Committee stated in their report on the Skills for Life programme, "hard to reach" learners such as homeless people are least likely to be attracted to learning in a mainstream institution such as a college. Instead they are much more likely to agree to being helped through voluntary or community groups they already know. The funding, particularly revenue funding, for such specialist provision delivered by the voluntary sector is currently limited and ad-hoc and it is currently hard to get mainstream DfES/LSC funding. Such underfunding restricts quality and the outcomes that can be achieved and the geographical coverage of such projects. DfES therefore needs to work together with

DWP to provide specific targeted funding for learning services for homeless people and other disadvantaged groups, delivered by the voluntary sector.

Crisis recommends:

On Skills:

- 1. In the table of "suitable activity" there needs to be a New Skills section** – encompassing basic skills and also including Engagement / Progression activities; achievement of basic qualifications (Level 1,2 or 3 – depending on starting point); and job-specific / technical skills.
- 2. Consistent and sustainable funding is needed to support projects and learning services for skills development**, in particular those that develop core competencies and provide the opportunity for activity before getting ready for work.
- 3. DWP should work in a coordinated and integrated fashion with DfES** at national level, and at local level there needs to be much greater co-ordination between JCP and the local LSCs.
- 4. DWP and DfES should each work with the sponsor Departments of particular disadvantaged groups** to produce a co-ordinated framework and strategy to improve the skills of their clients, help them to move them towards work, whilst tackling the particular issues they face: ODPM for homeless people, HO for ex-offenders, DH for those with long-term health needs etc.

On other elements of acceptable and appropriate action planning we recommend:

- 5.** Advisers should genuinely listen to clients (and their advocates if necessary) and have access to a whole range of opportunities which are properly resourced and sourced from a range of providers and options should be as broad and unlimited as possible, whilst of course having regard to quality.
- 6.** *Jobsearch assistance*: should include choice and be focussed on long-term opportunity and sustainability not quick fixes. Action undertaken with and by other agencies – statutory and VCS – needs to be recognised, whether or not it is on a contracted course.
- 7.** Under *Improving Employability* Volunteering should be added (as well as under work-tasters as volunteering might not be job-specific).
- 8.** Under *stabilising life* include tackling drug and alcohol conditions. Tailored packages of support are needed - co-ordinated ideally across service areas by a single lead professional or Service Navigator - to help people stabilise their lives.
- 9.** *Work Tasters*: to be effective the 16 rule for Housing Benefit claimants needs to be abolished. Opportunities need to be relevant, of sufficient quality, non-exploitative and useful. An advisory service for employers is needed to help them set up placements. One option could be to extend the modern apprenticeship scheme to those over 25.
- 10.** *Managing Health in work*: need improved knowledge of and support for those with mental health difficulties and dependency issues facilitated by closer working between JCP and mental health and drug and alcohol services.
- 11.** Those who will be on the new higher rate premium exempt group need to be able to access advice and assistance to develop an action plan help without being penalised for showing initiative/capability. People should not be excluded from work-focused support, access to skills development etc should they wish for it.

Question 7: Page 47: How do you think that we can best improve work incentives within the new Employment and Support Allowance so that individuals have the opportunity to try out periods of work and progress to full-time work where possible?

Incentives are vital and need to be both financial and non-financial as returning to work is often very daunting, particularly for those who have had previously negative experiences and have been de-skilled and isolated by their time out of the labour market. For those for whom returning to employment does not work out, they should not be penalised when returning to benefits. As the Green Paper says “it is vital that a person making the move from benefits into work has the right financial security to back them up and that not least people need to know they will be supported if things go wrong.”

Many of those out of work are claiming a number of different benefits, both income-related and contributory, and can move through different benefits, not always for particularly clear or logical reasons. The interactions and transitions between different benefits needs to be considered both in terms of the total income that claimants then receive and the extent to which that affects the incentives to move into work, and the different rules about what claimants are allowed to do on different benefits. In particular, whilst the 2 year linking period for IB claimants and the right to undertake unlimited voluntary work whilst claiming IB will be extended to the new Employment and Support Allowance, they both need to be rolled-out across all other benefits.

Financial incentives:

In terms of financial incentives, the key is ensuring that an individual’s income on moving into work is sufficiently above the income they would have received by remaining on benefit to make it worth their while. Those who have been economically inactive for some time will also typically be moving into lower paid jobs so there needs to be some form of additional financial incentives to support the return to work and make it attractive.

