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Welsh Government

Analysing the impact of the UK Government's welfare reforms in Wales

The impact of benefit sanctions

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Audience This report has been produced primarily for the Welsh Government's Ministerial Task and Finish Group on Welfare Reform and relevant policy and analytical officials.

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Summary of key findings

- The aim of this report is to provide an overview of the benefit sanctions regime and the recent changes that have been made to this regime, particularly in relation to Jobseeker's Allowance (JSA) and Employment and Support Allowance (ESA). Statistical data on the number and types of claimants affected is analysed as well as research evidence on the reasons for claimants receiving sanctions and their impacts.

Sanctions regime

- If claimants fail to meet the responsibilities attached to their benefit entitlement (without good reason), they will have a cut in their benefit, known as a sanction.
- The Department for Work and Pensions (DWP) made significant revisions to the JSA and ESA sanction regimes in late 2012 with the aim of creating a stronger, clearer and less complex system and to encourage behaviours that may lead to employment. The new tougher regimes are intended to broadly align with that under Universal Credit (UC).
- Depending on what claimants have failed to do and how many times they have failed to meet their responsibilities, a sanction can last for up to three years.
- For JSA claimants – from October 2012, the length of JSA sanctions was increased from between 1 and 26 weeks to a minimum sanction length of 4 weeks and a maximum of 3 years. The length of time will depend on whether it is the first, second or third time in the last 52 weeks that the claimant has failed to meet the conditions attached to benefit entitlement and the nature of the sanctionable failure. During the sanction period, claimants will lose all of their JSA benefit payment. Some examples of reasons why a JSA sanction may be applied include: failing to attend or participate in an adviser interview, failure to be available for work, or leaving a job voluntarily.
- For ESA claimants – under the previous regime, a sanction was only applied to the work related activity component of the ESA payment, and at a rate of 50 per cent for the first four weeks and 100 per cent from thereafter. The sanction was lifted when the claimant complied. From December 2012, the rules changed meaning that some claimants could lose more money for a longer period of time. The sanction now applies to the personal allowance component (i.e. a larger proportion of ESA benefit payment) and with a fixed period of sanction (1 week, 2 weeks or 4 weeks depending on the number of previous failures) that continues after the claimant complies. Sanctions apply only to those in the Work-Related Activity Group (WRAG) of ESA. Examples of reasons why an ESA sanction may be applied include: failure to comply with a work-focused interview requirement or a work preparation requirement.

- Hardship payments, which replace some of the lost benefit, are available for some sanctioned claimants, particularly those who are classed as vulnerable (e.g. those with children, and as appropriate, those who are themselves, or whose partner is, pregnant, disabled or chronically sick, or who have significant caring responsibilities). Since December 2012, hardship payments have also been extended to income-related ESA claimants. However, eligibility rules for hardship payments under UC are more stringent, and payments are recoverable.
- There are some circumstances where a sanction would not be applied, for example, where the customer is deemed to have a good reason for the action that led to the sanction such as domestic abuse, mental health, homelessness or harassment at work.

Mandatory reconsiderations and appeals process

- DWP introduced changes to the appeals process for benefit decisions made from October 2013. This new arrangement introduces three main changes:
 - Claimants must ask DWP to reconsider a decision before an appeal can be lodged – this is known as mandatory reconsideration. Currently, DWP has no time limit for completing this mandatory reconsideration. However, it has indicated that it intends to introduce a time limit later this year.
 - Appeals must be sent directly to the Tribunal Service - previously this was done by DWP.
 - DWP has time limits for returning its responses to the Tribunal Service.

Statistics

- At the time of writing, the most recent JSA and ESA sanctions data published by DWP relates to the period to the end of December 2013.

JSA

- A total of 679,572 JSA sanction decisions have been made between April 2000 and December 2013 in Wales, of which 47 per cent were adverse decisions (i.e. a sanction applied). The remaining decisions were either non-adverse, reserved or cancelled¹.
- Wales has broadly tracked Great Britain (GB) for the number of adverse JSA sanction decisions as a percentage of the claimant count. The percentage in

¹ A sanction will not be applied (i.e. “non-adverse”) if the claimant can demonstrate good reason for the action that resulted in the consideration of a sanction (e.g. a claimant leaving their job due to bullying at work). Other decisions taken include “reserved” (i.e. the case is considered but although a sanction is deemed appropriate, the claimant is no longer claiming JSA) or “cancelled” (i.e. no sanction decision is made. This can occur in specific circumstances, for example, the sanction referral has been made in error, the claimant stops claiming before they actually committed the sanctionable failure, or information requested by the decision maker was not made available within a specified time period).

Wales has more than doubled between April 2000 and December 2013, from 2.1 per cent to 4.9 per cent, while in GB there was an increase from 1.9 per cent to 5.0 per cent over this period.

- Over the latest year (December 2012 to December 2013), Wales saw a rise in the number of adverse JSA sanction decisions as a percentage of the claimant count (up 1.9 per cent, GB up 1.5 per cent).
- Under the revised sanctions regime, there has been a significant increase in cancelled decisions. Some research suggests that people are being driven off JSA (i.e. ending their claim) as a result of the new sanctions regime.
- The JSA sanction level is determined by the nature of the failure. In Wales, over half (55 per cent) of adverse decisions under the new JSA sanctions regime were in the 'Low' group (e.g. failure to attend/participate in an adviser interview/employment scheme), 36 per cent in the 'Intermediate' group (e.g. failure to meet the conditions of being available for or actively seeking work), and 9 per cent in the 'High' group (e.g. failure to comply with certain requirements such as a claimant refusing employment). This is in line with GB.
- The majority of individuals (77 per cent) in Wales that have been subject to an adverse JSA sanction decision under the new regime were doing so for the first time.
- The most common reasons for adverse JSA sanction decisions under the new regime are: failure to participate in a scheme for assisting a person to obtain employment without good reason - Work Programme; not actively seeking employment; and, failure to attend or failure to participate in an Adviser interview without good reason.
- In Wales, under the new JSA regime, 15,332 decisions were asked to be reconsidered and 921 decisions were appealed against. This is equivalent to 14 per cent of the total number of decisions being asked to be reconsidered and only 1 per cent were taken to appeal. 44 per cent of these reconsiderations and 15 per cent of appeals were found in favour of the claimant.
- A number of demographic characteristics are associated with a greater likelihood of being sanctioned. For example, male benefit claimants are more likely to be sanctioned than females. Young people are also disproportionately affected by the sanctions regime, while some evidence suggests that unemployed disabled people are generally less likely to receive a sanction.

ESA

- Under the new ESA sanctions regime, introduced on 3rd December 2012, 7,185 sanction decisions have been made up to December 2013 in Wales, of which, 30 per cent were adverse decisions compared to 26 per cent for GB.

- Comparing decisions under the old and new regimes, the proportion of outcomes that are adverse has decreased significantly in Wales. This is reflected in an increase in the proportion of outcomes that have been non-adverse or cancelled.
- Over the latest year (December 2012 to December 2013), Wales saw a nearly threefold increase in the number of adverse sanction decisions (from 77 to 301).
- In Wales, 1,378 individuals² received an adverse ESA sanction decision under the new regime. Under the old and new sanction regimes combined, 78 per cent of individuals receiving an adverse decision were doing so for the first time compared to 82 per cent for GB. Compared to GB, Wales has a higher proportion of sanctioned ESA claimants who have had three or more sanctions imposed on them (5 per cent versus 9 per cent respectively).
- There are two referral reasons under the ESA sanctions regime: failure to attend a mandatory interview; and, failure to participate in work related activity. In Wales, the majority (91 per cent) of ESA sanction referrals under the new regime were due to the latter reason.
- In Wales, under the new ESA regime, 1,234 decisions were asked to be reconsidered and 18 decisions were appealed against. This is equivalent to 17 per cent of the total number of decisions being asked to be reconsidered and only 0.3 per cent were taken to appeal (the equivalent percentages for GB are 13 per cent and 0.3 per cent). ESA claimants have a higher success rate than JSA claimants at reconsiderations and appeals. 60 per cent of reconsiderations and 50 per cent of appeals in Wales under the new regime were found in favour of the claimant.

Research evidence

- Much of the research to date relates to the previous JSA and ESA sanction regimes. However, we will continue to monitor any emerging evidence on the impact of the new regimes such as that recently published as part of the Oakley Review.
- Research provides little indication of deliberate non-compliance with employment services or programmes. Rather poor information, lack of understanding and non-intentional behaviour (e.g. forgetfulness) are more likely to be the reasons that lead to a sanction. Other reported reasons for claimants receiving sanctions are personal and practical barriers such as issues with transport, childcare, chaotic lifestyles, homelessness, health and disability, substance misuse and domestic violence. Those subject to multiple barriers, who are often among the most disadvantaged in society, are particularly vulnerable to sanctions.
- Many studies have examined the short-term effects of benefit sanctions with few considering the long-term impacts. Evidence suggests that benefit reduction in the form of a sanction can reduce unemployment durations and increase both exits from benefits and employment entry rates in the short term. However,

² Each person is only counted once regardless of the number of decisions made against them.

impacts on longer term outcomes are generally unfavourable. For example, although evidence is limited, that which does exist suggests that those who leave benefits early as a result of sanctions often experience poorer quality employment in the form of job stability (e.g. reduced employment duration as claimants may feel pushed into accepting part-time/temporary positions) and lower earnings (e.g. if claimants feel forced to accept a job with lower wages, and those who accept such jobs are more likely to leave them and return to unemployment). Other negative impacts over the long-term include financial hardship and debt, crime, poor emotional and physical well-being, and knock-on effects on family and friends. Evidence on job search behaviour is mixed with sanctions seen as having a dual impact, both encouraging and hampering claimants from finding work. For example, some claimants expressed an increased desire to find employment sooner to stop benefit dependency and being at risk of a sanction. However, other claimants were demotivated due to sanctions creating a number of barriers to finding work including fear of applying for unsuitable/unwanted jobs in case of receiving a sanction if they left and reducing the amount of money they had to spend on job search activities.

