

# **Alleviating Poverty And Building Citizenship In South Africa Through Social Security:**

## **What Lessons From The UK Experience ?**

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## **Introduction**

This report comprises briefing papers submitted to the Committee of Inquiry into Social Security Reform in South Africa. This Committee was established in March 2000 by the Minister of Welfare in South Africa to investigate the system of social security in South Africa and provide feasible options for its reform. The Committee is due to report its findings in June 2001. The papers in this report draw largely on the system and reform of social security in the United Kingdom, and where appropriate, also provide international examples.

The Committee of Inquiry requested in-depth research to be undertaken by members of the Department of Social Policy and Social Work at Oxford University on particular aspects of the system and reform of social security in the United Kingdom. These relate to the organisation and structure of the UK system of social security; interventions to help unemployed youth; the system of disability support; and the system of social security adjudication and appeals.

This research programme initiative followed a three day symposium held between the 5 – 8 December 2000 on the structures and reform of the system of social security in the United Kingdom and the lessons these held for South African attempts at social security reform. The symposium was attended by the Chair of the Commission on Social Security Reform of South Africa and six other members of the Commission. The symposium was hosted by the Department of Social Policy and Social Work, with support from the Rhodes Trust. The symposium programme is attached as **Appendix A**.

By undertaking comparative research on social security reform in the UK and South Africa, the Department of Social Policy and Social Work hopes to contribute to the building of knowledge to facilitate reform of social security in a middle-income developing country such as South Africa, which has an advanced institutional system of social security but with great inequities in access and provision. It is also the purpose more generally to support the intentions of the second white paper of the UK Department for International Development entitled “Eliminating World Poverty: Making Globalisation Work for the Poor”. In particular these briefing papers aim to practically support the objective enunciated in the second white paper to “(H)elp focus more of the UK and global research effort on the needs of the poor...”.

# Social Security and Poverty in the United Kingdom

## Historical Background: The Legacy of Beveridge

The modern UK social security system can be viewed as a significant departure from its roots in the proposals of the Committee on Social Insurance and Allied Services of 1942 led by William Beveridge. It is useful to restate the underpinnings of these original proposals to highlight the comparison and departure from the current modern system.

The Beveridge Report of 1942, commissioned to review the entire system of social security provision in Britain, had three components. The first was to provide income security in the event of sickness, old-age, disability, unemployment or maternity through an integrated system of social insurance. Secondly, for those whose needs could not be met by the insurance benefits a "safety net" was established of means tested National Assistance. Finally, voluntary insurance was still left open to those who wanted to supplement state provision and who could afford private insurance. The three key assumptions that informed Beveridge while constructing the plan were full (male) employment, a Family Allowance for children and a comprehensive health service. The plan was also based on the calculation that under 10% of the population would be aged 65 or more<sup>1</sup>.

The social insurance proposals, providing as they did basic income maintenance in exchange for flat rate insurance contributions, were the principle mechanism by which Beveridge hoped to achieve 'Freedom from Want'. In his own words the scheme is: "first and foremost, a plan of insurance - of giving in return for contributions benefits up to subsistence level, as of right and without means test, so that individuals can build freely on it."<sup>2</sup>

The proposals represented a watershed achievement in that they institutionalised the principle of risk-sharing regardless of economic position, without the differential premiums of categories of high and low risk as in private insurance. They thus helped to build social solidarity across class boundaries in the post-war period of reconstruction, acting as a social adjunct to Keynesianism in the economy. However, they left intact inequalities based on income distribution, employment status and gender and were thus ultimately a reformist strategy aimed largely at appeasing the post-war citizenship expectations of working people for social rights and capital, and for a stable, controlled social system in which post-war capital accumulation could proceed.

The system it should also be noted, was not meant to be re-distributive as the flat-rate rate contributions were paid at an equal rate by both low income and higher income workers – and thus was regressive as the lower income workers paid a larger proportional share of their salary compared to higher income workers. The institutionalisation of social solidarity was thus also the institutionalisation of social inequality, as Beveridge failed to engage (and indeed did not deliberately intend to

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<sup>1</sup> See Dilnot et al, 1984: 10; Alcock, 1987: 52-55, Hills, 1997:30.

<sup>2</sup> Beveridge, 1942

engage) the social inequalities (such as gender differentiation, poverty and unemployment) for which his system aimed to provide security.

It is relevant to reflect on how the system attempted to reconcile the existence of institutional social inequalities with the principle of increased social solidarity embedded in the proposed national insurance system. This is because it is a theme which persists in present debates on reform of social security. Firstly, the level at which the weekly flat rate benefits were established was a minimalist level derived from Rowntree's absolute definition of poverty and his accompanying minimum basket of basic needs goods.<sup>3</sup>

The entire system of national insurance was geared to the notion of a single male breadwinner as the dominant source of income within a household based on marriage. The not unimportant palliative of a Family Allowance for children was a recognition by Beveridge of the domestic role of biological and household reproduction which women bore, and a rationale for his position, of women as 'partners', not subordinates, in a different (domestic) sphere to that of (employed) men.

The core economic underpinning of these proposals was thus full employment: and thus contributions to the National Insurance Fund would not be outpaced by benefit claims. The social underpinning of the proposals was the existence of a well developed health care system alongside the system of social security, and an allowance specifically for larger families regardless of economic status so as not to undermine work incentives.

Though Beveridge saw only a residual role for means tested income maintenance, the period from the introduction of the proposals to the present day have seen the means test in the ascendancy. The major reforms of 1980 and 1988 having been primarily aimed at making means tested benefits perform a significant role in British income maintenance policy.

The election of a New Labour government in 1997, following successive periods of recession and social change again evidenced a major attempt to reform the system of social security. These changes are however based on demographic and social indicators which starkly depart from the Beveridge period of the 1940's although the major theme of family poverty (and childhood poverty in particular) persists.

What follows is a background to the recent demographic structure of Great Britain followed by an account of the benefit system and its structure. Reference to "Great Britain" refers to Wales, England and Scotland while reference to the "United Kingdom" includes Northern Ireland.

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<sup>3</sup> Alcock, 1987:54

## Population structure

The estimated resident population of United Kingdom was 58 million in 1999 of whom 9% live in Scotland, 5% in Wales, 3% in Northern Ireland and the remaining 83% in England. Of the total population 18% were of pensionable age (over 60 years) and 20% were under 16 years of age. Although there are roughly equal numbers of males and females in the populations as whole (28,4 million men to 29,3 million women) in the older age groups there are more proportionally more women than men. According to 1997 figures 4 million of the population were from minority ethnic groups.

The pattern of change from the “traditional family” is evidenced in recent figures which indicate that between 1961 and 1998 there has been an upward trend in the proportion of households headed by a lone parent, increasing to 7% by 1998 (from 2% in 1961). By 1998 approximately 20% of children lived in lone parent families (compared with 7% in 1972). The majority of lone parents are mothers, either single or divorced. Under 10% of lone parents are fathers.

Between the early 1970’s to the mid-1990’s the number of first time marriages declined by 40% while the number of widowed re-marriages more than halved. Over the same period the number of divorces in England and Wales doubled – suggesting that 40% of marriages will end in divorce at current rates (although the general re-marriage rate has remained constant since 1981<sup>4</sup>).

The proportion of live births occurring outside marriage has also increased to 1 in 3 births by 1998 (from 1 in 12 births in 1968). For England and Wales the proportion of extra marital births rose from 8% to 36% between 1971 and 1996<sup>5</sup>.

The aggregate infant mortality rate has shown a marked decline, from 142 deaths for every 1000 births in 1901 to six per thousand live births in 1998. These rates differ internally however within the population with children of mothers born outside the UK having a higher risk of infant death in the first year, at six per thousand live births for non-UK born mothers compared to 5 per thousand deaths for UK born mothers. Infants born of mothers in Pakistan and the Caribbean Commonwealth were more than twice as likely to die in infancy than those whose mothers were born in the United Kingdom (ONS, Social Inequalities 2000).

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<sup>4</sup> Murphy, M and Wang, D 1999 'Forecasting British Families into the Twenty-First Century' in *Changing Britain: Families and Households in the 1990's* McRae, S -ed. Oxford University Press: Oxford

<sup>5</sup> *Ibid.*

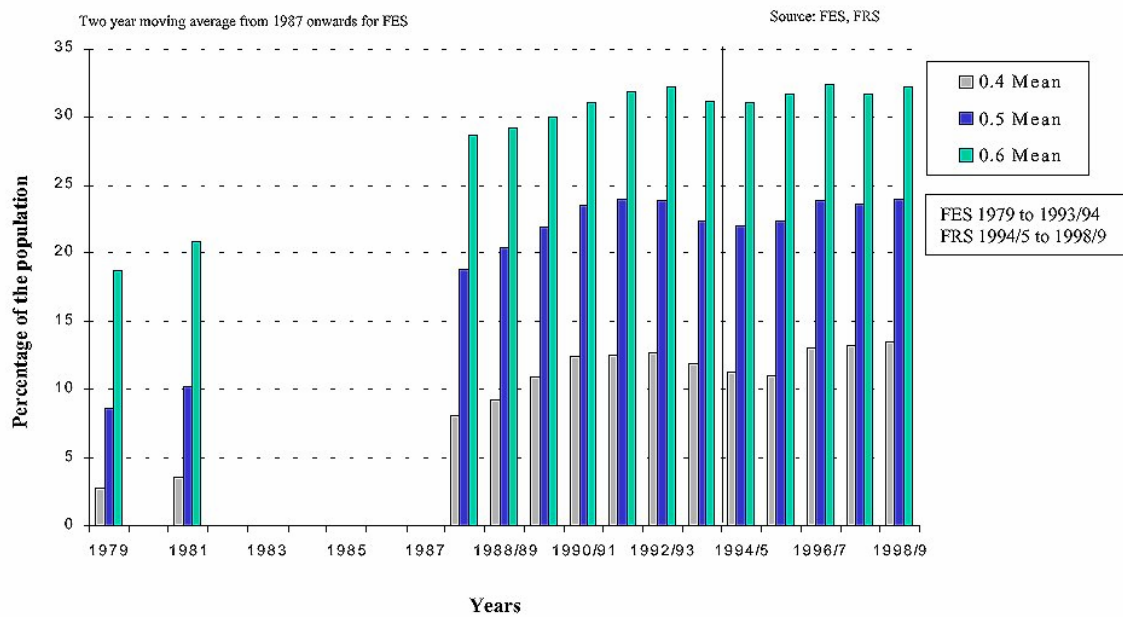
The household structure shows the following percentage differences between 1961 and 1998.<sup>6</sup>

Household type	1961	1998
Single pensioner	7	15
Single non-pensioner	4	14
Couple (no children)	26	30
Couple (dependent children)	38	23
Couple (non-dependent children)	2	6
Lone parents	2	7
Other	12	6

Noticeable are the increase in lone parent households, single households, the more than quadrupling in the case of single non-pensioners, and the decline in couples with dependent children – again a striking variance from the Beveridge model on which social security arrangements were originally based.

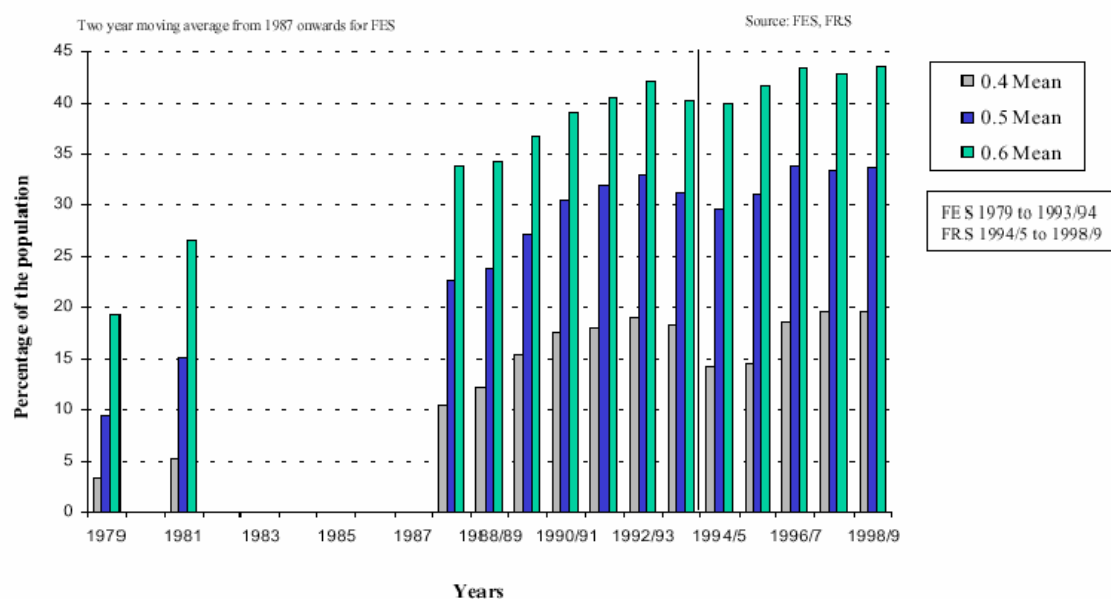
## Poverty

**Figure 1 Proportion of the population below thresholds of contemporary mean income After Housing Costs**



<sup>6</sup> from Office for National Statistics, *Social Trends* 30, Table 2.2..