Crisis recommends:

1. The Pathways to Work pilots have demonstrated greater success where a premium has been paid for returning to work – the Return to Work credit now needs to be rolled-out across the country for those moving into work from any benefits.
2. Changes to Housing Benefit are needed to reduce the substitution effect from moving into work by increasing the earnings disregard, reforming the tapers and extending the run-on scheme so that it applies to all returning to work without restriction.
3. The approach contained in the Working Futures programme to help homeless families in temporary accommodation to move into work by splitting Housing Benefit between a block-grant payment and a lower payment that still goes via the claimant, needs to be extended and rolled-out further, at least by being piloted with single people. Similarly the Transitional Spaces scheme which has just received funding from the Treasury’s Invest to Save scheme and will provide a range of financial incentives and other support to help those in hostels to move into work should be supported, monitored, evaluated and developed further.
4. Tax credits have largely been directed at those families with children. To help make moving into work pay, the rates of tax-credit for adults of working age without dependents needs to be increased and equalized.
5. In London there are particular issues in making work pay and a new London-weighting should be added to both the minimum-wage and tax credits.

Non-Financial incentives:

Financial incentives alone will not be enough to encourage individuals to try out periods of work and progress to full-time work where possible. In this area, as with others in this consultation, ensuring provision of opportunities for clients to learn and develop their skills is again key. The development of skills has a crucial impact on attitudes and confidence. For sustained success, moving into work is only the start, individuals have to be able to progress within work. This is particularly important for single people

who do not have a family that they must support and which therefore compels them to remain in work, however, unsatisfying that work may be. The motivation for single homeless people and other disadvantaged adults to seek to try out full time work is increased by financial incentives but ultimately will come from work providing other satisfactions and being a crucial part of their journey from exclusion to inclusion.

Crisis recommends:

6. The opportunity to develop skills – core competencies, literacy, numeracy, qualifications, and job-specific - is a crucial part of increasing incentives, enabling personal development, boosting personal capabilities, raising confidence and increasing motivation and encouraging risk free participation. As the SEU has reported success is also the best incentive, encouraging clients to go onto seek out further opportunities.
7. As the Green Paper says “volunteering is one of the key ways an individual can build up confidence and gain valuable work-related skills after a period out of work”. However, the ability of homeless people and others to undertake such voluntary work whilst claiming Housing Benefit is limited by the 16 hour rule which should be abolished.
8. To maximise the opportunities available to individuals volunteer or try out periods of work, Job Centres should have outreach workers who actively go out and collate information on all volunteering and development opportunities available in the local area or for specific client groups, whether or not they have formal contracts with them.
9. The exempt group, who will be able to claim the additional premium as a result of their physical or health condition, must also be able to access the Pathways to Work Advisers, additional support and opportunities to progress through voluntary work, skills development and others should they wish to without being penalised. Even if formal paid work is unlikely, such opportunities for meaningful activity will help them on their own personal progression. If they are not able to then the exempt group will again be at the bottom of the pile and we are in danger of replicating all the current problems with the IB system, albeit for a smaller group.

Question 10: Page 76: Does utilising voluntary sector and private providers in this way sound sensible? Would outcome-based payments incentivise providers to meet the challenges of delivering Pathways to Work and the new arrangements described in Chapter 4?

The vision for working with voluntary sector and private providers set out in the Green Paper is in general very laudable, however, delivering this vision is entirely dependent on the detail of how it will be implemented on the ground. Working with voluntary and private sector providers needs to be a process of genuine partnership based on stable, streamlined and flexible procurement and contracting arrangements that are accompanied by adequate funding.

Before there are further developments, it is essential that best practice from existing New Deal, Employment Zones and Pathways to Work pilots are appraised openly and in depth. This evaluation should also consider their wider impact, for example, on associated local and social services. Contracting and quality assurance processes should be at the heart of this evaluation so as to assess which processes facilitated the most successful outcomes. Procurement practices should be driven by the principle goal of sustainable employment, rather than process requirements, thereby facilitating the development and delivery of services which are localised to the needs of the individual. Best practice needs to be collated and disseminated throughout JCP offices to ensure all clients receive effective tailored support of a sufficiently high standard whatever their specific needs or geographical location.