1. Introduction

The aim of this report is to review evidence on benefit sanctions covering the following areas:

- a) Definition and aims of a sanction.
- b) Overview of the sanctions regime for JSA and ESA pre and post late 2012, and the new sanctions regime under UC.
- c) The numbers and types of claimants affected by sanctions.
- d) Reasons for receiving sanctions.
- e) The way in which claimants have been affected whether it is positively or negatively.

2. Benefit sanctions – definition and aims

A sanction is the removal of benefit entitlement where behavioural obligations are not met (Griggs and Evans, 2010a). More specifically, a sanction is essentially enforcement of such obligations through a penalty imposed by the removal of a proportion of benefit payment due to: loss of previous employment through the action of the benefit applicant, refusal to take up a reasonable opportunity of employment, or non-compliance by the customer with conditions placed on benefit receipt (Finn and Gloster, 2010).

Sanctions are intended to counter work disincentives by ensuring claimants comply with the behavioural conditions of entitlement. Individuals are required to regularly undertake some pre-specified action, and the sanction process reflects what people do or don't do (Bastagli, 2008 and Griggs and Evans, 2010). Sanctions are regarded by some as essential to enforcing mandatory participation, because participation is not truly mandatory unless there is a consequence for not participating (Besharov and Germanis, 2004).

Sanctions may have an impact on time spent on benefits and moves into employment via two ways: first, the threat of a sanction, whereby the mere existence and anticipation of a sanction will change behaviour (the ex ante effect) and second, the imposition of the sanction (the ex post effect). However, as discussed later in this report, studies exploring the effectiveness of sanctions have mainly focused on the impacts of sanctions imposed, with only a few looking at the impact of threat effects (e.g. Lalive et al., 2002; Arni et al., 2009; Svarer, 2007), which are often difficult to identify and measure. It is worth noting that laboratory experiments by Boone et al (2007) found that anticipatory or threat effects of sanctions can be greater than the effects arising from the imposition of sanctions. However, applicability of this experiment to the real world is complicated due to characteristics of claimants (e.g. motivation, risk aversion, social skills and ability) that alter behaviour.

3. Sanctions process

Sanctions have formed part of JSA since it was first introduced in 1996 and for ESA claimants in the work-related activity group (WRAG) since October 2008. A revised sanction regime for JSA and ESA came into effect from 22 October 2012 and 3 December 2012 respectively.

JSA provides financial help for people aged 18 up to the state pension age whilst they look for work (JSA benefit rates for 2014/15 can be found in Annex 2). Claimants are provided with a Jobseeker's Agreement specifying the jobseeking actions a claimant must carry out while receiving JSA. This includes activities such as attending adviser interviews. From 14 October 2013, for new JSA claimants, the Jobseeker's Agreement was replaced with the Claimant Commitment. This sets out more fully the responsibilities (based on personal circumstances) that claimants accept in return for receiving benefit payments, and the consequences of not meeting them. It is agreed during an interview with a work coach and aims to emphasise claimants' responsibility to do all they can to look for work in return for the support they receive from the state (DWP, 2014c). Claimants have to provide evidence to prove they have met the requirements in their Claimant Commitment, and those who fail to do so without good reason risk losing their benefits via the sanctioning process.

ESA is a means tested benefit which provides financial help for people under state pension age who have an illness or disability that affects their ability to work (ESA benefit rates for 2014/15 can be found in Annex 2). Claimants are required to have a Work Capability Assessment (WCA) to determine their entitlement. Those entitled to ESA will either be placed in the WRAG or the Support Group. Those claimants in the WRAG are required to attend regular interviews with an adviser and undertake work related activity. Failure to meet these requirements could result in a sanction. Claimants in the Support Group are those who have an illness or disability that severely limits what they can do. They are therefore not required to undertake work related activity and are not subject to sanctions.

There are other circumstances where a sanction would not be applied, for example, where there is 'good reason' for the action that led to the sanction. Good reason is not defined in legislation, but examples include domestic abuse, mental health, homelessness, or victims of bullying or harassment at work.

Sanction referrals are made by Jobcentre Plus (JCP) advisers. Such referrals are a statement that in the opinion of the adviser, a claimant may not be meeting the conditions attached to their benefit entitlement and may therefore not be entitled to a payment. The referral is to a decision maker who decides whether or not a sanction should be imposed. Once the claim has been referred to a decision maker, no further payment is made until a decision has been made. A decision to apply a sanction is called an "adverse" decision. A sanction will not be applied (i.e. "non-adverse") if the claimant can demonstrate good reason for the action that resulted in the consideration of a sanction (e.g. a claimant leaving their job due to bullying at work). Other decisions taken include "reserved" (i.e. the case is considered but although a sanction is deemed appropriate, the claimant is no longer claiming JSA) or "cancelled" (i.e. no sanction decision is made. This can occur in specific

circumstances, for example, the sanction referral has been made in error, the claimant stops claiming before they actually committed the sanctionable failure, or information requested by the decision maker was not made available with a specified time period).

If a claimant disagrees with a sanction decision, they can request a reconsideration as long as this is made in writing and within one month of the date on their decision letter. This mandatory reconsideration process has been in place since October 2013. Prior to its introduction, a claimant wishing to challenge a sanction decision could immediately lodge an appeal with HM Courts and Tribunals Service (HMCTS). However, the introduction of mandatory reconsideration means that those wishing to challenge a decision must ask DWP to reconsider it first, and only when DWP has done so may the claimant then proceed to appeal if they remain dissatisfied. DWP considers that this change will encourage claimants to provide additional evidence earlier in the process and that resolving disputes without the need for appeal should also help ensure that people receive the right decision earlier³. However, there is no set timescale in which DWP has to deal with reconsiderations; this is expected to be set in October 2014.

Under the previous sanction regime, in the event of an appeal on an ESA decision, the benefit was payable at a lower rate until the decision was made. Under the new regime, ESA is not payable whilst reconsiderations and any subsequent appeals are considered. In the event that the original decision is overturned, benefits are backdated. However, this means that claimants with health conditions and disabilities can be left for extended periods of time without income.

Hardship payments, which replace some of the lost benefit, may be available for some sanctioned claimants (those claiming income-related JSA or ESA). Claimants will need to demonstrate that they are at risk of financial hardship (i.e. that they will not be able to buy essential items including food, clothing, heating and accommodation). Eligible claimants, unless they are identified as being in a vulnerable group, will generally receive 60 per cent⁴ of their personal allowance from the 15th day of the sanction period. Those who are classed as vulnerable (e.g. those with children, and as appropriate, those who are themselves, or whose partner is, pregnant, disabled or chronically sick, or who have significant caring responsibilities) have access throughout the sanction period. Other benefits, such as Housing Benefit, should not be affected by the sanction. Since December 2012, hardship payments have also been extended to income-related ESA claimants. However, eligibility rules for hardship payments under UC are more stringent (e.g. claimants have to show they have already made every effort to get alternative sources of support, for example, by applying to charities), and payments are recoverable.

³ <http://webarchive.nationalarchives.gov.uk/20130125094614/http://dwp.gov.uk/docs/appeals-process-changes-q-and-a.pdf>

⁴ The level of 60 per cent is set in legislation and is considered to be the minimum amount of benefit claimants in hardship need in order to meet essential needs, whilst still subjecting them to a financial impact for non-compliance.

4. Rationale for reform

The Welfare Reform Act 2012 sets out the UK Government's intentions for a stronger and clearer system of conditionality and sanctions.

DWP (2011) regarded the previous sanctions system (i.e. pre-late 2012) as too complex with sanctions for some failures set at too low a level and claimants not always being clear about the sanction they will receive.

The new sanctions regime aims to improve compliance with conditionality requirements by providing:

- a) Clarity about the consequences of non-compliance.
- b) A clear and robust deterrent against non-compliance.
- c) Tougher sanctions for repeated non-compliance (DWP, 2012a).

5. Jobseeker's Allowance sanctions system

The key differences between the previous and revised JSA regimes are summarised in the table on the next page. The revised system introduced on the 22 October 2012 has removed varied length sanctions and replaced them with a system where the sanctions are fixed for a set number of weeks. The sanction length, which will increase substantially for some under the new regime, is determined by the nature of the failure and the number of previous sanctions, with longer sanctions applied for repeated non-compliance.

The revised regime has also introduced changes to the date a sanction starts. Previously, a sanction started from the beginning of the benefit week after the decision maker decided to impose the sanction. However, DWP now aim to ensure that claimants see the consequences of their actions or inactions sooner by introducing rules that enable decision makers to impose sanctions at a time closer to the failure. The new sanction period begins either: on the first day of the benefit week in which the failure occurred, if the claimant has not been paid JSA for that week; or, on the first day of the benefit week following the date the claimant was last paid JSA.

Previous and revised JSA regimes – key differences (Source: Oakley, 2014)

Sanction level	Previous JSA regime	Revised JSA regime from 22 nd October 2012		
		1 st failure	2 nd failure	3 rd failure
Higher – failure to comply with certain requirements (e.g. a claimant refusing employment; refusal to participate in mandatory work activity; leaving employment voluntarily or due to misconduct)	Variable from 1 to 26 weeks (except for Mandatory Work Activity, which is fixed for 13 weeks).	Claimants lose all of their JSA for a fixed period of:		
		13 weeks	26 weeks (if within 52 weeks but not within two weeks of their last failure).	156 weeks (three years) (if within 52 weeks but not within two weeks of their last failure that resulted in a 26 or 156 week sanction).
Intermediate – failure to meet the conditions of being available for or actively seeking work.	Disentitlement ⁵ , but no sanction. Claimants could reclaim immediately at end of disenitment period and receive the full amount of JSA as long as they demonstrated that they were now meeting their conditions of benefit entitlement.	Disentitlement (plus possible sanction) of up to 4 weeks	Disentitlement (plus possible sanction) of up to 13 weeks (if within 52 weeks but not within two weeks of their last failure that resulted in a 4 or 13 week sanction).	
Lower – failure to attend/participate in an adviser interview/employment scheme.	Fixed sanctions of 1, 2, 4 or 26 weeks depending on the number of previous failures.	4 weeks	13 weeks (within a 52 week period of their last failure).	