**Figure 2: % children below thresholds of Mean Income 1979 – 1998/9**



The changing demographic structure illustrated above has conditioned the income distribution and system of social security. The latest statistics produced by the Department of Social Security (DSS, 2000) indicate that nearly a quarter of the population of Britain lived in poverty as defined by half of average income (Figure 1). The same statistics show that in 1998/9 nearly 35% of children lived in households where the income was below half average (Figure 2).

<b>Characteristics</b>	<b>Bottom 30%</b>	<b>% in persistent poverty 1995-1998</b>
<b>Gender/Children</b>		
Children	37	18
Men	24	10
Women	32	17
<b>Family type</b>		
Pensioner couple	38	26
Single Pensioner	52	33
Couple (children)	29	13
Couple (no children)	14	4
Single (children)	57	33
Single (no children)	24	7
<b>Economic status</b>		
Fully employed	8	3
Partially employed	24	9
Workless	71	37
Pensioner	49	33
Self-employed	23	5



A more detailed indication of poverty trends is provided by figures derived from the British Household Panel Study. The table above indicates figures for those in the bottom 30% of the income groups by family type and household status and provide a means of illustrating the trend of those in poverty.

There are more women than men in persistent poverty, with almost a third of women compared to almost a quarter of men in the bottom 30% of the income distribution. Overall, however, there is a slightly higher proportion of children than women in persistent poverty.

What are the key factors which have contributed to the structuring of poverty around children, lone parents (predominantly women), pensioners and the unemployed? Jonathan Bradshaw (1999: 25) suggests that this is because there has been a growth in low waged, episodic, fragmented full-time employment. This has accompanied a rise in insecure self-employment and a wider income dispersion between rich and poor.

The ILO definition of unemployment registered a 7% unemployment rate in Spring 1999 for Great Britain (5% for women, 7% for men). Economic activity rates (percentage of the population in the labour force) for 1998/99 showed labour force participation rates for whites, Black Caribbean and "Other Black" groups ranging between 72% and 77%. Much lower rates were recorded for Bangladeshi and Pakistani women at 19% and 30% respectively. White women registered a 74% rate of participation compared to the higher 85% white male rate.<sup>7</sup>

23% of all employees in Great Britain, (15% for males, 24% for females) were employed with 'flexible working' patterns indicative of episodic and casualised employment. The fragmentation of labour patterns, evidenced in the rise of part-time, low waged employment and low labour force participation patterns for women from minority communities, has contributed to poverty by reducing the total amount of income available to households in the low income groups compared to those in full employment.

Work is also concentrated in fewer households: 1 in 7 households had no working person in 1993 compared with 1 in 20 in the mid-1970's. Women's income performs an important role in preventing poverty in the household. Bradshaw (1999) quotes Harkness et al (1994) who estimate that poverty rates among couples would be 50 percent higher without women's earnings.

The fragmentation of employment patterns has also affected the choices which the low-waged poor make in relation to the public benefit system. Most notably for those in poverty, the income received from benefits can exceed that from low waged work, informing a choice for receiving means-tested Income Support as opposed to working for low wages, particularly for those with child care responsibilities (and having to contend with expensive child care costs). The notion that people are "better off on the dole" should not be overestimated however as benefits are not generous for those on means tested Income Support. A government (DSS) study conducted in 1987 for example, which compared net incomes "out of work" as a percentage of incomes "in work", found that for 53% of the sample "out of work" incomes were less than half of

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<sup>7</sup> Labour Force Survey 2000.

that in work (Hills, 1997:23). The trend however is for greater reliance on public benefits for those in the lower income groups. The poorest fifth of households for example received only a quarter of their income from earnings and approximately two-thirds from state benefits in 1997/98 (Social Inequalities, 2000: 43).

The major demographic reasons accounting for poverty is first the growth of elderly people in the population who find themselves, as the figures above illustrated, in a position of greater vulnerability to poverty. This is particularly the case for female pensioners and those pensioners comprising single households. Second, the growth of lone parenthood. Lone parents often find it difficult to access the labour market with the educational levels and child care support available to them subsequent of leaving school and starting a family and there has been a proportionate increase in those dependent on Income Support. In 1991 79% of lone mothers aged over 20 were receiving means tested income support.<sup>8</sup>

### **The current system of Social Security Benefits**

What follows below is an outline of the principle benefits and key issues related to reform of social security, grouped in four categories covering the “life-cycle”: benefits for families and children, benefits for the economically active age group, benefits for disabled people and finally benefits for older people.

#### **Contributory, Means tested and Contingent Benefits**

The benefits in these categories can be classified into three types: contributory benefits, means-tested benefits and finally contingent benefits.

*Contributory benefits* are social insurance benefits which derive from the payment of National Insurance contributions whilst employed and cover risks such as unemployment or retirement. Contributory benefits are individualised and not tied to income of partners. The main benefits are the state Retirement Pension, Incapacity Benefit and the contributory component of Jobseekers Allowance.

*Means-tested benefits* are tied to an assessment of “family” need and means and aim to provide a minimum income safety net. They are not dependent on past contributions to a National Insurance fund. There are two main groups. For those not in work there are Income Support and Income Based Job Seekers Allowance. The former is paid to groups such as pensioners, lone parents and the long term sick, the latter to those below pension age who are unemployed. The second group are to supplement low wages for those in work. The main benefits here are Working Families Tax Credit and Disability Tax Credit. In addition to these two groups of benefits Housing Benefit and Council Tax Benefit are available to give assistance with housing costs.

In addition to periodic means tested benefits there is a Social Fund which allows for a limited number of one off grants or loans. The Social Fund is a fund established for those with special, often emergency needs who are not covered by other existing benefits. A Community Care Grant exists for those leaving institutional

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<sup>8</sup> Hills, 1997:33.

accommodation, need assistance to reside in their own home, have an unsettled way of life or are facing “exceptional pressure”. A Budgeting Loan provides for those who require things for their home and cannot afford these from their existing income and have been receiving Income Support or Income Based Jobseekers Allowance for 26 weeks. A Crisis Loan exists for those people who need immediate assistance with day to day living costs or other emergency related costs. A Sure Start Maternity Grant is available for those people, including those on low income, who need help to buy things for a new baby. A Funeral Payment similarly exists for those people who receive a low-income benefit or tax credit and need help paying for a funeral. Finally two weather related benefits exist under the benefits of the Social Fund. A Cold Weather payment exists for those who are either on Income Support or receiving Jobseekers Allowance and have a child under 5, those aged 60 or over or those who are disabled. A Winter Fuel Payment exists for those aged 60 or over.

*Contingent benefits* are non-means tested and non-contributory and entitlement is based on defined “attributes” such as having a child, which entitles Child Benefit, or being disabled which entitles Disability Living Allowance.

To illustrate the operation of the income maintenance system, a number of family groups will be considered.

### **Benefits for Child and Families**

The most important benefit paid in respect of children is Child Benefit. This is a universal benefit paid to an adult parental care-giver, usually women for raising children. It is paid for each child aged under 16 and those 16 or over in 'school type' education. Child benefit is not affected by income or savings (i.e. it is not means-tested). In 1996 over 7 million families received Child Benefit on behalf of over 12 million children<sup>9</sup>.

The level of Child Benefit has been increased under the current Labour government at a rate which exceeds the rate of inflation.

If parents are not in work and have no other means of support, they will receive Income Support if they are a lone parent family or income based job seekers allowance if a couple parent. The child benefit paid in respect of the children is taken into account in calculating the entitlement.

If the parent(s) are in work but in low income then they may receive Working Families Tax Credit to supplement their income.

Working Families Tax Credit replaced Family Credit (a means-tested benefit paid directly to families) in October 1999. This tax credit is withdrawn according to income but is more generous than Family Credit in that it offers a higher maximum payment and a lower taper.<sup>10</sup> Qualifying conditions for eligibility are work over 16 hours, a dependent child and no capital in excess of 8000 pounds. The Working Families Tax Credit is a good illustration of New Labour's strategy for welfare reform

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<sup>9</sup> McKay and Rowlingson, 2000

<sup>10</sup> Piachaud and Sutherland, 2000.

which is summed up in the slogan “paid work for those who can, security for those who cannot”. A key principle underpinning New Labour's social security reforms is that they increase incentives to work - low wage supplementation coupled with the introduction of a minimum wage being key stratagems.

In addition to these benefits there is the Children's Tax Credit which is to be introduced from April 2001 and which will be paid to a parent in all families with children aged under 16, except that it will be withdrawn from higher rate tax payers<sup>11</sup>.

In their paper, “How Effective is the Governments Attempt to Reduce Child Poverty ?”, Piachaud and Sutherland (2000) assess through statistical modelling the degree to which the combination of tax credits and benefits described will be re-distributive and impact on child poverty. They conclude that the cash increases in these benefits under New Labour contribute the largest share in the reduction of the poverty gap. The proportion of children in poverty falls through their calculations from 26% to 20% and the poverty gap (aggregate deficit below the poverty line) is reduced by nearly 25%.

Piachaud and Sutherland (2000) make the important observation that benefits in government accounts have been treated as expenditure and tax credits as negative taxation. In the past this has resulted in tax credits and allowances rising in value when public expenditure has been constrained – favouring the better off who gain from tax concessions in their view at the expense of those relying on benefits.<sup>12</sup> Another point they make is that tax credits are the responsibility of the Department of Inland Revenue which is controlled by the Treasury. The Chancellor, Gordon Brown, has in their view taken an unusually active approach to relieving child poverty – referring to it publicly as a “scar on the soul of the nation” – and has seemed keen to integrate taxation and social security. This in their view increases the likelihood of child poverty reduction.

John Hills (1997) comments are supportive of this view in that he asserts that the net effect for him of tax-financed benefits is re-distributive towards those with low incomes, even without means testing. Problems associated with ensuring that those who need universal benefits most receive it could be dealt with if the income level at which benefits were withdrawn was set at a high level rather than a low one. To prevent for example Child Benefit going to richer, middle-class families who do not need it Hills (1997) suggests the establishment of a high-income claw back via the tax system to address this concern.

### **Those under pension age who are out of work**

If the unemployed have sufficient National Insurance contributions, they may receive for 6 month Contributory Job Seekers Allowance. If they do not have sufficient contributions, or if the 6 month eligibility for the contributory benefit is passed or the payment they receive from the contributory fund is insufficient given their other income or family circumstances, they will be entitled to means tested or 'income based' Job Seekers Allowance. Both these benefits have stringent 'active labour

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<sup>11</sup> See Piachaud/Sutherland, 2000.

<sup>12</sup> Piachaud/Sutherland, 2000: 22

market' requirements for receipt. Job Seekers must demonstrate that they are actively seeking work and enter into a Job Seekers Agreement to establish entitlement.

### **Benefits for older people**

Pensioners form the largest group of benefit recipients accounting for a third of all benefit spending. An OECD (1995) report is quoted by Hills (1997) as forecasting UK public spending on the main pensions rising from 4.5% of GDP in 1991 to 5.5% in 2035, contrasting with substantial rises in other OECD economies.