Crisis recommends on working with the Voluntary Sector

1. Contracts need to be responsive and flexible and their size needs to be appropriate. There is a danger in letting bulk contracts that small and specialist providers are lost and that the breadth of clients receiving specialist support is reduced.
2. There needs to be help for smaller organisations to bid for and win contracts without undue risk – this could be facilitated by establishing an independent advisory service. Contracts need to be let on the basis of full cost-recovery and for a sufficient length of time.
3. The role of the voluntary sector should not be limited to being involved in official contracts. Each Job Centre should have a duty to reach-out and identify all the opportunities and services for advice, support, training, skills development and specialist assistance in their local area or for particular client groups so that they can sign-post clients to it as appropriate. In addition, an element of funding could be allocated to follow the client rather than being distributed through group contracts so that if a client has a particular need which is best served through utilizing support from an organization that is not an existing contracted provider, then their services can be engaged and paid for.
4. DWP and JCP need to recognize the role, responsibilities and other duties of voluntary organizations in addition to any services delivery role in which they become involved. In particular, organizations need to be free to represent clients individually and to voice aggregate concerns as appropriate on the performance of JCP, the benefits system, providers and the services clients receive.

Crisis recommends on outcomes, funding and incentives:

5. The focus must be on ensuring suitable sustainable employment not just on short-term quick fixes. Any system of outcome-based payments should be based more on the Employment Zone model, with its focus on sustainability of employment, rather than the New Deal model.
6. Any structure of incentives, outcomes and funding should give a premium for the most disadvantaged clients so as to ensure providers do not cherry-pick or cream those who are easiest to help.
7. Outcomes need to be broader than work, include sustainability and progression in each of the 7 strands. For those working with the most marginalized and disadvantaged clients a positive outcome could mean the individual is still a long way from work but has demonstrated progression – for example in skills development, confidence, improving management of their finances or a health condition – and this needs to be recognized. DWP should work with DfES, other Departments and the voluntary sector to develop relevant measures of distance travelled.

- 8.** The funding and resources need to be available to support those activities which help individuals progress in advance of mainstream employment-focused interventions - initial engagement activities, early skills work and improving a client's core competencies or soft skills. Whether or not this funding comes from JCP or LSCs or specialist sources such as ESF it needs to be there to create a co-ordinated continuum of support to help individuals progress and which ultimately leads to the success or otherwise of Job Centres in dealing with disadvantaged clients.
- 9.** Due to the concerns about how any system of outcome-based payments and incentive structures would work in practice, the voluntary sector should be fully consulted and involved in the development of such arrangements and they should be piloted on a limited basis and extensively evaluated to assess their impact and any unintended consequences before being rolled-out.

Question 11: Page 78: Will this proposal provide an effective mechanism to join up the work of different agencies and make better use of existing funding to tackle the problems in cities?

Again, whether the City Consortium approach will prove an effective mechanism will depend entirely on the detail of how they are set up and implemented on the ground. It is unclear as to how city consortia would be set up and administered in practice, how they would balance different national, regional and local agendas and whether the proposal would be for joining-up at the strategic or delivery level and how the two levels would inter-relate.

There is clearly a need for better integration between the programmes, funding and agencies working in the areas of employment and skills areas. Any joining-up should start with the statutory agencies first. There is a lot of work that could be done now to ensure that the existing statutory agencies co-ordinate and integrate their functions and funding around education, skills development and worklessness, without necessarily moving to the City consortia approach. In particular, the operations of local LSCs, JCP and the skills functions of the RDAs could be much more effectively aligned, not least so that providers and voluntary organisations if they are delivering services for one or more of these bodies do not have to comply with different sets of targets and reporting requirements.

However, whilst the approach of local solutions to local problems can be helpful, consortia would need to offer services to cater for the full range of individual need within that. Bringing funding and agencies together must create positive synergies and a continuum of services for clients, not lose the specialist support and funding for those, such as homeless people, who would otherwise be excluded. There would be a danger that any Consortia would tend to aggregate and amalgamate existing funding and services to provide a one-size fits all approach for the generic person in their area who was out of work, thereby reducing the breadth of clients receiving specialist support. Most excluded groups, such as homeless people, are also often not at the forefront of local authorities minds.