⁵ A claimant can be disentitled from JSA if they fail to meet the basic labour market conditions of the benefit. When a claimant is disentitled their award of JSA ceases. The labour market conditions of entitlement include: being available for work, actively seeking work and having a signed and up-to-date Claimant Commitment. In addition to disenitment, a benefit sanction may also be applied for not meeting labour market requirements. A sanction is a withdrawal of the claimant's benefit for specified temporary periods (Lane et al, 2011).

An example illustrating the differences between the two regimes

A claimant leaves a job voluntarily, which is regarded as a higher level failure, and is their second failure within a 52 week period. The claimant would have their JSA payment sanctioned for 26 weeks.

6. Employment and Support Allowance sanctions system

The key differences between the previous and revised ESA regimes are summarised in the table below. These changes mean that claimants can lose more money for a longer period of time.

Previous and revised ESA regimes – key differences (Source: DWP, 2012b)

	Previous ESA regime	Revised ESA regime (from 3rd December 2012)
Sanction length	Open ended until claimant engages with requirements.	Open ended until claimant engages with requirements. Followed by a fixed period sanction of 1, 2 or 4 weeks – the exact period is dependent on previous non-compliance in the previous 52 weeks.
Sanctionable amount	50 per cent of the Work Related Activity Component (WRAC) for the first 4 weeks of non compliance rising to 100 per cent of the WRAC thereafter. In 2012/13 (i.e. the last rate that applied under the previous regime), the WRAC was £28.15 per week.	100 per cent of the personal allowance component for a single person (currently £72.40 per week). The WRAC (currently £28.75) and any premiums will not be sanctioned. ESA (income-related) claimants will be able to apply for hardship payments (i.e. 60 per cent of the personal allowance).

An example illustrating the differences between the two regimes

A claimant fails to attend an interview with an adviser. After 2 weeks, the claimant complied with the condition by attending the interview. All of the ESA benefit would be sanctioned for 3 weeks in total (i.e. open-ended period = 2 weeks, 1st failure fixed period = 1 week). A more detailed example of the impact of the changes to the ESA sanction regime is at Annex 1.

7. Universal Credit sanctions system

The revisions to the JSA and ESA sanctions regimes broadly align with the UC sanctions model with the aim of easing the transition for claimants and staff. The UC sanctions approach features four levels of sanction, which are summarised in the table below.

Sanction level	Applicable to:	Duration		
		1 st failure	2 nd failure	3 rd or subsequent failure
High - e.g. failure to take up an offer of paid work	Claimants subject to all work-related requirements.	91 days	182 days	1095 days
Medium - e.g. failure to undertake all reasonable action to obtain work.	Claimants subject to all work-related requirements.	28 days	91 days	
Low - e.g. failure to undertake particular, specified work preparation action.	Claimants subject to all work-related requirements.	Open ended until re-engagement plus:		
	Claimants subject to work preparation and work-focused interview requirements.	7 days	14 days	28 days
Lowest - e.g. failure to participate in a work-focused interview.	Claimants subject to work-focused interview requirements only.	Open ended until re-engagement.		

Source: DWP (2012a)

The level of sanction a particular claimant will receive will depend on the conditionality group that they fall into. Claimants subject to high, medium and low level sanctions will be sanctioned an amount equivalent to 100 per cent of their standard allowance amount. Claimants subject to the lowest level sanctions will be sanctioned an amount equivalent to 40 per cent of their standard allowance.

UC will mean that new groups of claimants are subject to conditionality requirements. For example, these include current recipients of tax credits, including those in work. For example, Adam and Phillips (2013) note that if conditionality is imposed up to maximum earnings thresholds, and assuming full take-up of UC among those entitled to it, they estimate that around 170,000 individuals in Wales would face work-related conditionality. This compares to around 120,000 prior to the introduction of UC (again based on full take-up)⁶.

⁶ Figures calculated using the IFS tax-benefit micro-simulation model, TAXBEN, and the Family Resources Survey 2007-08, 2008-09 and 2009-10. Figures exclude the self employed who will be assumed to be earning an amount equivalent to 35 times the minimum wage under the UC regime.

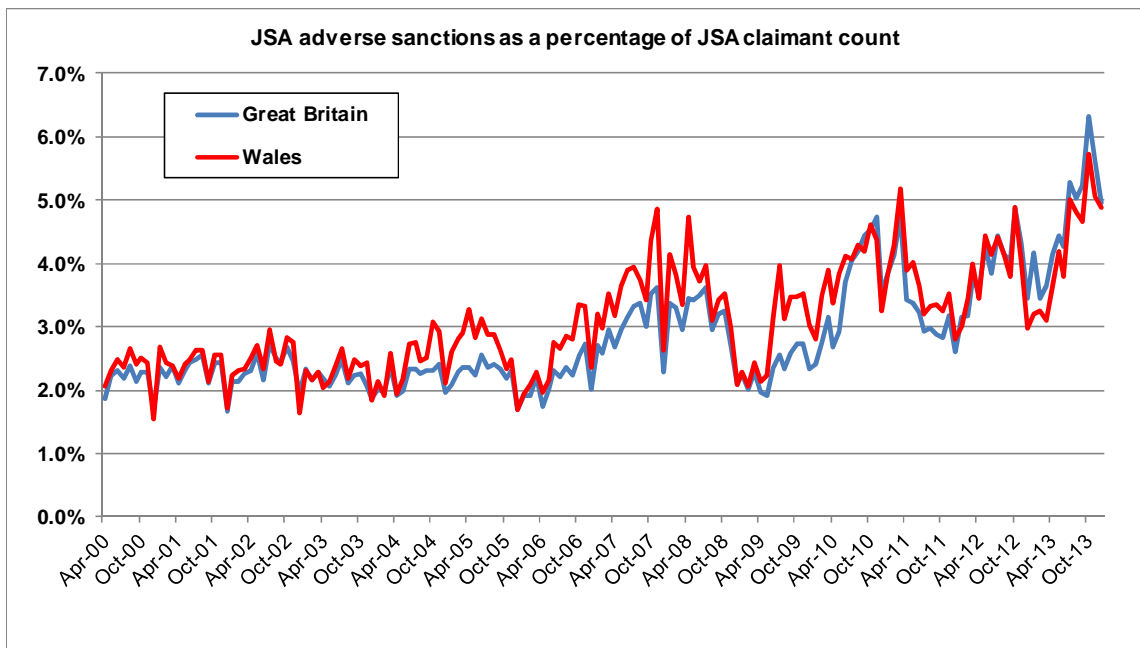
8. Numbers affected by sanctions

At the time of writing, the most recent JSA and ESA sanctions data published by DWP relates to the period to the end of December 2013. The following paragraphs in this section summarise the key figures.

JSA

A total of 679,572 JSA sanction decisions have been made between April 2000 and December 2013 in Wales, of which 319,715 were adverse decisions (i.e. a sanction applied). This is equivalent to 47 per cent of total decisions compared to 45 per cent for GB.

The chart below shows that Wales has broadly tracked GB for the number of adverse JSA sanction decisions as a percentage of the claimant count. In Wales, the percentage has more than doubled between April 2000 and December 2013, from 2.1 per cent to 4.9 per cent, GB increased from 1.9 per cent to 5.0 per cent over this period. Amongst the 7 jobcentre plus office groups, the North West had the highest number of adverse sanction decisions as a percentage of the claimant count (5.7 per cent) whilst London and the Home Counties had the lowest (4.3 per cent), Wales had the fourth highest.



Data source: Stat Xplore and Nomis

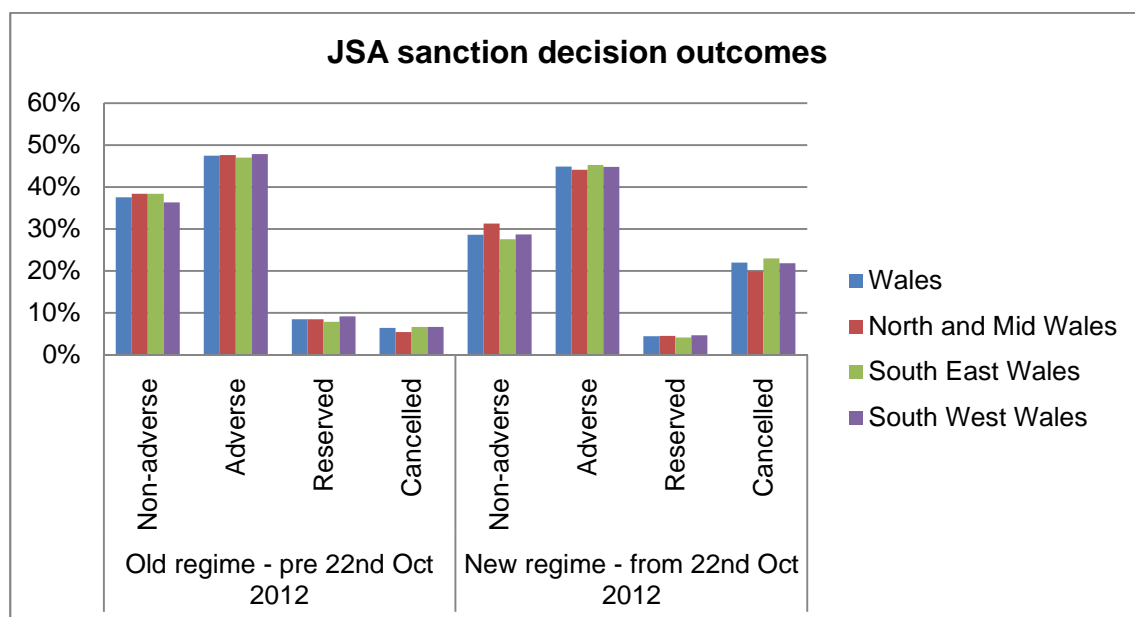
All of the 7 jobcentre plus office groups had a rise in the number of adverse JSA sanction decisions as a percentage of the claimant count over the latest year (December 2012 to December 2013) with the North West having the largest rise (up 2.0 per cent) followed by Wales and the North East (both up 1.9 per cent). London and the Home Counties had the smallest rise over this period up 0.7 per cent (GB rose by 1.5 per cent).