The major benefit is the basic State Retirement Pension which amounts to a third of all social security spending. The number of recipients rose from 8 million in 1979 to 10.4 million in 1996 and women (6.6 million in 1996) exceed men (3.7 million in 1996) as recipients. The reason for a greater number of women is that men's contributions cover their wives who tend to live longer than their husbands. At present the state pension age for men is 65 and 60 for women. It is planned that by 6 April 2020 the state pension age for women will be the same as men.

The receipt of the basic State Retirement Pension is conditional on having paid or been credited with appropriate National Insurance contributions. If a married woman cannot obtain full basic State Retirement Pension based on her own National Insurance contributions she may be able to get one based on her husband's National Insurance record. This is only awarded where the husband is already a recipient of a basic State Retirement Pension and the wife is 60 years or over. A widow or widower may also be able to get basic State Retirement Pension based on the husband's or wife's National Insurance record. The level of basic State Retirement Pension is below that of the Income Support level for pensioners therefore those without additional income sources or low contribution levels are entitled to an Income Support "top-up".

The new Labour government has acknowledged the low incomes of pensioners and since April 1999 have guaranteed a minimum income for single pensioners of 75 pounds per week (The Minimum Income Guarantee or MIG).

The State Earnings Related Pension Scheme (SERPS) was introduced in 1976 as an additional earnings related component to the basic State Retirement Pension and is described as an Additional Pension. It is based on 20% of an individual's average lifetime earnings on which National Insurance contributions were made. There is also a provision for "contracting out" of SERPS by paying minimum amounts into a personal pension scheme.

Up-rating policy, or the adjustment of benefit levels to take into account inflation, is a concern in basic State Retirement Pension. According to Hills (1997) until 1982 the pension was increased in line with earnings, since then it has been linked to prices. In real terms it was 148% more valuable in 1995 than in 1948. Relative to average disposable income however it peaked at 47% in 1983 but by 1995 was only 37%, nearly a tenth lower than it had been in 1948. The pension is currently worth 15% of average gross male earnings<sup>13</sup>.

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<sup>13</sup> Hills, 1997: 51

The other pension schemes which exist are private pensions of which occupational pensions are the most important, and personal pensions. Occupational pensions, also known as company pensions and superannuation, are provided by employers and are intended to provide a “second pension” for retirement. Personal or private pensions are provided by private pension companies.

Attendance Allowance is also available for severely disabled older people who are in need of 'care'. It varies according to whether care is needed during the day, night or both. It is not means tested or dependant on contributions and is not taken into account when calculating eligibility to means tested benefits.

### **Benefits for long term sick and disabled people**

There are two groups of benefits for this group. The first are income replacement benefits for those under pensionable age who are too disabled or sick to enter the labour market. In this category is the contributory Incapacity Benefit or (for those who don't qualify for IB but are otherwise sick or disabled) Severe Disablement Allowance.

The second category are benefits that compensate for the extra costs of disability. Disability Allowance for those under pension age and Attendance Allowance for those over pension age.

If the income replacement benefits are insufficient to cover basic needs then an Income Support 'top up' is payable.

McKay and Rowlingson (2000) indicate that the disabled tend to be disadvantaged in three ways. They firstly have a lower than average possibility of employment and the pay is often lower than someone who is not disabled and in a comparable position. Secondly they have higher living costs due to adjustments to their living quarters and thirdly there is often a “spill-over” effect on people they reside with, who may have their employment chances reduced due to care roles.

These higher living and other costs provides an explanation for why disability related benefits are separate and generally more generous<sup>14</sup>. Spending on all disability benefits had risen from 15% of total social security spending in 1979/80 to 25% in 1997/98.

As regards the structure of the various disability and sickness benefits available, Incapacity Benefit represents amongst the most important and is linked to National Insurance. This benefit is provided to those who are unable to work because of ill health or disability and who have been paying National Insurance contributions before leaving their place of employment. Incapacity Benefit is not time-limited (although the benefit is not awarded after pensionable age is reached) and the amounts allocated are higher than the amounts granted in Unemployment Benefit. Entitlement to this benefit is based on strict medical criteria and “incapacity” is measured by a scoring system based on answers to a questionnaire.

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<sup>14</sup> McKay and Rowlingson, 2000

Severe Disablement Allowance is designed in particular for disabled people of working age who are unemployed. It is non-means tested, non-contributory benefit that is contingent on a severe level of impairment and in the main at those who are severely disabled from birth and who have not been able to build up the contributions necessary for eligibility for Incapacity Benefit.

In addition to benefits for disabled people, there is also a benefit available for their carers. This is known as Invalid Care Allowance. It is paid to those providing caring for at least 35 hours per week and who earn less than 50 pounds per week. Receipt of this benefit also provides entitlement to the carers premium within means tested benefits such as Income Support. Recipients of this benefit are eligible for National Insurance contribution credits. Home Responsibilities Protection meanwhile caters for entitlement to the basic state Retirement Pension. In 1996 357 000 awards were made. Of the recipients 76% were women.

# The Redistributive Impact of Social Security Benefits

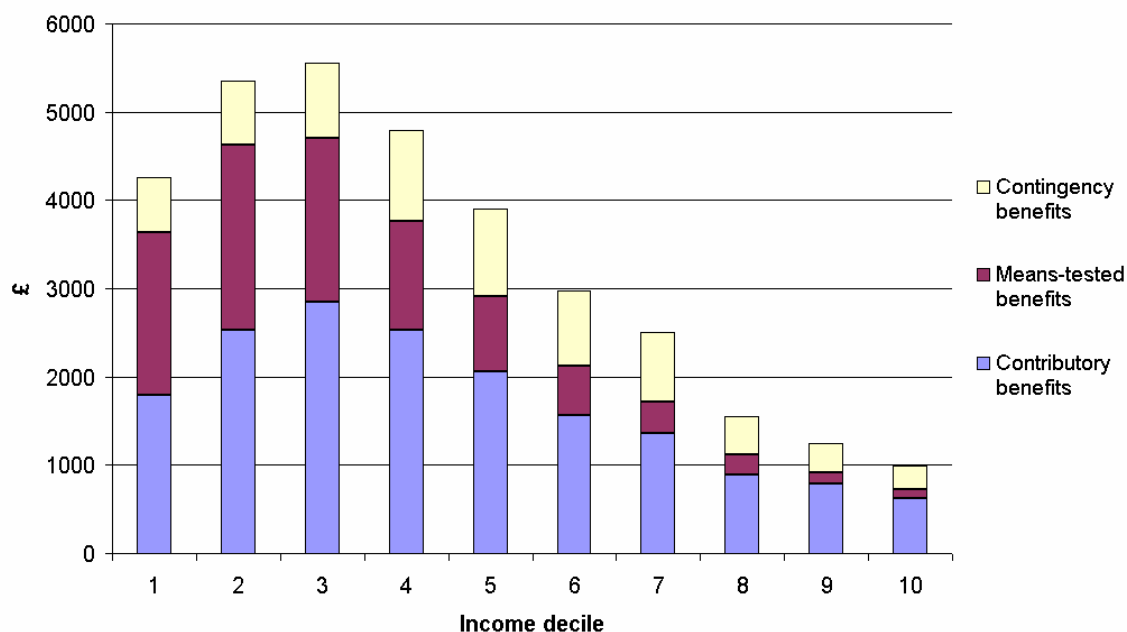
## Types of benefit

In this section we examine the effect that social security benefits have on the distribution of income. To begin with, it is convenient to divide benefits into three types:

- **Contributory benefits**, also often referred to as social insurance benefits, are those where the claimant must have a sufficient record of contributions in order to receive the benefit. In the UK, this category includes the Retirement Pension, contribution-based Jobseeker's Allowance (paid to the unemployed), and Incapacity Benefit (paid to disabled people).
- **Means-tested benefits**, also often referred to as social assistance benefits are those which require a claimant to show that he or she has insufficient other resources and therefore needs the benefit. In the UK, this category of benefits includes Income Support, income-based Job-Seeker's Allowance, and Housing Benefit.
- **Categorical or contingency benefits**, which are neither contributory nor means-tested, but are given to people who are in some specific category. A prime example in the UK is Child Benefit, available to all parents simply because they have children.

## The distribution of benefits among income deciles

Figure 1: Benefit receipt by income decile, UK, 1998-99





Different types of benefits have different distributional effects. One way of examining this is to divide households into ten income deciles and consider how much of each type of benefit is received by households in the different deciles. The results for the UK in 1998-99 are shown in Figure 1. It can be seen from the figure that households in the bottom deciles receive more in means-tested benefits than those in the other deciles. This is to be expected, since the well-off are by definition not eligible for means-tested benefits. (At first sight it may seem strange that any households in the higher income deciles are receiving such benefits; this can be explained by the fact that benefits are calculated according to the benefit unit – an adult or couple together with any dependent children – rather than the household. A household may contain a rich benefit unit and a poor benefit unit which is eligible for means-tested benefits; the overall income of the household might therefore be relatively high and yet it would still be in receipt of a means-tested benefit.)

The amounts received in contributory and contingency benefits are more evenly spread out between the deciles, although they are still more prevalent at the lower end of the income distribution. This is because those at the top end of the distribution are more likely to be in work and so would not receive these benefits. The main contributory benefit is the Retirement Pension, and the reason this declines as we move up the income distribution is that there are fewer pensioners there.

**Figure 2: Sources of income as a percentage of the total**

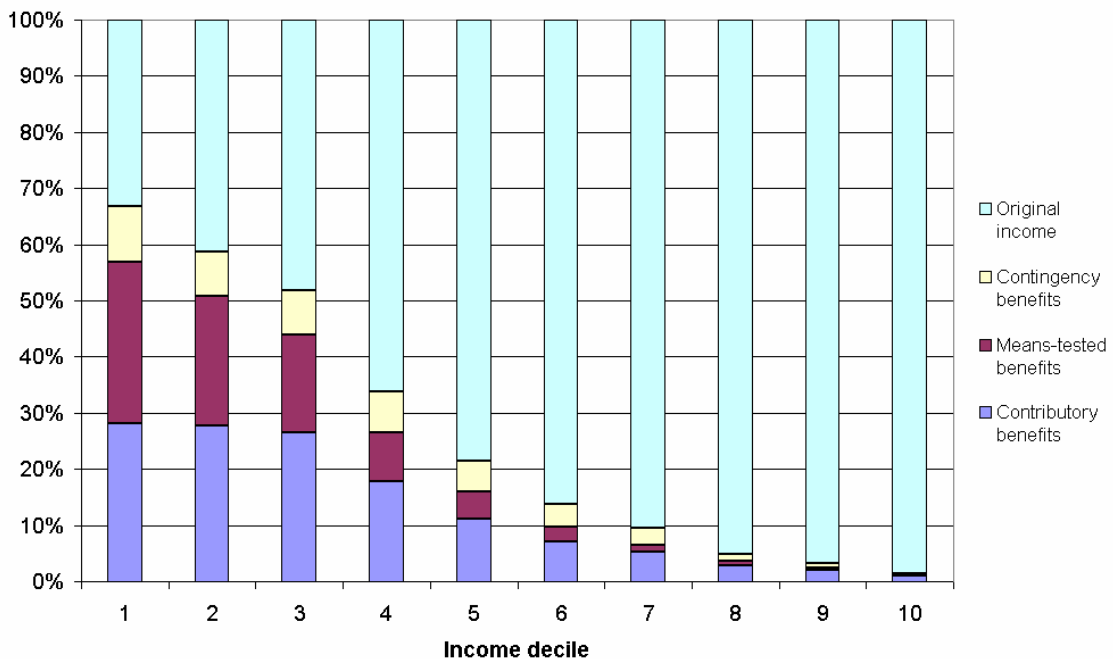


Figure 2 indicates the percentage of each decile's post-benefit income which comes from different sources. 'Original income' is household income before government intervention, and includes income from employment, self-employment, investments, etc. Post-benefit (or 'gross') income is simply original income plus cash benefits. The figure shows how benefits make up almost 70 per cent of income for the bottom decile, but just 1.5 per cent of income for the top decile. It also shows that of the three types of benefit, means-tested benefits play the most important role for the poorest households.