Crisis recommends in developing the City consortia proposal:

1. The lessons of existing initiatives to try to get different statutory and other agencies to work together, such as Local Strategic Partnerships and FRESAs, should be evaluated and learnt.
2. The funding and emphasis targeted at specific issues or groups must not be lost by amalgamating it into more general funding. In particular, the services that have developed in recent years to help homeless people improve their skills and move towards work, primarily funded through ESF, by the LDA or through other specialist pots, must not be lost or diluted.
3. For homeless people and other excluded groups it is important to remember, moving away from social exclusion should be seen as journey with many dimensions and issues that need to be overcome with skills development contributing to each of these, it is not just a "working or not working issue" – City Consortia must not lead to a situation where all skills budgets, specialist or mainstream, are directed solely to serve the work agenda.
4. Organisations who deliver for specific client needs, whether on a local, regional or national basis must be able to retain that focus within new local consortia.
5. Any proposals would need to be fully funded, with disruption minimised and existing clients protected. They would need to be piloted with the full involvement of the voluntary sector and user groups both in the pilot area and more generally.
6. The Green Paper says that the consortia will have to operate within the new national benefits structure, including the proposed conditionality arrangements for new claimants. Crisis would be very concerned that this would potentially involve voluntary sector organisations in having to administer the proposed system of sanctions which would conflict with their client facing and advocacy role.

Question 12: Page 89: How should Housing Benefit be adapted to meet our welfare reform objectives for tenants in the social housing sector?

The majority of single homeless people are not entitled to be provided with accommodation by local authorities, except in specific cases of vulnerability, so if they are able to move into accommodation it is typically within the private rented sector. Official Government statistics do not fully account for the numbers of single homeless. The New Policy Institute has estimated that there are 380,000 single homeless people or 'hidden homeless' in Great Britain². For homeless and formerly homeless people, whether living in a hostel, formal or self-arranged temporary accommodation, the private rented sector or social housing, Housing Benefit is of vital importance and is probably the single most important benefit. Too often, however, the operation of the HB system has been flawed and has served those who need it most very poorly indeed.

Crisis would, therefore, be in complete agreement with the intention set out in the Green Paper of the need to simplify the existing Housing Benefit system to help improve work incentives and increase personal responsibility. As the Green Paper says, "delays in processing and the uncertainty that claimants have about the level of support that they can receive can act as barriers to work". However, it is not at all clear that the reforms proposed in the Green Paper will deliver on these intentions and provide homeless people with the Housing Benefit system they really need. Beyond rolling out the LHA pilot nationwide, the Green Paper is not clear and lacks detail on any further reforms. In this response Crisis therefore sets out its concerns and recommendations on 4 main areas:

- The operation of LHA in the private rented sector;
- Rolling out LHA to the social rented sector;
- Reforming HB to tackle disincentives to work;
- Reforming HB to tackle other sources of concern for single homeless and formerly homeless people – primarily through abolishing the Single Room Rent Restriction and Non-Dependent Deductions and administration.

Local Housing Allowance – experience of the Pathfinders & operation of LHA in the Private Rented Sector

The Local Housing Allowance has been piloted for private sector tenants in 18 local authority areas. From the operation of the pilots so far, Crisis has the following concerns on the two main aspects of the reform:

Measure: the introduction of a flat rate allowance for claimants, based on the area in which they live and the size of their household

- Concern: choice will not be a reality for claimants if only a small proportion of accommodation in the PRS is available at or below the maximum level of LHA

Measure: the removal of the choice for claimants to have their Housing Benefit paid directly to their landlords to a system where it will be paid direct to tenants in all cases, except temporarily, where a claimant has been assessed to be 'vulnerable' by local authorities

- Concern: for a large proportion of homeless and formerly homeless people this concept would not be workable. Front-line workers in the SmartMove scheme in particular have raised concern that those clients who are ex-offenders, substance misusers etc can be loath to part with any money, on a tight budget and likely to pay off any pressing debts with cash in hand. Many clients have managed with arrears in the past and have little concept about how non-payment of rent will cause problems with current housing and of how difficult it is to find housing when in debt. For people with old rent arrears and other debts, adding to this debt through clients receiving HB themselves would cause potentially serious difficulties;
- Landlords will be even more reluctant to take on people claiming HB as there will be no guarantee of receiving rent, therefore making it even harder to house the client group;
- Clients can already struggle to manage bank accounts, many banks make it difficult for clients to sign up to an account and standing orders cannot be set up with Post Office accounts;

² Crisis, *Hidden Homelessness: Britain's invisible city*, 2004, p. 7

- Many SmartMove clients struggle to take responsibility over spending their money now and live a very poor lifestyle for any number of reasons, very few of which relate to a lack of responsibility and rely more on poor life skills, illiteracy, debts, offending history, non existing budgeting skills etc. Giving people more responsibility does not necessarily resolve the problems – the key is giving them the opportunity to develop their skills and personal capabilities;
- Whilst the LHA does allow for HB to be paid direct to the landlord where they sign a vulnerability assessment, this adds a further level of complexity and many vulnerable claimants find it difficult to complete the process and comply with evidence requirements themselves. The process is intrusive, not pro-active and adds to delay. Fundamentally, removing the right to have benefit paid direct to the landlord is a denial of choice, not an extension of it and having to prove one's vulnerability to have it paid in such a way is stigmatising and fundamentally degrading.