In Wales, under the new JSA sanctions regime, introduced on 22 October 2012 a total of 110,311 sanction decisions have been made up to December 2013, of which, 49,498 (45 per cent) were adverse decisions. The total sanction decisions made for GB is 2.36 million of which 1.03 million (44 per cent) were adverse decisions.

Wales accounted for 5 per cent of the total JSA sanction decisions made in GB under the new sanctions regime, which was the lowest amongst the 7 jobcentre plus office groups. Central England accounted for the largest share at 21 per cent. Wales also had the lowest share of GB adverse decisions again accounting for just 5 per cent with Central England accounting for 22 per cent of the total for GB.

The remaining decisions were either non-adverse, reserved or cancelled⁷. It is worth noting that in Wales, under the new sanctions regime, 24,285 decisions (22 per cent) were cancelled, which is a significant increase compared to the old regime (6 per cent). Webster (2013) has suggested that people are being driven off JSA (i.e. ending their claim) as a result of the new sanctions regime.

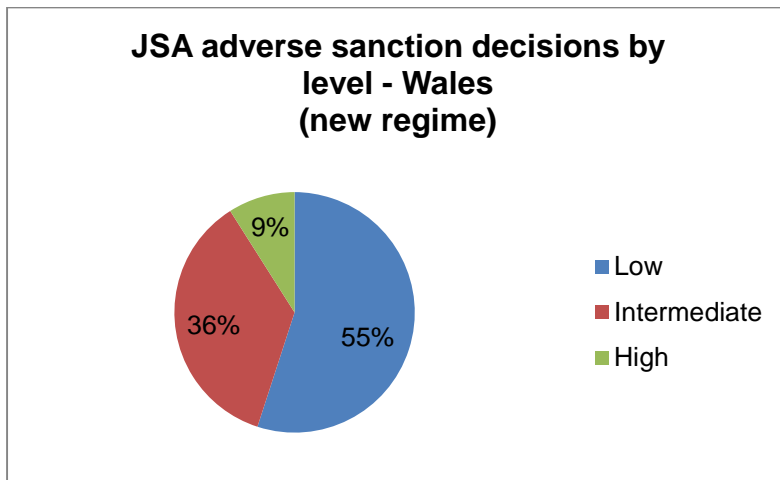
The chart below shows that within each of the three Jobcentre Plus districts in Wales, the proportions of JSA decision outcomes (i.e. non-adverse, adverse, reserved, and cancelled) are broadly similar and in line with those for Wales as a whole.



Data source: Stat Xplore

In Wales, 55 per cent of adverse decisions under the new JSA sanctions regime were in the 'Low' group, 36 per cent in the 'Intermediate' group, and 9 per cent in the 'High' group. This compares to 53 per cent, 38 per cent and 9 per cent for GB.

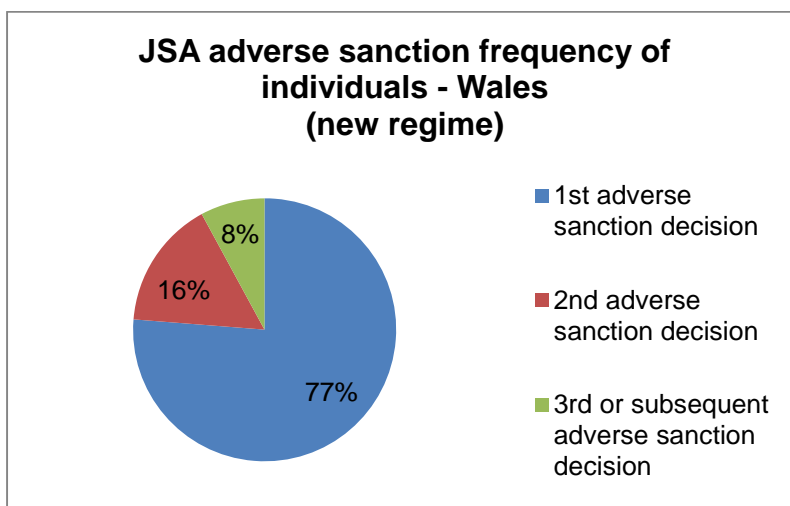
⁷ See pages 8 - 9 for further explanation of these decisions.



Data source: Stat Xplore

Amongst the 7 jobcentre plus office groups, the North West had the highest share of JSA adverse decisions in the 'Low' group (59 per cent) with Wales having the 4th highest share, whilst Central England had the largest share in the 'Intermediate' group at 42 per cent (Wales had the third lowest share after the North West and North East), and Southern England had the largest share (16 per cent) in the 'High' group (Wales had the third highest share).

In Wales, 35,970 individuals⁸ have been subject to an adverse JSA sanction decision under the new regime. Across all sanction levels, as illustrated in the chart below, 77 per cent of individuals receiving an adverse decision were doing so for the first time under the new sanctions regime compared to 76 per cent for GB. Amongst the 7 jobcentre plus office groups London and the Home Counties and Southern England had the highest percentage (both 78 per cent) followed by Wales whilst the North East had the lowest at 73 per cent.



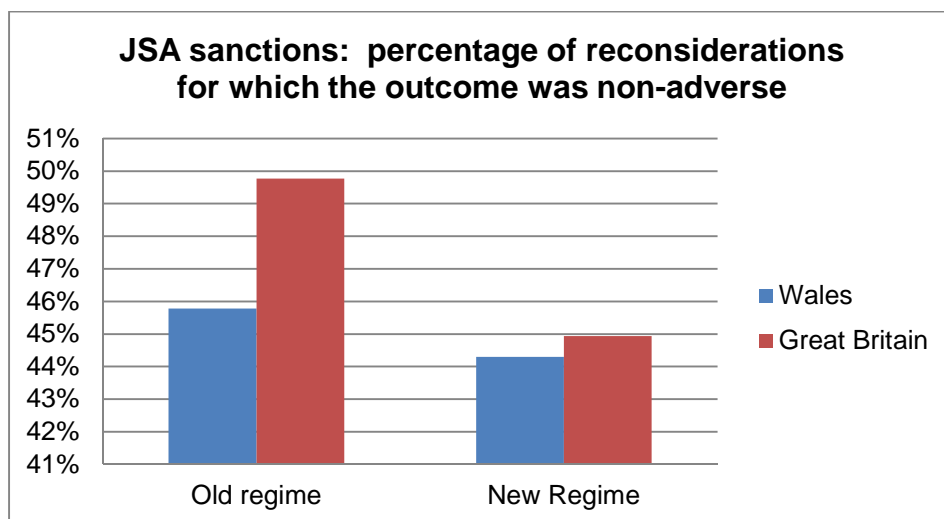
Data source: Stat Xplore

⁸ Each person is only counted once regardless of the number of decisions made against them.

Across Wales and GB, the most common reasons for adverse JSA sanction decisions under the old regime were: left employment voluntarily without good reason; and, failure to attend or failure to participate in an Adviser interview without good reason. Under the new regime, the most common reasons are: failure to participate in a scheme for assisting a person to obtain employment without good reason - Work Programme; not actively seeking employment; and, failure to attend or failure to participate in an Adviser interview without good reason. This is in line with the statistics for GB⁹.

In Wales, under the new JSA regime, 15,332 decisions were asked to be reconsidered and 921 decisions were appealed against. This is equivalent to 14 per cent of the total number of decisions being asked to be reconsidered and only 1 per cent were taken to appeal.

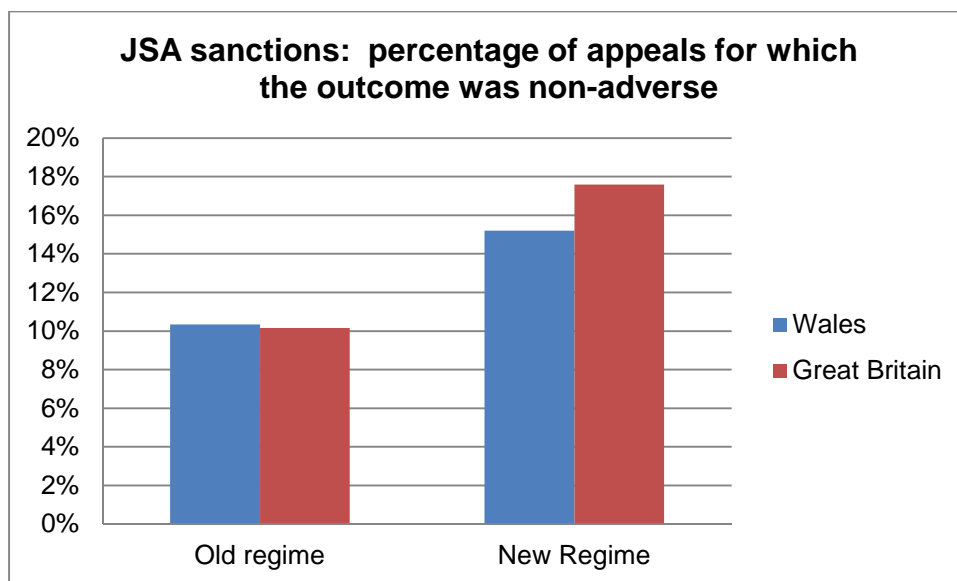
The chart below shows that, in Wales, the percentage of reconsiderations for which the outcome was non-adverse has slightly decreased under the new regime compared to the old regime. However, GB has seen a more substantial decrease in the proportion of reconsideration decisions that have been non-adverse.



Data source: Stat Xplore

The chart overleaf shows that under the old regime, compared to GB, Wales had a very similar percentage of appeals for which the outcome was non-adverse. This percentage has increased under the new regime in both GB and Wales (i.e. a greater proportion of appeals are being found in favour of the claimant), but more so in GB.