## **Gini coefficients**

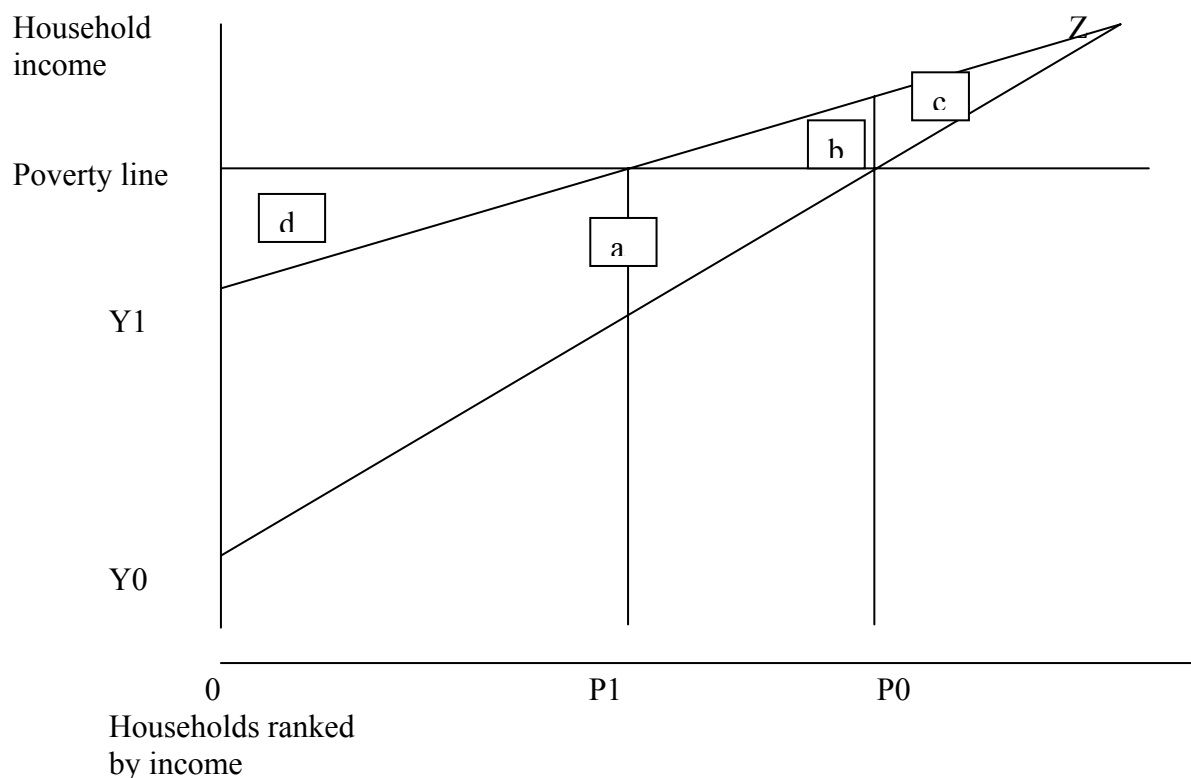
One way of quantifying the overall redistributive impact of the benefit system is to use a summary measure of inequality called the Gini coefficient. If we measure the Gini coefficient of original income, and then the Gini coefficient for gross income. A comparison of the two gives tells us how redistributive the transfer system is.

For example, the Gini coefficient of original income in the UK in 1998-99 was 53 per cent, while the Gini coefficient of gross income was 38 per cent. The benefit system therefore reduced the Gini coefficient by 15 percentage points. How equal a society's incomes are after the receipt of benefits depends partly on the distribution of original income and partly on the design and generosity of the benefit system. In the UK the Gini coefficient for original income began to rise in about 1969, but until 1984 the Gini coefficient for final income barely changed, which shows that the transfer system was offsetting this increasing inequality. Then in the mid-1980s the Gini coefficient for post-tax income suddenly increased, mainly due to specific policy changes.

## **Poverty reduction efficiency**

Another way of measuring the redistributive effectiveness of social security systems is to focus more on the bottom end of the income distribution and ask to what extent do benefits reduce poverty? Clearly the answer to this question will depend on how we measure poverty. One commonly-used method is to define a poverty line (often 50 per cent of mean or median income) and households with resources below this are deemed to be poor while those with resources above are considered non-poor. However, this 'headcount' measure is rather crude and fails to take into account the depth of a household's poverty. A benefit could be received by many households in deep poverty which raised their incomes but not up to the poverty line, and the headcount measure of poverty would show no change. Economists have therefore developed more sensitive measures taking account of the 'poverty gap' which is the distance a household lies below the poverty line.

An influential method to measure the efficiency of social security systems was designed by Beckerman and is shown in the diagram below.



Y0 shows the distribution of original income, so poor families, before the operation of the benefits system, are between 0 and P0, with those nearer 0 in deeper poverty. After transfers, the distribution of income becomes Y1, and poor families are now between 0 and P1. The triangle of poverty has become much smaller: previously it was a+d, but now it is just d. Families between P1 and P0 were previously poor but have now been raised above the poverty line due to the benefits system. The poverty reduction efficiency of transfers is the extent to which they reduce the poverty gap, which is the ratio between area a and total transfers, area a+b+c. Payments to households which were not poor (area c) and ‘excess’ payments to households raising them above the poverty line (area b, known as ‘spillover’) are both sources of inefficiency.

Several studies have been carried out using this approach. Beckerman’s own figures are somewhat dated now: he found that in the 1970s Australia’s poverty reduction efficiency was 56 per cent, Great Britain’s 49 per cent, Norway’s 44 per cent and Belgium’s 8 per cent. At the time, Australia had a predominantly means-tested system, Great Britain and Norway mainly a flat-rate contributory system, and Belgium an earnings-related contributory system.

More recently Mitchell examined data from the Luxembourg Income Study for the early 1980s. Her results varied according to the poverty line used, but for 50 per cent of median income, they were as follows:

	Poverty reduction efficiency
Australia	51.8%
Canada	38.7%
France	34.3%
Germany	36.2%
Netherlands	27.3%
Norway	37.0%
Sweden	23.9%
Switzerland	40.9%
UK	32.1%
USA	41.4%

These results showed that countries with greater use of means-testing (notably Australia) had greater efficiency, while Sweden, the Netherlands and the UK were least efficient.

There are a number of limitations to this approach. Beckerman found that despite having high efficiency, Australia still had high poverty, and Belgium had low efficiency and low poverty. He explained this as follows: ‘an “inefficient” pattern of expenditure can still greatly reduce poverty if enough is spent and ... an “efficient” pattern of expenditure may do little to reduce poverty if very little is spent.’ We therefore need a supplementary criterion to indicate how much overall poverty has been reduced. Weisbrod’s concept of ‘horizontal efficiency’ is useful here; this is the extent to which all of the target group are assisted, i.e. the ratio of area a to area a+d in the diagram. Beckerman found that horizontal efficiency was 74 per cent in Australia, 96 per cent in Great Britain and 99 per cent in Belgium (it was not calculated for Norway). This gives quite a different picture of the results achieved by the various systems from the poverty reduction efficiency criterion on its own. (Unfortunately Mitchell did not measure horizontal efficiency so it is not possible to know whether the same would apply to her results.)

So although at first sight it seems that means-tested benefits are better targeted on the poor, they do not appear to be so effective at ensuring that all of the poor receive benefits. Behrendt identifies three factors which explain this:

- coverage: some parts of the population aren’t eligible for means-tested benefits
- adequacy: some means-tested benefits are not generous enough to alleviate poverty
- take-up: which generally seems to be much lower for means-tested benefits than for contributory or contingency benefits.

Other problems with means-tests are that they create poor incentives to work or save, are expensive to administer, and that in the long term, public support for them may be lower than for other types of benefit since most of those financing the benefit do not gain anything in return. Korpi and Palme found that the size of redistributive budgets is not necessarily fixed but tends to depend on the type of welfare state institutions that exist in a country, and there tends to be a trade-off between the extent of low-

income targeting and the size of redistributive budgets. We cannot simply assume we have a fixed sum of money to dispose of as we choose – taxpayers’ willingness to pay for benefits will depend to some extent on their perceptions of what they are getting back from the system.

### **Redistributional effects of taxes**

We have seen that the cash benefit system is an important instrument which can be used to alter the distribution of income, but it is not the only one: there is also the tax system, and benefits in kind such as health and education. Benefits in kind lie outside the scope of this paper, but we can make some brief remarks about taxation. We can distinguish between direct and indirect taxes. Direct taxes are taxes levied on income from employment, or property, while indirect taxes are levied on expenditure on goods and services. In the UK, for example, the main direct tax is income tax, and the main indirect tax is value-added tax (VAT).

From the perspective of those interested in redistribution, the key question is whether taxes are progressive or regressive. A tax is progressive if those with higher incomes pay a higher proportion of their income in tax, and regressive if they pay a lower proportion of their income than the lower deciles. Thus a progressive tax falls proportionately harder on the rich than on the poor. In the UK, direct taxes tend to be progressive and indirect taxes regressive, with the result that in 1998-99, direct taxes reduced the Gini coefficient from 38 to 35 per cent, but the effect of indirect taxes was to raise it back up to 39 per cent. However, there is nothing intrinsic about this: it is quite possible to have regressive direct taxes and progressive indirect ones.

Mitchell looked at the effects of taxes on the efficiency of social security systems and found that some countries with systems which were not particularly targeted on the poor had progressive tax systems which ‘clawed back’ much of the ‘wasted’ money, so that the bulk of net expenditure did in fact go to the pre-transfer poor. Looking only at the distribution of benefits gives us an incomplete picture: even if higher deciles are receiving quite a lot from benefits, if they are paying more in tax then still the tax and transfer system as a whole is still redistributive.

### **‘Before and after’ comparisons**

One problem with ‘before-and-after’ comparisons is that they are very artificial. It is misleading to assume that there are two separate stages: that first people go out and acquire original income, and then afterwards benefits are handed out and taxes levied. In reality, the knowledge that benefits exist can have powerful effects on people’s behaviour. For example, many pensioners are not employed and therefore have a low level of original income, but they know they will receive a pension. If the pension did not exist, they would have to find an alternative source of income, so their original incomes would be higher. The before-and-after comparison therefore tends to exaggerate the redistributional effect of benefits.

### **Aims of social security systems**

Finally, it is worth bearing in mind the question of what one’s aims are when designing a social security system. As Mitchell acknowledges, the whole Beckerman

approach 'implies that, in a highly efficient social security system, all expenditures would go to the poor. It should be noted, however, that this underlying assumption may conflict with other objectives of the social security systems in this study.' Some examples are:

- income maintenance: where the benefits system protects against a sudden drop in income (a motivation for many earnings-related contributory systems)
- lifecycle redistribution: where the state acts rather like a savings bank - during the good years of employment people pay taxes or contributions, with the knowledge that when they are old they will be able to withdraw benefits
- horizontal equity between particular groups, such as redistribution from those without children to those with them.

### **Conclusion**

Means-tested benefits are the most redistributive of the three types of social security benefit, since by definition they go to those with low incomes. However, contributory and contingency benefits are also redistributive and carry fewer of the negative side-effects associated with means-testing.

# Interventions to help the Young Unemployed: A Survey of Recent Findings

## The United Kingdom Experience

### Key Points

- Government Initiatives for 16-18 year olds focus on keeping young people in education or training.
- There are reduced benefits for 16-18 year olds and a different minimum wage rate for young people.
- There has been a decline in 16-18 year olds entering apprenticeships and training, though Modern Apprenticeships are reducing some of the decline, and Youth Training schemes appear to show success.
- In 1999 an estimated 160,000 16-18 year olds were not in education, employment or training.
- New strategies to promote education and training options for this age group have yet to show conclusive results.

### The New Deal for Young People:

**Aims:** Reduce youth unemployment through focused support, training and work experience.

**Structure:** Available to young people aged **18-24 claiming Job Seekers Allowance and have been unemployed for 6 months or more. Multi agency approach.** Combining work experience and training with advice.