Crisis recommends the following Reforms to LHA before any extension or roll-out:

1. **Retaining choice over payment method:** our key concern, Crisis recommends that claimants should retain choice over how LHA is paid. Need life skills for tenants to help improve budgeting skills etc not removal of choice for those who would like to have benefit paid directly to the landlord.
2. **Tenants should not have to prove vulnerability** to still have HB paid direct to landlord. Although Crisis supports the aim of increasing personal responsibility, through tenants taking responsibility for rent payment where they can and choose to do so, it is not at all clear that removing the choice over payment method will ensure this for the most vulnerable claimants, who are instead in need of help with budgeting skills and other support and opportunities, not facing an extra burden.
3. **Greater and sustained support for advisers** The support services that have been provided in the Pathfinder areas have been crucial for the relatively smooth transition to LHA, especially for vulnerable groups. Crisis must be assured that in a national roll out of the scheme, advice services are adequately supported and resourced. If the choice to have Housing Benefit paid direct to landlords is removed, advice services should also be required to seek out potentially vulnerable claimants. The responsibility of personal advisers from the MAS could be extended to engaging with, and encouraging claimants to change to receiving Housing Benefit payments directly, and work on making direct payment more attractive to tenants and landlords, whilst removing the enforced aspect of the reform.
4. **Action on Bank Accounts:** Research has shown that the most vulnerable groups find it difficult to comply with the ID requirements necessary to open bank accounts. Bank accounts offered to claimants by many banks are unsuitable for their needs, with high charges for becoming overdrawn, and can add to their financial problems³. This is of particular concern in the case of late payment of HB, for the most vulnerable groups, as many have no 'buffer zones' and will thus incur charges. If the Government persists in rolling out LHA in removing the option for claimants to have their Housing Benefit paid direct to their landlord, this should not be undertaken before ensuring that all claimants have access to suitable bank accounts. Less stringent ID requirements should be required and simple bank accounts without high charges should be offered. Despite assurances from banks before the roll out of the LHA Pathfinders that the needs of claimants would be met, MAS advised many claimants who were unable to satisfy ID requirements to open bank accounts. Steps therefore should be taken to prevent this occurring in a national roll out.
5. **Changes to the method by which LHA rates are calculated:** The method by which LHA rates are calculated is broadly similar to that which was used to calculate Local Reference Rents under the previous system. Crisis recommends any reform proposals should include amendments to this method to ensure fairness.
6. **A 'Reality Check' for LHA Rates before acceptance:** In light of anecdotal evidence suggesting that some landlords have raised their rent levels in line with maximum LHA rates, Crisis recommends that local authorities should monitor rent levels alongside any changes in LHA rates. Local authorities' housing and homelessness responsibilities should influence setting of LHA rates to ensure adequate access to the PRS, in line with their strategic aims. Crisis recommends that

³ DWP, Landlord and Agents in the private rented sector: the baseline position in the LHA Pathfinders, http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2005/lha4_landlords.pdf, p. 14

before any LHA rates are officially set they should be subject to a reality check to ensure sufficient access to properties for claimants, and remove the national variation in the value of LHA.

7. **Greater education about reforms:** Support services should ensure that claimants are kept sufficiently informed about reforms and their rights within the system, to prevent landlords extracting surpluses from LHA reform. Support services must also ensure that the claimants understand how their payments relate to their rent in order that they may benefit from the greater transparency of LHA.
8. **Action to improve perceptions between landlords and tenants** A survey undertaken amongst landlords at the outset of reforms revealed that one of the main reasons cited for not letting to claimants, was a perception of claimants as “intrinsically undesirable”⁴. Reforms have not created a shift in attitudes amongst landlords, and as such Crisis recommends that local authorities take action to improve the perceptions between landlords and tenants.
9. **Other support to help people into PRS e.g. Rent Deposit Scheme** Specific problems of claimants and vulnerable people entering the PRS should be addressed, including problems with associated costs of moving. Crisis recommends that a National Rent Deposit Scheme is set up to overcome the problems that homeless people experience in accessing the PRS, particularly as reforms have increased the number of landlords requesting deposits.