⁹ Claimants who are required to actively seek or prepare for work can be mandated to undertake activity to address an identified skills need, which will aid their movement into work, otherwise known as Skills Conditionality (SC). The policy aims to ensure that claimants referred to careers advice or skills training that will help them, actually start and finish the course. SC applies only to those receiving JSA or ESA (work-related activity group). SC embraces all types of training. Failure to participate in a SC scheme is one of the referral reasons for sanctions. In Wales, this reason accounts for 1 per cent of JSA sanction decisions under the new regime. The equivalent proportion for GB is double this (at 2 per cent). This is likely to be due to skills conditionality being piloted at a later date in Wales (i.e. October 2012 compared to implementation dates of August 2011 in England and the end of June 2012 in Scotland).



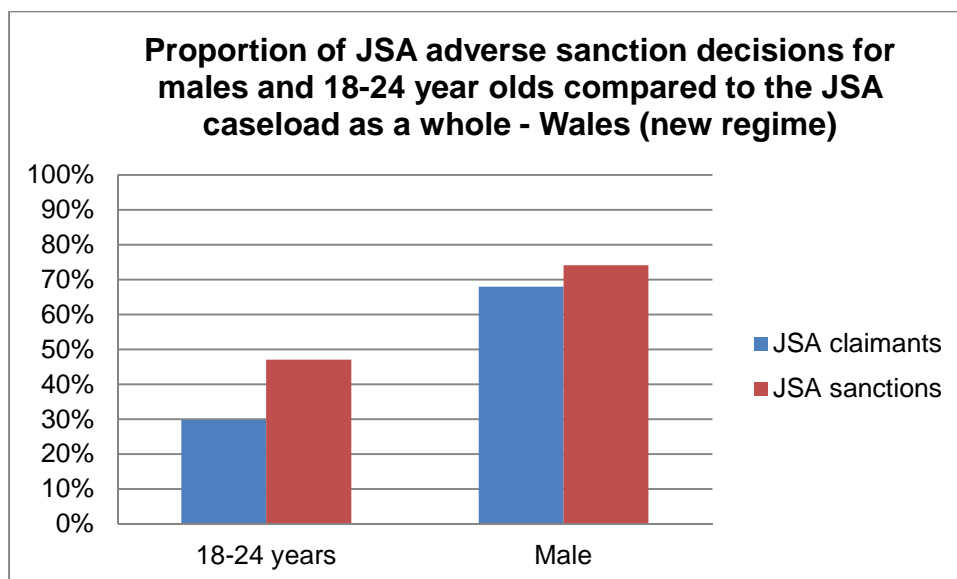
Data source: Stat Xplore

Citizens Advice Bureaux (CAB) data for England and Wales shows a 60 per cent increase in problems relating to JSA sanctions since changes were made to the regime in October 2012 (CAB, 2014a).

Demographic breakdown

Gender has been identified as a significant factor in UK evidence. Under both the old and new sanction regimes, males make up the majority of those who have had a sanctioned applied (and a greater proportion than their representation in the JSA population – see chart overleaf). The higher incidence of JSA sanctions amongst males reflects the fact that JSA claimants are more likely to be male and claiming JSA for longer periods than their female counterparts. Under the new regime, there has been a fall of adverse sanctions for males compared to the old regime, with this proportion in Wales falling from 79 per cent to 74 per cent compared to a fall from 77 per cent to 73 per cent in GB.

Young people (aged 18 to 24) are disproportionately affected by the JSA sanctions regime. They represent around 30 per cent of all JSA claimants (Nomis, December 2013 data) but this age group accounts for the largest proportion (around half) of adverse JSA sanction decisions (see chart overleaf). This proportion has fallen in Wales (from 53 per cent to 47 per cent) and GB (48 per cent to 41 per cent) since the new regime was introduced. There have been corresponding increases in all other age categories except those aged 16 to 17. Some research evidence attributes this disproportionate impact to the more relaxed attitude of younger claimants as a result of being financially supported by their families (Peters and Joyce, 2006).



Data source: Stat Xplore and Nomis

Disabled people account for around a fifth of all adverse JSA sanction decisions. This proportion has fallen slightly in both Wales (from 22 per cent to 19 per cent) and GB (23 per cent to 20 per cent) since the new regime was introduced. DWP (2011) report that people with a disability are less likely to receive a sanction overall mainly due to disabled JSA claimants being able to show 'good reason' more often for potentially sanctionable failures (thereby avoiding a sanction being applied). The DWP figures align with those reported by CAB (2014a) that show that 1 in 4 of their clients seeking help in relation to JSA sanctions describe themselves as being disabled or having a long term health problem.

In line with the makeup of the general population, white claimants account for the vast majority of adverse JSA sanction decisions (74 per cent in GB and 88 per cent in Wales). Around 8 per cent of claimants in Wales and GB did not report their ethnic group, this makes it difficult to assess whether certain groups are disproportionately affected. However, in a survey of sanctioned JSA claimants, Peters and Joyce (2006) found that white British survey respondents demonstrated a greater awareness of the system than other ethnic groups thereby suggesting that language may be a factor affecting the likelihood of receiving a sanction. The proportions of all ethnic groups have either stayed the same or increased under the new regime. This may reflect the increase in the proportion of claimants that were willing to disclose their ethnic group.

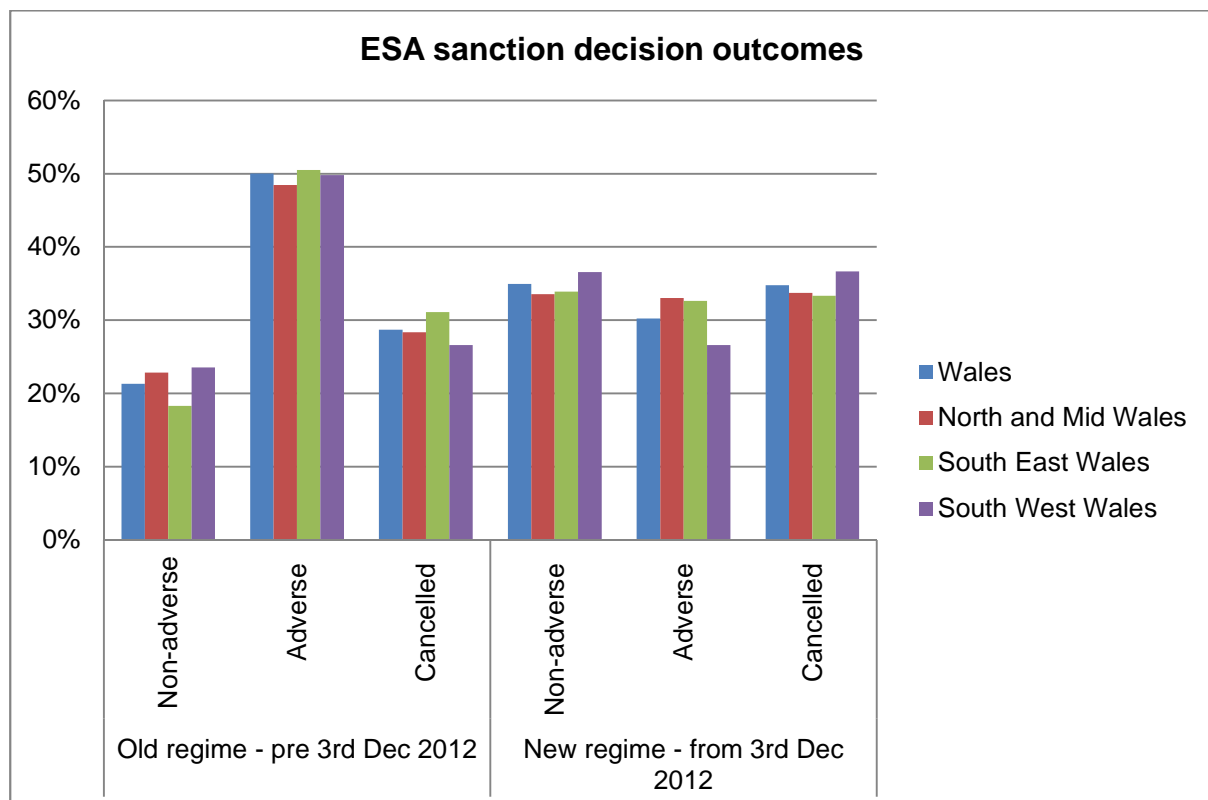
There are other protected characteristics including sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership, and gender reassignment. DWP does not hold this information on its administrative systems (with the exception of pregnancy and maternity where it is the primary reason for incapacity). However, the new JSA sanction regime is not expected to lead to any adverse impacts on these grounds (DWP, 2011).

Some survey evidence (Peters and Joyce, 2006) that relates to JSA claimants found that sanctioned respondents were no more or less likely to have qualifications, literacy or numeracy difficulties than their non-sanctioned counterparts. However, the survey did find that sanctioned respondents were slightly more likely to have learning difficulties than the non-sanctioned respondents (15 per cent compared to 11 per cent).

ESA

Under the new ESA sanctions regime, introduced on 3rd December 2012, 7,185 sanction decisions have been made up to December 2013 in Wales, of which, 2,172 (30 per cent) were adverse decisions compared to 26 per cent for GB. Amongst the 7 jobcentre plus office groups, Wales had the highest percentage of adverse decisions whilst the North East had the lowest share (21 per cent). The proportion of non-adverse decisions was also the highest in Wales (35 per cent compared to 27 per cent for GB) – this is explained by a much lower rate of cancelled decisions (35 per cent in Wales compared to 47 per cent in GB).