### Success and Evaluation:

- **Current estimate of total spending on New Deal for Young People £1.2 billion**
- By July 2001, **250,000 young people** will have entered sustained unsubsidized jobs.
- **4/10** of participants left to sustained, unsubsidized jobs so far.
- Lower job entry rates for ethnic minority participants but higher rates of sustained jobs.
- Early assessment suggests New Deal had a **positive effect, and is seen in a positive way by participants and employers.**
- Varied experience by **locality.**
- Importance of New Deal advisor.
- Criticism that the young unemployed **'would have got jobs anyway'** as economy and labour market improved.
- Concern about **quality of training provided.**
- Still needs assessment of overall economic conditions and impact of minimum wage to evaluate success of New Deal.

- ‘Hard to reach’ group of young unemployed, with multiple disadvantages remains.

In March 2000 the ‘Young People’ report of the Policy Action Team 12 as part of the National Strategy for Neighbourhood Renewal endorsed Government initiatives such as the Connexions Strategy for 16-18 year olds and the New Deal for Young People and stated that, ‘the key challenge is to achieve greater coherence at a national and local level of existing initiatives, rather than invent a series of new ones’.<sup>15</sup>

This coherence could be supported by a **Ministerial Group for Young People** to have an overview of youth policy. It also suggests that improved support for **families**, and a preventative budget aimed at **at-risk young people** should be part of the integrated approach.

## Section A: 16-18 year olds

### Background to current schemes<sup>16</sup>

*1983 Youth Training Scheme (YTS)* replaced Youth Opportunities Programme. YTS was designed to be more training focused, but suffered because of the increased numbers entering the process as the youth labour market contracted. It was estimated that 1 in 10 young people not in education or work rejected the YTS. Evaluation suggests that the scheme was beneficial to participants.

*1988 implementation of 1986 Social Security Act.* Under 25s received lower rate of Income Support benefit (excluding young parents). Changes predicated on expectation that under 25s were still in part dependent on parents, who in turn bore the burden of decreasing help with e.g. mortgage payment relief for those with ‘non-dependents’.

*1988 Income Support benefit withdrawn from 16-18 year olds.* Replaced by a training ‘guarantee’. Still estimated that a large number (between 100,000 and 150,000) did not take part in training, full time work or education.

*1996 restrictions on Housing Benefit paid to under 25s.* Followed a series of benefit reduction or curtailment measures.

*The ‘Young People’ report in 2000* highlighted that young people who are not living at home face complex administrative and information barriers to benefits.

### 16-18 year olds: Background Facts<sup>17</sup>

As policy moves towards education based strategies for improving young people’s employment possibilities, with little emphasis on job creation for young people, the work route for 16-18 year olds has become more restricted.

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<sup>15</sup> *Young People* Report of Policy Action Team 12, National Strategy for Neighbourhood Renewal March 2000.

<sup>16</sup> For this section see G. Smith, H. Williamson, L. Platt *et al* 1996.

<sup>17</sup> For this section see R. Bell and G. Jones 1999



This may disadvantage young people who would like to seek independence after 16. This policy focus may also be to the detriment of young people who are not targeted as disadvantaged as more emphasis is placed on socially excluded groups.

There has been a substantial decline in the youth labour market and an increase in the number of young people staying on in education.

More young people are entering low paid work, part time work, contract work and temporary work.

There has also been a decline (1989-1998) in the numbers of 16-18 year olds entering government training schemes, formerly designed to absorb the young unemployed.

Apprenticeships in manufacturing industry declined from 240,400 in 1964 to 53,600 in 1989 (predominantly male). Modern Apprenticeships set up by government have increased numbers. 116,000 young people (16-18 year olds) in this scheme in 1998.<sup>18</sup>

Unemployment is regionally varied, and by social group and ethnicity. The greatest risk of unemployment is for under 18s, males, and particularly African-Caribbean males (with an unemployment rate of 36 per cent in 1997).

In 1999 it was estimated that over 160,000 16 –18 year olds (1 in 11 of the age group), not in education, training or work.

### **16-18 year olds: The Connexions Strategy<sup>19</sup>**

Announced in 2000 with full service implementation expected by 2003, the Connexions strategy is designed as part of a wider programme of measures aimed to help boost young people's educational achievement, reduce young people's social exclusion and tackle worklessness. It follows research into young people 'not in education, employment or training' (NEET).<sup>20</sup>

Connexions establishes a 'learning framework' for the teenage years, emphasizing educational attainment, individual choice and tailored skills.

This is to achieved through:

- Flexible school curriculum.
- Improving sixth form colleges, further education colleges and work based learning.

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<sup>18</sup> See 'Modern Apprenticeships and National Traineeships: Skills Utilisation and Progression', June 2000, DfEE Research Brief and 'Barriers to Take-up of Modern Apprenticeships and National Traineeships by SMEs and Specific Sectors', June 2000, DfEE Research Brief.

<sup>19</sup> 'The Connexions Strategy Document', January 2000, Department for Education and Employment.

<sup>20</sup> See 'Mapping Troubled Lives: Young People not in Education, Employment or Training', January 2000, DfEE Research Brief; 'Young People not in Education, Employment or Training: data from the England and Wales Youth Cohort Study', May 2000, DfEE Research Brief and 'Bridging the Gap: New Opportunities for 16-18 year olds not in Education, Employment or Training', 1999, Social Exclusion Unit.

- Targeting financial support for those learning, e.g. access to training allowances and access funds.
- Outreach, information, support, advice and guidance.

To be managed by a Connexions Service to provide the service through a network of advisors drawn from a range of public, private, voluntary and community sector organizations.

Early comment suggests that the conditions needed for the successful implementation of the strategy (flexible curriculum; financial support arrangements; improvement in the quality of educational provision), makes the task very difficult, and slow to achieve. Partnership organizations have been slow to respond, or have had difficulty in responding. The **lack of a ‘clear vision’** for the service and strategy have left it open to criticism and reticence.<sup>21</sup>

## **Section B: The New Deal for Young People**

### **Youth Unemployment Figures (November 2000)**

- ILO count of young unemployed for over six months 128,000
- UK claimant count of young unemployed for over six months 48,000
- UK count of those on New Deal for Young People, 56,000<sup>22</sup>

### **The New Deal for Young People (NDYP)**

This is a **multi-agency approach** to dealing with youth unemployment and labour market disadvantage by combining work experience and training. It involves:

- central government
- local government
- careers service and probation service
- large national employers and local business organizations
- colleges and training organizations
- trade unions
- national charities and voluntary organisations

The NDYP was rolled out nationally in the UK by the Labour Government in 1998 following a four month trial in twelve ‘pathfinder’ areas. For the government there were several key issues:

- The ‘Welfare to work’ approach is designed to keep spending on social security level.
- Promoting a route out of poverty through work.
- Looking to provide a skilled workforce while resisting wage inflation pressures.

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<sup>21</sup> ‘Is Connexions losing momentum?’, *Working Brief*, October 2000.

<sup>22</sup> See ‘Claimant count nears one million benchmark’, *Working Brief*, November 2000

It has been marketed as: ‘... real jobs with real employers paying real wages.’<sup>23</sup>  
It has been paid for by ‘Windfall Taxation’ on utilities.

NDYP is targeted at 18-24 year olds who have been claiming benefit (Job Seekers Allowance (JSA)) for six months or more. Other groups who may benefit from early entry without the long period of unemployment have also been included.

Participation is compulsory for the target group, and failure to comply leads to benefit sanctions.

*Key Barriers to work:* lack of skills and work experience, ineffective job seeking, low pay, access to and cost of transport.<sup>24</sup>

### **NDYP Programme Outline:**

1. Initial interview with New Deal Personal Advisor (NDPA)

2. Enter ‘**Gateway**’ programme. Up to four months of intensive advice and guidance. This includes:

- help to find unsubsidized work for those who are ‘job ready’
- help for those who need extra support to find unsubsidized work
- help and support for those who will enter the New Deal options

This advice and support is provided by the **Employment Service** (ES) or a ‘partner organisation’ such as a local career service organization.

The Gateway interview will design with an advisor a New Deal Action Plan tailored for each claimant. It also offers ‘Gateway Opportunities’ of careers advice, help with skills, mentoring, and specialist help for claimants with particular problems, e.g. drug dependency. The ‘opportunities’ are generally voluntary but may become compulsory if persistently refused.

3. After up to four months in the ‘Gateway’, if no unsubsidized job found, the client is referred to one of four **New Deal Options**.

These are:

- Full time education and training
- Subsidised Employment
- Environmental Task Force
- Voluntary Sector

This is voluntary up to the fourth month of the Gateway, when an option will be chosen for the claimant by the advisor.

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<sup>23</sup> *The New Deal Handbook* 1999, Unemployment Unit and Youthaid, xi.

<sup>24</sup> ‘The New Deals: the experience so far’, JRF *Findings*, July 2000.

## Full-time Education and Training

- Focus on **basic skills** and **enhancing employability**.
- Client gets a **training allowance** equivalent to JSA. Client retains ‘passported’ benefits such as Housing Benefit.
- Colleges and training organizations paid up to nearly £3000
- Expected timescale of **9-12 months**. Attendance of 30 hours per week minimum.
- Leading to National Vocational Qualification Level (NVQ)2, (or in some cases a Modern Apprenticeship or National Traineeship, or basic skills).

## Subsidised Employment

- Focus on **long term employment** and **high quality training**.
- Client gets a **wage** at a rate offered by the employer, but not lower than the statutory minimum. Client stops claiming JSA and ‘passported’ benefits. May claim in-work benefits such as Family Credit. First six months entitled to one day a week off-the-job training for recognized qualification (NVQ).
- Employer receives over £2000 over a six month period.
- Expected that job will be **permanent** and not less than six months.
- Possibility of taking up **self employment** route and ‘test trading’.

## Environmental Task Force and Voluntary Sector

- Focus on **work experience** and **training** to enhance **employability**.
- Client gets a **training allowance** or **wage**. Client retains ‘passported’ benefits such as Housing Benefit.
- Providers could receive nearly £4000 for each six month placement.
- Expected timescale of **6 months**. Work of 30 hours per week minimum. Entitlement to one day a week training.
- Concern that EFT and VS options seen as ‘sink options’
- Concern that EFT and VS options lead to ‘substitute workers’.

## Leaving the New Deal early

Leavers who attempt to return to benefit claims will be re-referred to New Deal or Gateway stage. **Benefit Sanctions** apply to early leavers.

## Follow Through Strategy

- Focus on using experience on New Deal Option and advice to find **employment**.
- Up to four months of ES advice to help with job search and Action Plan.
- New Jobseeker Interview for those returning to benefit and mainstream provision, such as Jobclubs.
- Six month period before claimant can re-enter or will be required to **re-enter New Deal**.

To August 2000, 40,000 people had entered the Gateway twice, and 1242 had entered it three times.<sup>25</sup>

## **Outcomes and Evaluation (January 2001)<sup>26</sup>**

### ***Employment Targets:***

Government target of 250,000 young people into work over life time of Parliament (five years). *Total into jobs after New Deal: 262,440. Total into sustained (lasting over three months) unsubsidized jobs: 180,970.* Current estimates suggest that by July 2001, 250,000 young people will have entered sustained unsubsidized jobs. 25% of subsidized jobs not sustained. 42% of unsubsidized jobs not sustained so far.

*Return to claiming JSA benefit:* over 40,000 from the non-employment New Deal Options, but only 13% of those who took the Employment New Deal Option.

### **Funding and Costs of New Deal Programme:<sup>27</sup>**

Current estimate of total spending on New Deal for Young People **£1.2 billion** rather than initial estimate of £2.6 billion. Reduction of £40 million for 2001-2002 proposed in Budget 2001. Overall cost of programme over five years expected to be half of original budget (this would need a 38% increase in spending). Effectiveness of Gateway in job search, has led to an expectation of decreased spending on this area.

### **New Deal Participation:**

Since 1998, **557,300 young people** have started on New Deal.  
Of the leavers:

- 4/10 to sustained, unsubsidized jobs
- 1/9 transferred to other benefits such as Income Support and Incapacity Benefit
- 3/10 left for unknown reason
- 1/5 left to 'other known destination'.

Earlier research showed of those leaving for an 'unknown reason', 57% had gone into paid work. This is an extra 75,000 jobs.

### **Ethnic Minority Groups**

Lower job entry rates for ethnic minority participants (30% left for sustained, non subsidized jobs, compared to 34% for others). Higher level of jobs sustained (36% not sustained, compared to 40% for others). Within 'ethnic minority': Black African had lowest sustained job entry rate (17%), Black Caribbean and Black Other (23%), Pakistani (26%), Bangladeshi (29%), Indian (33%), 'Non ethnic minority' (32%).