Rolling out LHA to Social Housing

In addition to the concerns above – particularly around removing the right for tenants to opt to have benefit paid directly to the landlord should they so choose - the following areas raise additional concerns for Crisis for the applicability of the LHA reform proposals in the social sector:

- **Different nature of social housing market:** The contrast between the market nature of the PRS and the wider aims of socially rented housing mean that the experiences and potential benefits of reform will not be the same as that for the PRS. The limited supply of social housing, causing demand to exceed supply in many areas, will mean that choice will only function in theory. Where choice is possible, concerns have been raised that rent restructuring will lead to homeless people and low-income individuals and families being priced out of better accommodation, undermining the government’s aim to create mixed communities⁵.
- **Fewer potential benefits:** There are also fewer potential benefits of a roll out in this sector due to the rent restriction rules, which were removed as part of the LHA reform, not applying in the social rented sector; thus the flat rate element, the advantages of reduced shortfalls, greater transparency and simplicity in processing claims would not apply. Reform would in fact create shortfalls where they do not currently exist, creating losers at point of change unless rate set very high, however this would be very costly⁶.
- **Creation of inefficiencies:** Reform would also create inefficiencies to local authorities, where they do not currently exist, as one part would be responsible for paying out benefit, and then another part would be setting up systems to collect rent⁷.

Crisis Recommends:

10. **Full piloting before moving into social sector:** The implicit differences between the social sector and PRS mean that reforms may not yield similar effects. Specifically, rent restructuring as part of the reforms may undermine other government objectives for social housing, such as creating mixed communities, and introducing a flat rate allowance in the social sector is more likely to create losers at the point of change than in the PRS. Crisis therefore recommends that a full pilot should be undertaken in the social sector before LHA reforms are introduced in the

⁴ DWP, Landlord and Agents in the private rented sector: the baseline position in the LHA Pathfinders, p. 3 p. 3 http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2005/lha4_landlords.pdf

⁵ Shelter, 2005, Policy Briefing: Housing Benefit, p. 17 <http://england.shelter.org.uk/files/docs/12331/PBHousingbenefitL.pdf> p. 17

⁶ Citizens Advice Bureau, 2005, Early days: CAB evidence on the Local Housing Allowance, p. 22 http://www.citizensadvice.org.uk/early_days_final.pdf#xml=http://wear/scripts/texis.exe/webinator/CorporateSite_Resu/itspage/xml.txt?query=early+days&pr=CorporateDb&order=r&cq=&id=443c5196b

⁷ Ibid, p. 22

social sector, and that the pilot programme should include areas where demand for social housing outstrips supply.

- 11. Support for more and new models of housing:** Since the 1980s there has been a shift in the provision of low cost accommodation from subsidising rents through building social housing, to spending on Housing Benefit for low-income tenants⁸. Greater investment in housing, especially social housing is required, to ensure the availability of affordable rented accommodation. This is especially important for single homeless people, who are often at the bottom of the list for social housing. Crisis also recommends that government should support new models of housing, which can serve to support their aims and the interests of vulnerable groups. Crisis' Urban Village project is one such model, which will provide accommodation for homeless people and key workers. The project aims to provide formerly homeless people with the opportunity to rebuild their lives with on-site access to support workers, employment training, benefits advice and addiction counselling, enabling residents to get the help they need but allow them to live their own lifestyle.

Reforming Housing Benefit to tackle Disincentives to Work

Research conducted in Pathfinder areas reveals that most claimants that were interviewed did not feel that LHA had made a difference to whether they worked or not⁹, and that LHA does not appear to have affected how Jobcentre Plus advises claimants, or on the decisions of Jobcentre clients themselves¹⁰. The long-standing problems of how the HB system acts as a barrier and a disincentive to clients moving into work therefore remains, in particular:

- **High levels of benefit reduction:** The lack of progress in improving employment rates and intentions amongst claimants is not surprising, when the LHA scheme does not address one of the greatest disincentives to work; the high rates of housing benefit deduction that are incurred when taking up employment. Housing Benefit and Council Tax Benefit continue to be withdrawn at a rate of 85p for each additional £1 of income earned. This means that there is little gain from entering work until this taper is exhausted, which with the high rents present in the PRS is unlikely. Research conducted amongst recently homeless households placed in temporary accommodation found that 77% were without work, compared to only 40 – 50% of equivalent homeless households in more affordable social housing¹¹.
- **Benefit run-on:** Although extended to claimants of Incapacity Benefit and Severe Disability Allowance, the run on continues to be restricted to those who have been claiming IS/JSA for six months continuously and only if the job lasts for 5 weeks. The 6-month restriction means that those moving in and out of work are excluded from the run-on, and the 5-week job length stipulation deters those who are unemployed from undertaking paid work experience, or from trying jobs when they are not sure of how they will work out.
- **16-hour rule:** The proposed reforms retain the 16-hour rule, which removes claimants' entitlement to Housing Benefit if they are over 18 and study for 16 hours or more. Research amongst young homeless people has revealed that approximately 40% are deterred from studying because of the effect of losing their housing benefit entitlement¹². The research also calculated that getting rid of the 16-hour rule pays off in less than eighteen months after those who have managed to gain qualifications enter the labour market, and that the annual loss to the exchequer of young people foregoing education or changing to part time study, is estimated at £104 - £112 million¹³.

⁸ Shelter, 2005, Policy Briefing: Housing Benefit, p.2

<http://england.shelter.org.uk/files/docs/12331/PBHousingbenefitL.pdf>

⁹ DWP, Receiving the LHA, 2005, p. 8 <http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2005/lha6-receiving.pdf>

¹⁰ DWP, Receiving the LHA, 2005, p. 84 <http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2005/lha6-receiving.pdf>

¹¹ Shelter, 2005, Policy Briefing: Housing Benefit, p. 9

<http://england.shelter.org.uk/files/docs/12331/PBHousingbenefitL.pdf>

¹² Foyer Federation, 16-hour rule: Past its sell by date?, 2004, p. 10

¹³ Ibid, p.15

Crisis Recommends the following reforms to HB to tackle disincentives for claimants to be able to move into work:

- 12. End to 16-hour rule:** Low skill levels are a significant problem amongst homeless people and claimants of Housing Benefit, as evident by survey results from the Pathfinder areas revealing that 46% of claimants possess no academic or vocational qualifications¹⁴. The 16-hour rule prevents many, who otherwise may undertake training and learning, to improve their skill levels, due to the implications of losing their entitlement to Housing Benefit. This undermines wider government aims to increase access to further education for disadvantaged groups, and traps claimants in the low skill-low wage cycle, which undermines work incentives.
- 13. Reducing high levels of benefit deduction:** Crisis recommends that the high rates of benefit deduction that are applied after taking up work must be reduced to ensure that work pays for claimants.
- 14. New models to help people on HB into work e.g. Working futures and OSW's Transitional Spaces Project:** In order to ensure that Housing Benefit genuinely improves work incentives and supports claimants into work, Crisis recommends that government should support new models to help people into work, which address the complex barriers to work that claimants face. One such model is the Working Futures programme, which subsidises high rents by providing local authorities with block grants and provides dedicated, tailored training and employment support for claimants.
- 15. Extension of run on:** In order to ensure that the four week run-on of Housing Benefit and Council Tax Benefit increases work incentives amongst the most vulnerable groups, Crisis recommends that it should be extended to claimants who have been claiming JSA or IS for 4 weeks or more, rather than 6 months, and the stipulation that the job should last for 5 weeks or more, should be removed.

Reforming Housing Benefit to tackle other areas of concern

This section below sets out further reforms Crisis believes are needed to Housing Benefit to ensure we have a system which really helps some of the most vulnerable people in society be able to find, live in and hold onto suitable accommodation– in particular, abolishing the Single Room Rent and Non-Dependent Deductions and improving the administration and operation of the system:

Single Room Rent Restriction

Government evaluations of the Pathfinders programme have not provided any specific data for SRR claimants, however the limited reform to the restriction in the proposals mean that it will be highly unlikely that these amendments will address the problems, which have been associated with SRR since its inception in 1996. LHA reforms include a slightly more generous definition for the Single Room Rent, now comprising a 'shared room rate', which includes a room, or bedsit for the claimant, and all or some of the kitchen, living and bathroom facilities to be shared. It is highly unlikely that these limited changes, however, will address the problems of high shortfalls, restricted access and poorer quality of accommodation that has marred Single Room Rent claimants. Although the DWP has not released any specific data from the Pathfinder areas concerning SRR claimants, the DWP found in research it commissioned itself that the effects of the change to SRR regulation in July 2001, which again included a slightly more generous definition, had only a very limited impact on the size of shortfalls and no significant impact on the supply or quality of accommodation available to SRR claimants¹⁵. The key problems with the SRR remain:

- **Higher Shortfalls:** SRR claimants face higher shortfalls than other claimants in the PRS. The mean shortfall in Q1 2002 was £35.14 per week, which was over twice the average shortfall faced by non-SRR claimants of £16.34. Nearly 87% of SRR claimants faced shortfalls, including 70% of claimants whose accommodation met the SRR definition¹⁶.