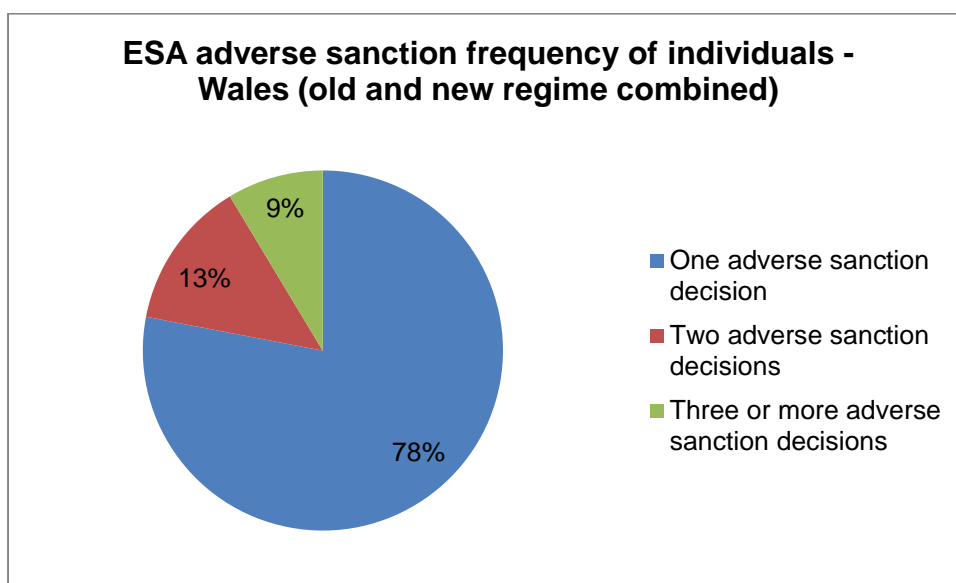
The chart below illustrates ESA sanction decision outcomes for Wales as a whole and each of its three Jobcentre Plus districts. Comparing decisions under the old and new regimes for all of these areas, it is clear that the proportion of outcomes that are adverse has decreased significantly. This is reflected in an increase in the proportion of outcomes that have been non-adverse or cancelled. For example, in Wales, the proportion of cancelled outcomes has increased from 29 per cent under the old regime to 35 per cent under the new regime.



Data source: Stat Xplore

All of the 7 jobcentre plus office groups had a rise in the number of adverse ESA sanction decisions over the latest year (December 2012 to December 2013) with London and the Home Counties having the largest rise (from 226 to 1,421, which is over a five-fold increase). Wales saw a nearly threefold increase in the number of adverse sanction decisions over this period (from 77 to 301).

In Wales, 1,378 individuals received an adverse ESA sanction decision under the new regime. As illustrated by the chart below, under the old and new sanction regimes, 78 per cent of individuals receiving an adverse decision were doing so for the first time compared to 82 per cent for GB. Compared to GB, Wales has a higher proportion of sanctioned ESA claimants who have had three or more sanctions imposed on them (5 per cent versus 9 per cent respectively).



Data source: Stat Xplore

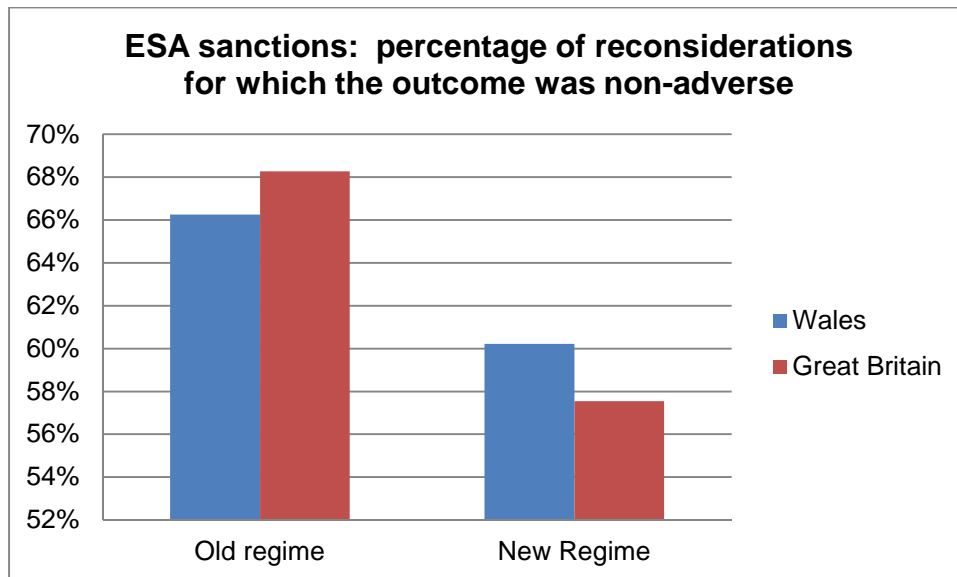
There are two referral reasons under the ESA sanctions regime¹⁰: failure to attend a mandatory interview; and, failure to participate in work related activity. Across Wales and GB, the majority of ESA sanction referrals under the old regime were for the former reason (with 87 per cent and 70 per cent of claimants referred for this reason in GB and Wales respectively) but this has now switched to the latter reason under the new regime (with 79 per cent and 91 per cent of claimants referred for this reason in GB and Wales respectively).

In Wales, under the new ESA regime, 1,234 decisions were asked to be reconsidered and 18 decisions were appealed against. This is equivalent to 17 per cent of the total number of decisions being asked to be reconsidered and only 0.3 per cent were taken to appeal (the equivalent percentages for GB are 13 per cent and 0.3 per cent).

ESA claimants have a higher success rate than JSA claimants at reconsiderations and appeals.

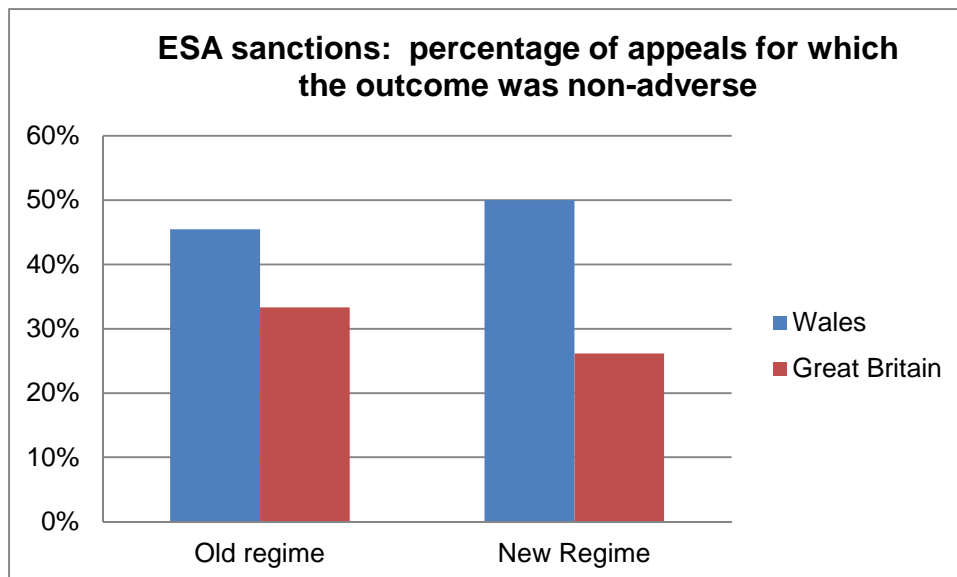
¹⁰ Prior to June 2011, the only reason for an ESA sanction was failure to attend an interview. Since then, claimants can also be sanctioned for failing to participate in work-related activity. This explains the contrast in the statistics on referral reasons under the previous and revised sanction regimes.

The chart below shows that under both the old and the new ESA regimes, the majority of decisions reconsidered in Wales and GB resulted in a non-adverse outcome (i.e. found in favour of the claimant). However, this proportion has decreased under the new regime, particularly in GB.



Data source: Stat Xplore

The chart below shows that under the old regime, compared to GB, Wales had a higher proportion of appeals for which the outcome was non-adverse. This percentage has increased under the new regime in Wales (i.e. a greater proportion of appeals are being found in favour of the claimant), but has decreased in GB.



Data source: Stat Xplore

Demographic breakdown

Although males continue to make up the majority of those who have had a sanctioned applied, there has been a fall in this proportion in Wales (from 59 per cent to 53 per cent) and GB (from 56 per cent to 55 per cent) under the new ESA sanction regime compared to the old regime. Correspondingly, the proportion of females that have had an ESA sanction applied has risen (by 10 per cent in both Wales and GB). However, this may be linked to an increase in the proportion of decisions that have had the gender of the claimant recorded.

Under the older ESA sanction regime, around a quarter of those sanctioned in Wales were aged 18 to 24 (a fifth in GB). Under the new regime, this proportion has fallen to 15 per cent (12 per cent in GB). The incidence of a sanction is now more evenly spread across age ranges with all other age ranges (except those aged 16 to 17) in Wales seeing an increase in the proportion. However, the very oldest (aged 55 and over) and very youngest (aged 16 to 17) remain the least likely to have an ESA sanction applied. It is worth noting that as the age of the claimant is known / available for a higher proportion of claimants under the new regime, this will have an impact on the data.

Disabled people account for the majority all adverse ESA sanction decisions. This proportion has risen significantly in both Wales (from 52 per cent to 67 per cent) and GB (57 per cent to 80 per cent) since the new regime was introduced. This comparison of data will partly be affected by the disability status being available for a higher proportion of claimants under the new regime.

The split of adverse ESA sanction decisions by ethnic groups has remained broadly the same under the new regime with the exception of the proportion of claimants who are white, which has increased somewhat (70 per cent to 80 per cent in GB and 85 per cent to 89 per cent in Wales). Given that there has been an equivalent increase in the proportion of claimants who have recorded their ethnic group; it appears that the increase in white claimants who are sanctioned is a result of this.

The next two sections summarise the findings from some of the key studies that have assessed the reasons why claimants receive sanctions and their potential impacts. It is worth noting that the vast majority of the studies referred to throughout relate to the impact of the sanction regime prior to the changes that took effect in late 2012. An independent review of some of these changes has recently been undertaken by Matthew Oakley. The review looked at JSA sanctions where claimants of JSA had their benefits reduced for failing to participate in a mandatory back-to-work scheme such as the Work Programme. The outcome of the review was published in July and is referred to in the next section. DWP has also started (in autumn 2013) an evaluation of the post-October 2012 sanctions regime. This includes surveys of benefit claimants' experience of the sanctions regime and analysis of administrative data on sanctions activity (DWP, 2013c). We will continue to monitor any emerging evidence on the revised sanction regimes.