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<sup>25</sup> 'Welfare to Work Briefing', *Working Brief*, December 18<sup>th</sup> 2000.

<sup>26</sup> 'Welfare to Work Briefing', *Working Brief*, January 2<sup>nd</sup> 2001.

<sup>27</sup> see P. Bivand, 'Pre-budget report outlines next phase of New Deal' and 'The cost of unemployment', *Working Brief*, December 2000/ January 2001.

## Gender

- Women: 33% job starts not sustained.
- Men: 42% job starts not sustained.

## New Deal Options

Of those with known destinations:

- **Employment Option:** 63% sustained unsubsidized jobs.
- **Other Three Options:** around 40% sustained unsubsidized jobs.

## New Deal or Labour Market Improvement?

Criticism of New Deal focuses on the premise that the young unemployed benefiting from the scheme **‘would have got jobs anyway.’**<sup>28</sup> Early assessment using econometric measures suggest that the New Deal had a **positive effect** of getting young people into jobs more quickly and in greater numbers, with no visible displacement effect.

Still needs assessment of overall economic conditions to evaluate success of New Deal. Evaluation must also take into consideration regional differences, and urban/rural comparison.

## Claimant and Employer satisfaction with New Deal<sup>29</sup>

Training an essential factor in how claimants judged the New Deal Options. Concern about lower participation of ethnic minority claimants in Employment Option. Claimants perception of improved employment chances depended strongly on experience of New Deal option. More intensive programmes contributed to higher claimant satisfaction. Perceived hierarchy of New Deal Options with Employment as most favoured.<sup>30</sup>

Low level of employer participation from the public sector.<sup>31</sup> Most employers positive about experience and about recruiting an unemployed person. 1/5 critical of New Deal and ability/job-readiness of recruit, focusing on inability to get on with other employees. Variable knowledge of the NDYP.

## Future of the New Deal<sup>32</sup>

New Deal ‘Mark 2’ to be introduced by Labour in 2001. Increased focus on those people claiming Incapacity Benefit and Income Support (e.g. disabled people, and

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<sup>28</sup> ‘Welfare to Work Briefing’, *Working Brief*, December 4<sup>th</sup> 2000.

<sup>29</sup> *New Deal for Young People: National Survey of Participants: Stage 1*, March 2000, Employment Service, and C. Hasluck, *The New Deal for Young People, Two Years On*, February 2000, Employment Service.

<sup>30</sup> ‘The New Deals: the experience so far’, *JRF Findings*, July 2000.

<sup>31</sup> This point and following: *Working Brief*, November 2000.

<sup>32</sup> see ‘Designing the next generation New Deal’, *Working Brief*, November 2000 and C. Hasluck, *The New Deal for Young People, Two Years On*, February 2000, Employment Service.

lone parents). **Increased scrutiny of education and training** within New Deal Options. Improvement to 'Gateway' to reduce time spent in this part of the programme, increase numbers moving into unsubsidized jobs and tackling basic skills needs. Focus on **job retention**, including in work training, child care facilities, counselling. Ensuring that for low paid workers wages are supplemented by in-work benefits, e.g. Housing Benefit. Emphasis on 'transitional employment' to help workless into labour market. **Key role of advisors for both clients and employers.**

## **European Strategies and the OECD countries**

### **Key Points:**

- Lower overall unemployment necessary in order for youth unemployment to fall.
- Key challenge: Preventing failure at school and developing young people's employability.
- Higher employment of school leavers in part depends on overall unemployment rate, more centralized/co-ordinated systems of wage bargaining, and strong dual system of vocational education/training.
- Apprenticeship systems successful but need strong linkages and embedding in existing institutions in countries considering this option.
- The experience of youth unemployment is widespread, but is highly concentrated among a disadvantaged group of young people.
- Small 'hard core' group of young people with very limited skills and major disadvantages. Disappointing results of even targeted approaches.
- Early identification of at risk youths essential and help strategy within education or specially tailored programmes outside education.
- Important to establish links with local job market and co-operation of government, education, social and labour market authorities.
- Many effective approaches involve substantial costs in training, subsidised work placements and co-ordination. Minimum wage policies may be important.
- Large cross country differences: shows need for specific policies.
- Need evaluation and monitoring of programmes, with long term framework.

### **OECD statement of 'What works' for improving the prospects of young people:**

- Close **contact with the local labour market**. Must be aimed at good quality jobs with relatively high earnings and opportunities. Actively seeking employer support.
- An **appropriate mix and intensity of education and work- based learning**. Short and non-intensive programmes have disappointing results.
- Need **high quality training and teaching**.
- Need to provide '**ladders**' to further education and training opportunities.
- Need to provide a range of **supportive services** tailored to individual needs, e.g. child care, counselling and placement services.

- Need rigorous **evaluation** and need to use this information to improve quality. Too few so far and have not spread to enough countries, e.g. in Europe.
- Need sustained and coherent development involving education, training and labour market authorities, and other agencies, working together.

### **OECD countries summary<sup>33</sup>:**

- OECD area: 1979-1998, **fall in employment** rate from 53% to 45% for 15-24 year olds. Only in part due to higher education enrolment.
- Average Youth unemployment rate in OECD area: 10% in 1979, 13% in 1998.
- **Hard core of young people out of work** for long spells or intermittent employment.
- **Increased inequality** within the youth population, in terms of job opportunities and earnings.
- One fifth of all unemployed youths live in households with no worker.
- **Staying on at school** in OECD area increased. Percentage not in school or in a job stayed stable over last two decades.
- **Lower overall unemployment necessary in order for youth unemployment to fall.**

### **Strategies for improving youth labour market prospects**

**Policy typically straddles education, labour markets and social welfare authorities.** Combines intervention on **supply and demand sides**.

Supply side: developing employability through school curricula; strengthening links between education and work; study incentives; remedial training; career counselling. Demand side: wage setting; creating jobs in public/non profit sectors.

**Need for broader poverty reduction policies and equalisation of socio-economic conditions. Major determinant of youth unemployment is overall economic activity.**

Need evaluation and monitoring of programmes, with long term framework.

### **Developing Young People's Employability**

**Apprenticeship countries**, e.g. Germany, Switzerland, Denmark, Austria, provides vocational pathway combining school-based education with training at the workplace. 1996 Germany, 40% young employees 15-24 had apprenticeship contract, Switzerland around 30%, Austria around 24% and Denmark around 25%.

Characterised by formal training and regular education; formal contracts; low wage rising with productivity; possible employer subsidies and certification on leaving.

**Good track record in keeping youth unemployment low**, and integrating high proportion of school leavers into jobs. **Problems:** e.g. supply and demand of training places by sector; increasing attractiveness of other routes; **lack of responsiveness to technological change.**

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<sup>33</sup> This section based on 'Giving Youth a Better Start' Editorial, *Employment Outlook*, June 1999, OECD and Bowers, N., Sonnet, A., Bardone, L., 1999, *Background Report: Giving People a Good Start: The Experience of OECD Countries* OECD Secretariat, Paris.



Not all countries are able to duplicate these conditions, e.g., statutory framework, strong links with education, set of agreed certification standards, significant co-financing of costs via public subsidies and apprentices being paid below the market rate for adult workers.

**School based approaches to training:** e.g. Spain, Greece, Portugal, France, Netherlands, Sweden. Little school based vocational training in US, NZ, Canada, Australia, but have instead more **informal links**. Often further training is curtailed because of high turnover and fear of poaching, e.g. in the US, where training is positively correlated with educational attainment. Japan: almost exclusively formal training by firms, linked to schools, with pressure on grades and school performance, disadvantaging early school leavers. Emphasis on **unified qualification frameworks**. Employers able to help inform training providers, and provides incentive for pupil achievement. Introduction of work based learning within schools. (Australia, Netherlands, Norway etc). Important to **involve employers/ employer organizations** in design of qualifications, e.g. advisory committees. Evidence that countries with **broad pathways and multiple exit points** and increased range of opportunities for young people to cross from one pathway to another have raised attractiveness of vocational pathways, and increased participation rates. Need to improve esteem of vocational streams.

## **Preventing school failure**

**Educational reform** e.g. Finland, Ireland, Norway, Sweden to meet objectives. Reviving vocational training e.g. US, Canada, Japan. Reviving attractiveness of vocational training and dual paths e.g. Canada, Japan, US. More work orientated tertiary studies. Providing **work experience** within education e.g. Sweden, Norway, Netherlands. Problem of **low esteem of such schemes**. Ensuring **relevance of vocational training** and education to market needs e.g. Switzerland. UK- GNVQs, questions about quantity and **quality of training**. Gradual devolution of planning and monitoring to local level for **responsiveness**. Increasing apprenticeship, e.g. Norway, France, Australia, UK- Modern Apprenticeships.

- Evaluation suggest employment and pay gains in labour market.
- Gender differences.

## **Education and Training aimed at at-risk and unemployed youths**

**Targeting at-risk youths to discourage school drop out** including education and care with early and sustained interventions. Involve families, teachers, communities, social workers. e.g. Germany, aimed at children of migrant workers, shows significant improvement in terms of qualifications and participation in the dual system. In the US some successful schemes to discourage drop out. But the schemes are difficult to implement. Diverse and flexible schooling systems: e.g. reappraisal of vocational stream within education system, e.g. US, Spain, Canada, Australia. e.g. broadening/strengthening advanced general studies within vocational stream e.g. Norway and Sweden. Examples of double-qualifying pathways providing qualifications for both work and tertiary education e.g. Austria, Netherlands, Norway.

Programmes to attempt to bring **school leavers back into education**, mixed results, e.g. poor in US, better in Norway and Sweden, where schemes combine school and training. Integrated packages for **out of school youth** including remedial education, training, job search assistance e.g. Denmark, Finland, France, Netherlands, UK. Benefit as part of training scheme e.g. New Deal in UK. These schemes are in need of evaluation. Shorter term programmes offering similar training option e.g. Canada and Australia. In US evaluation of short-term programmes aimed at disadvantaged youths shows little success of job schemes. Problems combine poor teaching on schemes with low motivation of participants and short duration of programme.

## **Policies to affect the demand for youth labour**

Reduction in payroll costs to increase demand for youth labour. Lower minimum wage and decreased non wage costs (e.g. through subsidies to employers) e.g. France, UK, Italy, Spain, Portugal, and ‘A-typical’ contracts, e.g. France. Problem of substitution effect and small employment gains. But may help equity between groups by helping most disadvantaged. Much of the impact of employment subsidies depends on their design and on the labour market context in which they operate. Employers need good information.

The size of subsidy, and the extent of targeting also key. Most effective schemes alternate subsidized work with specialized training. Employment protection regulations can protect jobs but may lead to less rapid movement within the labour market and encourages dualism between protected and unprotected workers. Question of whether temporary contracts lead to stable jobs or become traps. Empirical evidence gives no clear conclusion. Direct job creation e.g. Belgium, France, Italy, Netherlands, Scandinavia, Australia, NZ. Often aimed at public, or non-profit sector, many temporary jobs, which would not have existed without public intervention, labour costs shared between public authority and sponsor of project. Alternating fortunes of schemes, with economic cycle. Evidence that some job creation schemes offered poor quality jobs, and had a ‘revolving door’ effect. Ambitious schemes e.g. UK New Deal, and France, ‘New Services, Youth Jobs’.

## **Mobilising labour supply**

Role of tax and benefit systems in providing financial incentives for young to take part in training and look for work. **Little evidence of welfare disincentive**. Concern about future welfare dependency. Help to find work with guidance, training or education, e.g. NZ. Schemes with benefit conditions of participating in programmes, e.g. UK, Finland, Denmark

‘This new approach through which social protection is offered in exchange for personal commitment to integration, via participation in training, community service or work programmes can be seen as a positive development’.

Aimed to **prevent social exclusion**. But may be more **costly** than targeting most disadvantaged. Question of those excluded from social protection remains.