¹⁴ <http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2005/lha3-baseline-claim-survey.pdf> p. 13

¹⁵ Ibid.

¹⁶ DWP, 2005, Research into the Single Room Rent regulations, p. 25 <http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep243.pdf>

- **Lack of accommodation fitting SRR definition:** The proportion of SRR claimants living in accommodation, which meets the SRR criteria, has been falling since July 2001¹⁷. Even where SRR suitable accommodation is available, this may not be suitable to vulnerable young claimants, such as those with histories of drug abuse.

Crisis Recommends:

- 16. End to the SRR Restriction:** The continued evidence of higher shortfalls and restricted access to accommodation amongst those subject to SRR means that Crisis recommends the complete removal of the SRR restriction. The proposed amendment to the SRR restriction, to include a slightly more generous definition of suitable properties, is unlikely to have a significant impact on the higher rates and prevalence of shortfalls amongst single people under 25. Previous amendments to the definition of the SRR have made little impact on young people's experiences of the PRS and the fall in size of the SRR caseload has continued, as they have been forced out of the PRS, into temporary and insecure accommodation. It is unacceptable that an aspect of Housing Benefit policy should contribute to homelessness, and as such Crisis recommends that the government take this opportunity of reform to remove the restriction completely.

Non-Dependent Deduction

The non-dependent deduction is a measure whereby when an occupant or family member reaches 18, a deduction is made from the total HB received by the family unit. The measure, however, causes the following problems:

- **Forcing young people to leave home:** The policy, which has not been reviewed in proposed reforms, has been known to force young people out of home before they are ready. This can directly cause homelessness or another application for Housing Benefit, which will negate the savings from the deduction itself. Introduced as a cost-saving measure, these effects undermine the rationale of the reduction itself.
- **Disincentive to work:** The deduction also functions as a disincentive to work amongst young people, as the amount by which the household LHA allowance is reduced, is dependent on the income of the non-dependent if working more than 16-hours a week.

Crisis Recommends:

- 17. Review of non-dependent deduction:** Crisis recommends that the non-dependent deduction be reviewed before any reform to Housing Benefit. The deduction should be removed altogether, or at least replaced with a flat rate level of deduction, which is not affected by the income level of the non-dependent.

Improving the administration, operation and effectiveness of Housing Benefit

In any reforms taken forward, Crisis cannot overemphasise the need for continued action by DWP to ensure every local authority focuses on improving the speed, accuracy and responsiveness of the administration of HB. Although processing times across the UK have been falling, wide disparities remain, with the longest processing times occurring in some of the most deprived areas. This problem restricts access to the PRS, and a survey conducted by the DWP amongst landlords in Pathfinder areas found that speeding up processing times would lead to an increasing willingness to let to claimants¹⁸. The LHA reforms have retained many aspects of the previous administration system, which has not led to any significant decreases in processing times. Crisis, therefore recommends the following changes to improve the operation of the system and the experience of those claiming HB:

¹⁷ Ibid. P. 25

¹⁸ DWP, 2005, Landlords and Agents in the nine LHA Pathfinders: summary report, p. 1, http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2004/pathfinder_summary_4.pdf p. 1

Crisis Recommends:

- 18. Improved administration:** Crisis recommends that this opportunity for reform should address all aspects of the system, and address problematic areas of the Housing Benefit system, such as the Verification Framework, which requires prospective claimants to provide large amounts of original documentation, which can be especially problematic for more vulnerable groups.
- 19. Better communication between the Job Centres and HB** could cut out a significant number of problems. For example the Jobcentres automatically notify HB of any changes but only to notify HB to stop a claim. If Job Centres could input changes straight onto the computer, the whole admin system would not be creating problems for people when claims are often terminate¹d without warning leaving many clients struggling to resolve the problems and accumulating large debts.
- 20. Payment of HB in advance:** In order to simplify the experience for tenants and landlords, Crisis recommends that at least part of the first HB payment should be made in advance. Research suggests that this would also simplify Housing Benefit administration and prevent people getting into debt¹⁹.

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¹⁹ Crisis, 2004, A review of government policies towards single homeless people, p. 24



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