9. What are the reasons for claimants receiving sanctions?

Knowledge and awareness

If claimants have a lack of understanding and awareness of their responsibilities and the consequences of not meeting them and also how to modify their behaviour to avoid a sanction, this will limit their potential effectiveness. As Griggs and Evans (2010b) note, if claimants do not know what is expected of them and also what will happen if they do not meet these expectations, then a sanction will punish a lack of awareness and understanding rather than deliberate non-compliance with the benefit rules. Following examination of UK and international evidence, the study found little indication of deliberate non-attendance or non-engagement with services or programmes. Poor information and non-intentional behaviour such as forgetfulness were more likely to be the reasons that led to a sanction.

Indeed, a review of the JSA sanctions regime suggests that not all JSA recipients fully understand the regime and therefore how to avoid a sanction. For example, while the survey research found that 81 per cent of respondents believed they had a good or fair understanding of the rules they had to follow when claiming JSA, 18 per cent reported that they had little or no understanding of the rules. Furthermore, 76 per cent were aware that their benefit would be reduced or stopped if someone claiming JSA did not agree to certain conditions or rules. This leaves some 24 per cent without that understanding. Certain characteristics (e.g. claimants of non-white ethnic origin or with literacy difficulties) reduced the level of understanding further.

In terms of the deterrent effect of sanctions, a high proportion of surveyed JSA respondents claimed not to have been told about the possibility of sanctions (32 per cent). Furthermore, 23 per cent said that they could not have avoided the sanction and a similar proportion (21 per cent) was unsure how this would have been possible. There was also general confusion following receipt of a sanction, for example, the reason regarding the imposition of a sanctions (SSAC, 2013) and what loans or benefits could be applied for (Peters and Joyce, 2006).

In line with the above, a 2005 qualitative study of 30 lone parents found that while they had a general awareness that they might be sanctioned, they had little knowledge of specific details such as when a sanction would be imposed (Whiting and Joyce, 2006). SSAC (2006) point out that this suggests that at the time of the studies, the systems for both active and inactive claimants were not always working as intended.

A further study on sanctions relating to the inactive, in this case those claiming ESA, aligns with some of the findings discussed above. For example, survey findings reported by Barnes et al (2011) suggest that although awareness of sanctions was widespread, knowledge of how they applied was not always accurate. One example is the belief that benefit payment would be stopped if customers missed a Work Focused Interview (WFI) whereas in reality it would be reduced under the system in place at the time.

Vincent (1998) suggests that this lack of awareness is often the result of insufficient communication and explanation by personal advisers. However, qualitative interviews with jobcentre staff suggest that although staff had tried to ensure that the rules were comprehensively conveyed to claimants, the complexities and level of detail that characterised the system at the time made it extremely difficult (Peters and Joyce, 2006).

Oakley (2014) has reviewed benefit sanctions for JSA claimants who have been sanctioned under the revised regime (i.e. post October 2012) after being referred to a mandatory back-to-work scheme. This involved an assessment of the process of benefit sanctions in these circumstances (which account for a third of all JSA decisions to apply a sanction in the year to December 2013) and how well claimants understood the system. In particular, this focused on the clarity of information provided to claimants on the consequences of non-compliance, reasons for receiving a sanction, and the processes of providing good reason, appealing a decision and applying for hardship payments. The review concludes that the current system is not fundamentally “broken”. However, areas were identified where the system could be improved. For example, the Review found that some claimants lacked a detailed understanding of the requirements placed on them and the processes surrounding sanctions. This was particularly the case for some more vulnerable groups and claimants with specific barriers to work.

Specific areas of improvement that were identified relate to the content and style of DWP’s letters to claimants, which on the whole were found to be complex and difficult to understand and in other instances were left unopened or unread thereby suggesting the need for clearer communication and improved engagement with claimants through their preferred communication channel. The Review also uncovered a more general concern that some claimants had a poor understanding of what they have to do to meet their responsibilities. This was particularly the case for the Work Programme. In terms of the sanction process, issues were identified around how sanctions were imposed; providers of mandatory schemes are unable to make legal decisions regarding good reason and so they have to refer all claimants who fail to attend a mandatory interview to a decision maker, even if the claimant has provided them with evidence that would count as ‘good reason’ by Jobcentre Plus. Furthermore, some claimants did not understand the ‘good reason’ process. In addition, problems were revealed with the information sharing process. Finally, concerns were expressed that for some claimants, the first they knew of having a sanction was when they attempted to withdraw their benefit payment but could not.

The above issues identified in the Review have a detrimental impact on the fairness and effectiveness of the sanctions regime. In an attempt to address these issues, the Review makes 17 recommendations, which have been accepted by the UK Government. They cover the following broad areas: communications - improving communications so that claimants know they have been sanctioned or understand what process they need to follow once they have been referred for a sanction; Jobcentre/Provider responsibility - providing clarity to claimants on who they should be engaging with and what activity they should be undertaking when they are in receipt of JSA and partaking in the work programme; and, safeguards - that the good reason and hardship payment processes should be reviewed to ensure they meet the needs of the most vulnerable and are delivering the right results.

With regards to the new regime under UC, DWP (2013b) have published the findings from their first phase of their longitudinal evaluation of the UC pathfinder. This involved a large scale telephone survey of claimants making new claims to UC in the North West of England and was conducted between August 2013 and October 2013. Receipt of the full amount of UC depends on claimants undertaking certain actions otherwise they may receive a sanction. The survey findings show that the vast majority of UC claimants were able to identify conditions (e.g. not taking all reasonable action to look for work) that may lead to UC being reduced or stopped.

The role of practical and personal barriers

Three key practical barriers to complying with the sanctions regime have also been cited in the literature. These include: problems with access to transport; lack of communication tools (i.e. phone and/or internet); and, childcare (Griggs and Evans, 2010a).

Although the UK study undertaken by Peters and Joyce (2006) highlights the higher proportion of sanctioned claimants reporting transport difficulties, Griggs and Evans (2010a) note that these practical barriers are less evident in studies outside of the US. More commonly cited problems are related to personal and family challenges such as homelessness, chaotic lifestyles, health problems and disability (the claimant's own and those of a dependent), substance misuse and domestic violence. Claimants with multiple barriers of this type were found to be particularly vulnerable to sanctions (Eardley et al., 2005; Polit et al., 2001).

10. Impact and responses to sanctions

Empirical studies have focused almost exclusively on the post-claim impacts of imposed sanctions, with a small number also looking at the impact of direct warnings. Effects on take-up and on the presence of sanctions on the behaviour of the general claimant population have not been considered by most (Griggs and Evans, 2010a).

The earlier analysis in this report identified that the incidence of sanctions varies across the claimant population, similarly benefit recipients are affected differently by the threat of imposition of a sanction (Eardley et al, 2005). After reviewing the available literature in the field, Griggs and Evans (2010a) note that the diversity of claimant experience and the greater likelihood of some groups of claimants (e.g. those with dependents and/or no other source of income) to 'suffer' as a result of sanctions is highlighted in a number of studies (e.g. Dorsett, 2008; Employment Service, 1999, 2000; Molloy and Ritchie, 2000; O'Connor et al, 1999; and, Vincent, 1998).

Job search behaviour

Research findings appear to be mixed, with sanctions seen as having a dual impact, both encouraging and dissuading claimants from finding work. For example, survey findings of JSA claimants show that just over two-fifths of respondents were more likely to look for work as a result of benefit sanctions (Peters and Joyce, 2006). Qualitative research from the same study also found that for some claimants, both the threat and receipt of a sanction affected views on future employment prospects (e.g. increased desire to find employment sooner to stop benefit dependency and being at risk of a sanction). However, other claimants were demotivated due to sanctions creating a number of barriers to finding work including fear of applying for unsuitable/unwanted jobs in case of receiving a sanction if they left and reducing the amount of money they had to spend on job search activities particularly travelling to job interviews. This aligns with CAB (2014a) research, which suggests that the ability of claimants to look for work is significantly compromised by reduced income as a result of benefit sanctions. In some cases, claimants are spending a lot of time trying to find alternative ways of paying for necessities such as food, which leaves them with little time to look for work. For others, research suggests that the experience of sanctioning made them more determined to claim money they felt was owed to them (Peters and Joyce, 2006).

Under the new UC regime, the first UC claimant survey undertaken by DWP (2013b) found that 76 per cent of respondents said it would make them more likely to either look for work or to take steps to prepare for work (23 per cent said it made no difference).

Unemployment duration, employment entry rates and earnings

In a review of international evidence on the impact of sanctions, Griggs and Evans (2010a) find a consistent, large and significant reduction in unemployment durations and/or increasing employment entry rates in the short term. One example is a study by Müller and Steiner (2008) that finds convincing evidence that the imposition of a sanction can increase regular employment especially if it occurs early in a benefit claim. However, some claimants participated in informal work such as busking, or agency work, to see them through the sanction period (O'Connor et al, 1999).

Those studies (e.g. van Ours, 2004; Lalive, 2002) that consider the impact of both the threat of a sanction and the imposition of the sanction itself (alongside a tightly monitored benefit system) identify a reduction in the overall time spent on benefits and positive impacts on job entry.

However, the one study that looks at longer term effects (Arni et al, 2009) finds less favourable results in the form of persistent negative effects two years after exit from unemployment on earnings (e.g. if claimants feel forced to accept a job with lower wages, and those who accept such jobs are more likely to leave them and return to unemployment) and job stability (i.e. reduced employment duration as claimants may feel pushed into accepting part-time/temporary positions). Despite negative changes in earnings and/or job retention, Griggs and Evans (2010a) point out that the overall effect of sanctions may be regarded as efficient if reduced unemployment duration gives rise to an overall net increase in income from longer periods of earnings. However, the study by Arni et al did not find this, rather the net effect of benefit sanctions was negative over a period of two years following exit from unemployment. As Griggs and Evans (2010a) state “short-term gains are sometimes achieved at the expense of long-term pain for claimants”.