**Self employment support:** limited in OECD countries and not aimed at youth. More successful with older and higher educated workers. Offered to young in some programmes, e.g. Canada, UK, Italy

## **Minimum wage**<sup>34</sup>

Youth more likely to be in minimum wage jobs because of labour market inexperience. Minimum wage narrows differentials across demographic groups. **Countries with a higher minimum wage have less earnings inequality and lower incidence of low pay.** If minimum wage is set too high it may disadvantage youth. **Potential for sub-minimum differentiated by age. Criticism** that minimum wage helps workers in families who do not need help, and does not help workless households at all. **Crucial importance of how minimum wages interact with tax/benefit system.** Advantages of policy of employment conditional benefits in that they can deal better with in-work poverty, and act as a form of temporary earnings insurance. But these may subsidize employers rather than help workers. **Still need policies to help train workers and for employers to invest in them to raise the standard of living of disadvantaged groups.**

## **OECD Background: Education/School attendance and Youth**

**Key challenge: Preventing failure at school** and non completion of secondary education.

### **Teenagers attending school in 1997:**

- Average 79%
- France and Germany high of 90%
- UK low of 54%

Young adults average: 37%

### **Teenagers Combining school and work**

Teenagers combining school and work: 1997 average: 17% of 16-19 yr olds. More common in countries with dual-system apprenticeship programme (Austria, Denmark, Germany). Or high incidence of part time employment (Australia, Canada, Denmark, the Netherlands, UK and US). Teenage working almost non-existent in Belgium, France, Greece, Italy, Portugal, Spain. **Impact:** depends more on hours worked than fact of work (e.g. poorer attainment when hours over 10 per week). **Long term success from combining school and work:** results differ by country and little completed research.

### **Early school leavers**

**Increases chances of being out of work or employed intermittently.** More the case now than 30 years ago. Teenagers not in schooling are **one fifth** of the age group. Over represented in UK and Australia (44 and 35%). Overall decreasing and no

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<sup>34</sup> See 'Towards and Employment-centered Social Policy', *The OECD Observer* no. 213 August/September 1998.

gender differentiation (except males in UK). **Hard core of young people facing unemployment and social exclusion.** May have multiple difficulties to face.

### **Young People not in Education or Work**

Not a homogenous group. 9% of age group 1997, 12% in 1987. Above OECD average in UK, Italy, Spain, Australia, Greece. Overall decline in rates for girls (except UK). Small declines or small increases for boys (especially UK). Decline mostly because of staying on in school not increased number in jobs.

### **Young People with Low Educational qualifications**

OECD average 75% completion of upper secondary education. On average in 1996 young adult men with low educational attainment had unemployment rate of 16%, those with tertiary/university schooling had rate of about 8% (women, 20% and 9%). 25-29 year olds not completed secondary education: wide range by country e.g. average in 1996 one in four, three in four among Turkish women, and less than one in ten in Norway. **Reduction of number of young adults with low skills has increasingly stigmatized and problematised this group. Cycle of joblessness and unstable jobs.**

### **Education and employment activities at key transmission ages**

In many OECD countries transition from education to work taking longer, and the 'young' are older. Transition ages between 18-22. **Delayed entry into full time work** has many reasons: poor job prospects has encouraged many to stay on at school; young people invest in their future by staying on in education; efforts in many countries to encourage the young to stay on longer in school by curriculum reform etc.; public systems of financial support designed to make education an attractive option. 1997 on average: 56% of 18 year olds in education only, and 42% of 22 year olds in employment only. Between 1984 and 1997 trend was increase in youths in full time education and smaller increase in those combining education and employment. Strong decrease in those working without studying and smaller decrease in those neither in education or employment. Shaped by **national policies and characteristics** e.g. Belgium, youths rarely combine education with work (1% in 1997). UK large proportion (30%). But in both countries sizeable group not in education or work (20% in UK in 1997, and 12% in Belgium).

### **OECD Background: Youth Labour Market**

- Most OECD countries in past 2 decades: increases in educational attainment.
- Decline in youth labour force participation and employment rates.
- Decline in wages relative to older workers.
- Decline in relative size of youth cohort.

## Youth participation and unemployment

Overall falling participation, and rising unemployment. Differences between countries. e.g. 1997 participation rates in France, Belgium, Korea under 10%, in Denmark 70%. Slightly better for 20-25 year olds than all under 25.

Overall: teenage and young adult unemployment rates 2 digit figures and higher in 1997 than 1979. Large cross country differences, e.g. 1997 Denmark, Germany, Mexico had teenage rates under 10%, but rates for women of over 35% in Belgium, France, Greece, Italy, Poland. In part reflects economic cycle.

Need to look at **unemployment/population rate**. 1997 less than one in ten out of work for majority of OECD countries. e.g. **France**, has one of the highest youth (15-24) unemployment rates among OECD countries, after Spain, Italy, Greece, but when unemployment/population ratio is considered, does better than Finland, Austria, Canada, UK and others. Need to look at **duration**. Increase of multiple spell unemployment and long term unemployment. Rises with age. Huge cross country differences.

## Youth Earnings

Earnings **persistently low** relative to older workers largely because of less market experience, but rise with age. Young **women** start on lower wages than men, and progress more slowly. Across all countries on average 40% youth workers are low paid, but striking variation, e.g. 63% full time employed youths in US are in low paid jobs, compared to under 20% in Austria and Sweden. Late 1970s to 1990s youth earning relative to adults fell e.g. UK, US, Sweden, or remained stagnant e.g. France, Germany, Japan, Finland. **This decline/stagnation in relative earnings of youth is unexpected given that other trends, e.g. shifts in demand or supply of youth labour and skills went in the opposite direction.**

## Longitudinal analysis (Germany, France, Denmark, Italy, UK and US) 1986-1991

Low paying jobs as stepping stone to better paid work, though many also stay on a cycle of low pay and no pay. Youth move up earnings quicker than older workers. Persistence of low pay in US and UK. Increased inequality in these countries compared to other OECD countries.

## OECD Background: Transition from education to the labour market

OECD average 25% start as unemployed.

- Higher employment of school leavers in part depends on overall unemployment rate, more centralized/co-ordinated systems of wage bargaining, and strong dual system of vocational education/training.
- Large difference across countries, e.g. Germany, Luxembourg, Austria, Denmark, with long standing and developed apprenticeship systems, over 75% of young people 26-24 in 1996 were employed one year after leaving education, whereas less than 33% had a job in Finland and Italy.

- Decline in number going into permanent jobs, and more time spent in part time or casual employment.

### **Longitudinal Analysis (Australia, France, Germany, Ireland and US)**

All (except Germany) show large differences in first year employment rates by **educational attainment**. Gender differences, with women's employment lower than men's. Most pronounced in US and Australia. Absolute gap narrows over 5 years (especially for men) but still remains.

### **Time spent in work**

**Getting a job in first year after education greatly increases likelihood of being employed at annual reviews.** Starting unemployed leads to less cumulative time employed over 3 years (with cross country differences). Some evidence of 'scarring' effect as unemployment leads to further unemployment. As educational attainment increases, cross country differences decrease among both genders. Multiple periods of unemployment far more prevalent among American, Australian, and French youths. But overall higher levels of education are no guarantee of quickly finding stable unemployment for all.

### **Brief Country Case Studies<sup>35</sup>**

#### **France**

First year after leaving school 33% or more of school leavers without general *Baccalaureat* were employed in subsidized jobs. One half of this cohort went through at least one programme. Over time employment rates for this groups of new school leavers change little, but recourse to programmes declines dramatically. Integration into permanent jobs increases over time. 33% never achieved permanent contract. Programmes closer to regular employment have a higher probability of leading to regular jobs.

Persistent problem of high levels of **youth unemployment**. Complex set of youth training provisions developed in response, ranging from long term training contracts, medium term training contracts, and training for wholly unqualified youth. Each type of training involves state subsidies to employers. Survey examined outcomes for young men only. Analysis suggests that training programmes had a positive effect on employment prospects. However, these may have been contingent on matching type of person, position in labour market, and type of training offered. 1986 programme offering heavily subsidized employment (3-12 months in a non-profit organization), for young people experiencing repeat or long term unemployment. This programme was linked to favourable transitions relative to non-participants.

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<sup>35</sup> For this section see D. Finn, 'Welfare to work: the local dimension', *Journal of European Social Policy*, 10 1, 2000, 43-57 and P. Auspos, J. Riccio and M. White, *A Review of US and European Literature on the Microeconomic Effects of Labour Market Programmes for Young People* July 1999, Employment Service, London.

## Netherlands

Reform of social assistance and insurance systems since 1980s to tighten benefit eligibility and reduce benefit relative to wages. 1996 reforms of welfare to put emphasis on participation in the labour market and job search for eligibility. Long experience in the use of re-training programmes. Increased co-ordination and partnership of service providers. Municipalities required to develop individual 'route plans', rather than leave all direct assistance to the central employment service. Emphasis on partnership and inter-agency networks, and local responsiveness. Utilising 'workfund' to activate and tailor training and/or work experience for the young and long term unemployed to find regular employment. Problem of finding enough jobs or the right type of jobs in the labour market for those expected to take up employment. Problem of varying quality in services/ opportunities provided between localities with significant discretion. Need evaluation of new institutional arrangements and partnerships, as well as outcomes.

Study of state vocational training centres by occupational type. Participants average age 30. Results showed increased employment opportunities for those taking the metal working and building courses.

## U.S.A.

A recent survey of labour market programmes in the US found that of 15 programmes for disadvantaged young people, few produced positive impacts on the earnings of the participants. However, some had positive impacts for certain groups or in certain local circumstances. They also drew upon the conclusions of US policy analysts as to what sorts of schemes are likely to have the most positive impact.

- The most successful scheme was the Job Corps which combined education, vocational and life skills training in an **intensive (and high cost)**, mostly residential setting. It was aimed at disadvantaged youths.
- Other successful programmes combined skill training with basic education and involved local employers in the design and delivery of the training courses.
- However, there was found to be difficulty in interesting private employers in employing disadvantaged youths, even with a wage subsidy or tax credits.
- Older out-of-school youths were hard to engage in education or employment related schemes where participation was a condition of welfare as well as in voluntary programmes.
- Mandatory programmes for teen mothers on welfare showed little long-term increases in earnings.

### Suggestions for successful programme design:

- Integration of **basic education with skills training or work experience**, linked to employment opportunities and employers.

- Opportunities for youth to have sustained involvement and **support** from adults.
- Offer on-going support that can continue after the initial job placement.
- **Motivational strategies** that recognize and encourage individual achievement.
- Connections to **outside providers** to help meet basic needs, such as help with housing problems.
- Opportunities for civic **participation** and leadership development.

## Sweden

Long use of **active labour market programmes**. People unemployed for one year are required to enter a programme, which has included a substantial element of training or re-training. Youth unemployment has always been a large part of Sweden's unemployment (a ratio of 3:1 youth unemployment rate to overall unemployment rate). Survey of findings related to training programmes, focused on all unemployed and the young unemployed, found that programmes had little or no improvement effect on earnings. Subsidised employment and temporary job creation programmes also had little effect in terms of increased earnings relative to time spent unemployed.

## Norway

Training programmes greatly expanded in late 1980s. Survey of training programmes suggest some earnings improvements, but indicated that this was only the case for programmes with a longer duration. Doubts expressed about the robustness of the studies surveyed because of the problem of control groups.

## Denmark

Young people prominent in Danish active labour market programmes. Since 1996, special package of measures to target young people (under 25), receiving unemployment benefit, who have not completed formal vocational education or training programme. **After six months receiving unemployment benefit, claimant has the right and duty to take part in** education or special courses for 18 months or more. **During this time they are paid below the level of the unemployment benefit. Results indicate** positive short term effects, including 'motivation effect' of young finding employment before being required to start the programme. **But these results are in the context of the** improving Danish labour market.

Survey of training schemes operating 1976-1986 which provided short duration training. Results indicate some gains for those people who had a substantial period of unemployment. Training probably cost effective because of short duration, when focused on those with greatest employment problems.

In all three Scandinavian countries, the evaluation of training programmes is made difficult by the substantial provision which is open to all people, such as continuing adult education.



## **Finland**

Late 1980s and early 1990s spending on training programmes close to EU average. Training varied in length from few weeks to two years. 1988 average duration of six months. Survey of research findings suggests that training had a beneficial outcome on subsequent time spent in employment, with the younger group benefiting slightly less.