Financial hardship

Some evidence demonstrates that sanctioned claimants often experience hardship and debt. Peters and Joyce (2006) note that this is one of the primary impacts of sanctions. Their survey of JSA claimants showed that 68 per cent of sanctioned customers reported they had experienced financial hardship as a consequence of their benefit being reduced or stopped. Often this resulted in difficulties meeting household expenses especially housing costs and utility bills. In order to mitigate hardship, some claimants have reduced spending on social activities and even household necessities such as food, sold possessions, borrowed money and got themselves into debt (O'Connor et al, 2009; Peters and Joyce, 2006; Dorsett, 2008; Goodwin, 2008). For example, in 2013, CAB issued 100,000 foodbank vouchers and 16 per cent of these were needed because of benefit sanctions. Of their clients seeking help in relation to JSA sanctions, 1 in 6 had a debt problem and 1 in 10 had issues with rent arrears or the threat/reality of homelessness (CAB, 2014b). Other claimants may resort to crime (see page 32).

The severity of the impact depends on a number of factors such as whether the claimant received timely information about entitlement to hardship funds, lived with their parents, had a partner and children or were able to find work immediately following the sanction (Saunders et al., 2001). Furthermore, Crisp and Fletcher

(2008) who have explored the effectiveness of workfare programmes internationally found that those with multiple barriers to work are placed in extreme hardship by subsequent sanctions. The evaluation of Pathways to Work (Dorsett, 2008) also found similar negative effects with some claimants, especially the more vulnerable, reporting hardship as a direct result of sanctions. This in turn led to an increase in borrowing and in some cases caused family conflict. Evidence (e.g. Peters and Joyce, 2006) suggests that the impact of sanctions is alleviated to some extent by informal support from family and friends. However, this means that the impact of a sanction spreads more widely, having a knock-on impact on those supporting the sanctioned claimant.

Claimants who have little or no other resources available to them during a sanction period are able to claim hardship payments. Claimants need to demonstrate that they cannot buy essential items, including food, clothing, heating and accommodation, and so are at risk of severe suffering or privation (DWP, 2014b). Around a quarter of all those sanctioned, receive formal support via hardship payments (Peters and Joyce, 2006). The low level of take-up of hardship payments has been attributed a lack of awareness of this support (Dorsett, 2008). For example, a DWP study found that only 23 per cent of claimants who reported that their benefit had been stopped or reduced said they had been told about hardship payments. The process of applying was also considered a challenging experience (Bloch et al, 2013).

There may also be knock-on impacts on the demand for support from Welsh Government funds such as the Discretionary Assistance Fund (DAF). The purpose of the fund is to offer payments or in kind support to provide urgent assistance to people where there is an identified need to safeguard health and well being.

Crime

Research is limited in this area. However, Machin and Marie (2006) have considered wider spill-over effects from sanctions on property and violent crime. The study found that property crime rates in areas that had more sanctioned individuals rose. They also found that areas with higher unemployment exits that were not into employment (i.e. dropping off the register but not being in education/training or on other benefits) had higher crime rates. The authors measured these effects before and after the introduction of JSA in 1996/97 and they were seen to be persistent for two years. Therefore, savings from the benefit budget may be offset by the increased cost of crime. For example, Machin and Marie estimate that 22 to 28 per cent of the reduction in gross benefit expenditure was netted off by higher spending on crime. However, Griggs and Evans (2010a) note that a crude cost-benefit approach was used to calculate this.

Other studies also find that a small proportion of respondents felt that the hardship caused by sanctions created a situation where crime (e.g. stealing food or other goods) became the only response (Eardley et al, 2005; Employment Service, 1999; O'Connor et al, 1999; and, Vincent, 1998).

Research in the US also found that in the short-term at least, drug users who lost entitlement to benefits through failing to comply 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).

Emotional well-being

The qualitative literature highlights the potential impacts that sanctions can have on a claimant's emotional well-being including feelings of depression, frustration (e.g. when they had not been provided with a thorough explanation of the decision), anger (e.g. when the decision was felt to be unjust or the regime inadequately communicated) and humiliation, particularly for those who experienced emotional issues prior to the imposition of the sanction (Peters and Joyce, 2006). Dorsett (2008) found evidence to suggest that a consequence of sanctioning for some claimants is deterioration in mental health conditions and a feeling of victimisation. Material hardship induced by sanctions has also been reported to create or worsen stress and anxiety levels for lone parents. Some lone parents have reported experiencing emotional difficulties related to a feeling of not being able to provide what they thought a parent should for their children (Goodwin, 2008).

Physical well-being

Qualitative research suggests that impacts on physical well-being are related to the above emotional impacts. For example, the stress and anxiety caused by a sanction could result in negative physical impacts such as aggravating a pre-existing health condition and also creating new problems such as disturbed sleep patterns and weight loss (Peters and Joyce, 2006).

Impacts on family and friends

There is evidence to suggest that sanctions not only affect the sanctioned customer, but also have a knock-on impact on family and friends, particularly those who provide financial and emotional support. Such impacts include providing the claimant with money to live on, making debt repayments on their behalf and straining family relationships and friendships due to increased arguing brought about by financial strain, annoyance of the imposition of a sanction especially if it was seen to be their fault, and feelings of guilt for putting their family and friends in such a situation (Peters and Joyce, 2006).

Sanctions have also been reported to have a knock-on effect on the children of those who have been sanctioned. Firstly, as a result of a lack of money to spend on treats and other activities such as school trips and secondly, children were thought to pick up on the emotional anxiety of parents caused by the sanction (Peters and Joyce, 2006). CAB (2014b) report that 1 in 4 of their clients seeking advice in relation to JSA sanctions has dependent children.

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Annex 1 – Employment and Support Allowance case study example (DWP, 2012b)

Jane is a single claimant who fails to undertake work-related activity without good cause and the decision maker determines that a sanction should be applied. It is her first failure and so the relevant fixed period is 1 week. Jane complies with the requirement in week 5 of the sanction. Her ESA is made up of the personal amount and the WRAC as set out below. All rates relate to those in 2012/13.

ESA payable Personal Allowance	71.00
WRAC	<u>28.15</u>
Total weekly	99.15

The comparisons below show how the sanction would be applied pre and post the changes made on 3rd December 2012.

Sanction amount weeks 1 – 4	Regime pre-3 rd December 2012	Regime post-3 rd December 2012
Personal Allowance	71.00	00.00
WRAC	14.07 (50 per cent)	28.15
Total weekly	85.08	28.15 (Claimant will be able to apply for hardship payments. Once claimant complies, the relevant fixed period will be applied).

Sanction amount week 5	Regime pre-3 rd December 2012	Regime post-3 rd December 2012
Personal Allowance	71.00	00.00
WRAC	00.00	28.15
Total weekly	71.00	28.15 (One week fixed period. Claimant will be able to apply for hardship payments).

Annex 2 – Employment and Support Allowance and Jobseeker’s Allowance benefit rates 2014/15 (DWP, 2014d)

ESA

Single person

Under 25 – assessment phase	£57.35
25 or over	£72.40
Any age – main phase	£72.40

Lone parent

Under 18 – assessment phase	£57.35
18 or over	£72.40
Any age – main phase	£72.40

Couple ESA (Income-related)¹¹

Both under 18	£57.35
One 18 or over, the other under 18 - higher rate	£113.70
Both 18 or over	£113.70
Both under 18 - higher rate	£86.65
Claimant aged 18-24, partner is under 18	£57.35
Claimant aged 25 or over, partner is under 18	£72.40
Claimant is main phase, partner is under 18	£72.40
Claimant is main phase, partner is under 18 - higher rate ¹²	£113.70

¹¹ Contribution-based ESA not listed as it is a single person benefit.

¹² A higher rate may be paid where either member of the couple is responsible for a child or, were they not a couple each member would be entitled to Employment and Support Allowance, Income Support or Jobseeker’s Allowance in their own right.

Premiums (income-related ESA)¹³

Pensioner premium

Single, assessment phase	£75.95
Single, entitled to work-related activity component	£47.20
Single, entitled to support component	£40.20
Couple, assessment phase	£112.80
Couple, entitled to work-related activity component	£84.05
Couple, entitled to support component	£77.05

Severe Disability Premium

Single	£61.10
Couple, one qualifies	£61.10
Couple, both qualify	£122.20

Carer premium	£34.20
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Enhanced Disability Premium

Single	£15.55
Couple	£22.35

Components

Work-related activity component	£28.75
Support component	£35.75

¹³ Premiums are not awarded in contribution-based ESA.

JSA

Contribution-based JSA

Person aged under 25	£57.35
Person aged 25 or over	£72.40

Income-based JSA

Personal allowances

Single person

Aged 16 to 24	£57.35
Aged 25 or over	£72.40

Couple

With both people aged 16 or 17	£57.35
With both people aged 16 or 17, payable in certain circumstances	£86.65
With one person aged 16 or 17, and one person aged 18 to 24	£57.35
With one person aged 16 or 17, and one person aged 25 or over	£72.40
With both people aged 18 or over	£113.70

Lone parents

Aged under 18	£57.35
Aged 18 or over	£72.40
Dependent children	£66.33

Premiums

Family	£17.45
Disabled child	£59.50
Carer	£34.20

Severe Disability Premium

Single	£61.10
Couple (where one person qualifies)	£61.10
Couple (where both people qualify)	£122.20

Pensioner Premium

Single person	£75.95
Couple	£112.80

Disability premium

Single person	£31.85
Couple	£45.40

Enhanced Disability premium

Single person	£15.55
Couple	£22.35
Child	£24.08

Housing costs – deductions for non-dependants

Amounts are the same as for Income Support.

Benefit for people in work who are on strike – reduction in benefit	£40.00
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