## **Poland and East Germany**

In Poland, public training programmes have shown some improvement in employment prospects. However, the expansion of the Polish economy in the 1993-95 period may explain much of the change. 1995 study of subsidized employment programme showed significant employment gains, with better results than for training programmes.

The survey of findings in East Germany following German reunification is limited but suggests that the training programme was not valued or considered to be of sufficient quality by employers.

## **Ireland**

Late 1980s and 1990s programmes for young unemployed formed major part of labour market policies. However, much of the emphasis was on temporary job creation rather than training. Study of training and temporary job creation programmes 1983-86 suggests that training was effective in the short term at improving employment prospects, but that over the course of one year the outcome was not statistically significant. The improvements gained from the temporary work option did not appear to diminish over the course of a following year, and these schemes appear to be effective.

## **Austria**

Study examined employment stability. Not focused on young unemployed. Analysis showed that training programmes were focused on most disadvantaged of the unemployed. Effect was to reduce risk of job loss. The youngest reported age group, 26-32 showed significant employment stability gains.

# Disability and the role of Social Security

## Mainstreaming

### *Summary:*

Research is beginning to reveal that impairment isn't always a status which is permanent; it may be temporary or intermittent. Provision for disability (mainly invalidity benefits or pensions) have tended to be based on the assumption that people cannot work, and once eligible few leave benefit except to become old age pensioners. The trend towards increasing numbers of recipients in many industrialised countries has led to concerns about early retirement, lax administration and people claiming inappropriately.

Having a separate category of 'disability' has some advantages, and disability needs to be part of any structure of civil rights and citizenship, but within social security structures any disability 'category' needs careful thought so as not to lead to unintended or perverse consequences in the short or longer-term (such as enforced or premature exit from the labour market) and needs to be consistent with other government goals (such as raising employment levels, promoting citizenship etc). A mixed approach is probably advisable, but perhaps with an emphasis within the social security system on additional costs being the identifier rather than assuming that impairment invariably equates to incapacity.

This section concludes with some suggestions for 'mainstreaming' more broadly across government; lessons from the European experience suggests that overarching specialist structures are needed to monitor and advise generalist ones. Within mainstreaming, there is also a need to develop a preventive approach.

As 'disability status' can confer additional entitlement to certain benefits and services, this may generate policy tensions between giving 'special' treatment or exemption from social obligations to a group that society believes is deserving, and fear that this treatment or exemption gives an incentive for those who are not really impaired to pretend to be so. These tensions are reflected in how we define 'disability'.

### **Category or transition?**

A key question to answer when thinking about whether to adopt a specialist or generalist approach is whether there are more similarities than differences between people with impairments and non-disabled people. Disabled people have a variety of needs; children, older people, women, refugees, minorities and people in mental distress may all experience disability differently.<sup>36</sup> The medical model assumes that disabled people have to be helped to adapt to society's demands, but this model runs the risk of favouring medical or technical solutions that emphasise *difference* rather than promoting inclusion.<sup>37</sup>

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<sup>36</sup> Department for International Development, 2000, 'Disability, poverty and development'

<sup>37</sup> Department for International Development, 2000, 'Disability, poverty and development'

Taking employment as an example, those who are more likely to be in work share similar characteristics with others, such as being younger, with working partners and with better qualifications.<sup>38</sup>

### ***Similarities between disabled people and others***

Characteristics relating to all workers that might affect leaving work or difficulties getting a job include

- personal characteristics such as age and gender;
- type of job and workplace
- the state of the economy.<sup>39</sup>

Other *common* factors among people disadvantaged in the labour market, such as disabled people, carers, some people from minority ethnic communities and people aged over 50 are likely to be:

- Lack of or few qualifications
- Limited recent work experience
- Negative attitudes of employers (in some cases amounting to discrimination)
- Living in poor neighbourhoods/regions (draft findings from New Deal research appear to suggest that living in an area with few jobs does not necessarily stop some disabled people getting back to work, but why is not clear).

### ***Differences between disabled people and others***

However, it remains that in the first year after becoming disabled, one in six workers lost their jobs; disabled people were six times less likely to get employment once out of work than non-disabled people.<sup>40</sup> Factors of particular relevance to disabled people include

- Nature and type of impairment (physical or mental);
- Attitudes of employer, employee and the public;
- The availability of personal assistance and workplace adaptations;
- The wider physical environment, such as accessibility of transport to work.<sup>41</sup>

Hence, in order to reduce the employment gap between disabled people and non-disabled people, there may be merit in focussing the *processes* of exclusion from the labour market as much as on disability as a *category*.

Burkauser's analysis of the growth in US disability rolls has led him to conclude that

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<sup>38</sup> see for example Rowlingson and Berthoud, 1996, 'Disability, benefits and employment', DSS Research Report 54

<sup>39</sup> Burchardt, T 2000, 'Enduring economic exclusion: disabled people, income and work', Joseph Rowntree Foundation

<sup>40</sup> Burchardt, T 2000, 'Enduring economic exclusion: disabled people, income and work', Joseph Rowntree Foundation

<sup>41</sup> Burchardt, T 2000, 'Enduring economic exclusion: disabled people, income and work', Joseph Rowntree Foundation

*'While we will always need SSA and DI for some people with disabilities, it is time to stop using SSI as a back-door route to universal welfare minimums. Rather, we should recognise that people with disabilities have more in common with other Americans than they have differences. Economic growth is the primary engine of growing economic well-being for most Americans, including those with disabilities. People with disabilities who have good job skills are already able to integrate themselves into the American workforce: those with disabilities and poor work skills, the doubly disadvantaged, do need a hand up, but we should first try to improve their economic well-being through work programs before we push them onto the welfare path.'*<sup>42</sup>

## **Analysis of transitions**

Emerging longitudinal data in the UK shows that impairment is not invariably a one-way street, though we do need to bear in mind that in many cases it can be permanent. An analysis of transitions into and out of 'disability' ('impairment' may be a better description) has been undertaken by the London School of Economics, using the British Household Panel Survey.<sup>43</sup>

'Disability' was defined as health limited daily activities and by standard mental health questions. Over 7 years of the Panel Survey, fewer are 'long-term' disabled than flow into and out of 'disability'. A snapshot shows that 11% were physically impaired, 26% scored 2 or more on the mental illness scale. However, such a snapshot will include some temporary impairments as well as longer term ones - these have different 'disability trajectories', which may in turn require different policy responses. At any particular time, the proportion of disabled people who are on a long term trajectory is nearly three-quarters, but over a period of 7 years, the proportion of those who experience ANY disability is under a third. Half had spells lasting less than 2 years; but after 4 years, few recover.

The survey identifies different trajectory types:

- One off
- Short repeated: 2-3 years total, not consecutive
- Short continuous: 2-3 years total, continuous
- Long repeated: 4, 5 or 6 years in total, not consecutive
- Long continuous: 4,5 or 6 years continuous
- Always: all 7 years

So, of the 11% with physical impairments, 21% had long repeated spells, a quarter had a long continuous spell and 27% were always limited. 9% had a one-off impairment. In contrast, of the 26% with mental health problems, 21% of these had a short repeated spell, a third had long repeated spells, and one in five had a long continuous period. Only 8% always experienced mental health difficulties.

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<sup>42</sup> Burkhauser, R, 1998, 'Summing up: reflections on the past and future of disability policy', in Rupp and Stapleton, eds 'Growth in Disability Benefits: explanations and policy implications', Kalamazoo, Upjohn Institute

<sup>43</sup> see <http://sticerd.lse.ac.uk/Case>: Burchardt, T, 2000, 'The dynamics of being disabled', CASE paper 36, February 2000

## Disability as a welfare category

Disability can be seen as a category of need giving eligibility for cash help, as well as exemption from some of the obligations of citizenship.<sup>44</sup> However pathways back into full citizenship have been relatively ignored, and has not been seen as the responsibility of either the individual or the state. De-labelling back into another category e.g. unemployed or retired is unlikely to be sufficient. The advantages and disadvantages of a disability category could be as follows:

### *Advantages*

- For civil rights - defines disadvantaged group which has been discriminated against (including comparison with other groups). Social model emphasises unity rather than diversity.
- For benefits - labelling defines rights to benefits/services, legitimates collection of funds and determines the benefit system's response to these groups.

### *Disadvantages*

- There can be tussles over definitions, and differences between people who are grouped together can be glossed over;
- Can create 'permanence' of status, whilst some impairments are not permanent (unlike, in the main, race and gender), especially for people of working age, for many of whom benefits have been a one way street;
- There may be some status overlaps - e.g. someone can be both disabled and carer, or both lone parent and disabled, etc.

As a result of having a 'disability category', **the policy emphasis has been more on status than transitions**. As a result there are tendencies towards :

- Viewing 'status' as the defining characteristics of this group of people; ie the *consequence* of the processes of social exclusion rather than the processes which might have generated it.
- The way that government structures are organised, such as based on functional areas like health and social security, can also tend to focus on the *individual's status* in relation to a given department, to the exclusion of a more dynamic perspective that can accommodate the range of transitions that occur in people's lives.
- Different departmental perspectives tend to inhibit a comprehensive causal overview of underlying problems.<sup>45</sup> For example, part of the cause of school exclusion lies with the Department for Education and Employment (DfEE), but the consequences end up with the Home Office and Department of Social

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<sup>44</sup> see Stone, D, 1984, 'The Disabled State', Macmillan

<sup>45</sup> Halpern, D, 1998, 'Poverty, social exclusion and the policy-making process', in Oppenheim, ed, 'An inclusive society: strategies for tackling poverty', Institute for Public Policy Research

Security (DSS). This 'silo' thinking can limit the range of policy options considered, and militate against a strategic overview of problems, leading to contradictions, either at national level or between tiers of government.

- Services/benefits focus on status, potentially creating discontinuities when people move from one status to another - e.g. school leavers move from 'child' status to 'adult'; one response has involved social services departments setting up 'transitions teams' to tackle the gap between child and adult services for young disabled people.<sup>46</sup>
- The status (either disability or benefit recipient) can become long-term, and perhaps also affect and refine someone's identity. Claimants may then become reluctant to give up a status which confers some financial security.
- There may be some confusion between benefit receipt and disability. People receiving benefits in the UK like Incapacity Benefit (IB) and Disability Living Allowance (DLA) are an extremely diverse group, with problems ranging from substance abuse to mental health problems, progressive conditions and visual impairment. People may need a different response, both in cash and care terms. Some may be disabled but not on benefit at all, or on different benefits; a quarter of unemployed people claiming Jobseeker's Allowance also have a health problem or disability affecting the kind of work they can do.
- People can bounce between benefit 'statuses' over time e.g. around 20,000 people a month move between the 'unemployed' and 'incapable' categories.<sup>47</sup> As in the UK benefit receipt is often a 'passport' to eligibility for different services and assistance, being on the 'wrong' benefit can mean some people with similar impairments could be treated differently because they are on different benefits.

#### **Questions for policy include:**

- What policies could help to prevent poor health, and reduce the factors which exclude people from society when they do develop poor health or impairments?
- What is an appropriate policy balance between categories and transitions?
- What policies are needed to reflect the transitions into and out of impairment?
- Do we need more categories to reflect diversity, or a different approach?
- How can need be met without creating a one-way street?
- Would there be more transitions if policies changed?
- If impairment was less emphasised (eg 'mainstreaming'), would the very real impact of impairment on disabled people's lives be neglected, and policy responses to it, then be ignored?

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<sup>46</sup> see article by Natalie Valios, 2000, 'Easing the pain of transition', *Community Care*, 28 September-4 October 2000

<sup>47</sup> Edgeley and Sweeney, 1998, 'Characteristics of JSA claimants who have joined the claimant count from Incapacity Benefit', *Labour Market Trends*, February 1998

## Transition types

Further examination of 'trajectories' might help to identify a cluster of policies, such as focussing on either keeping trajectories short; preventing more people facing those trajectories; helping people's trajectories to end in better outcomes. There may be scope to develop a 'transitions' policy to tackle some of the issues raised when people first become impaired, and to assist those who can recover to do so, perhaps more quickly. For instance some of the programmes to help young disabled people make the transition into independence, and early intervention to facilitate job retention could be seen as 'transitions' policies. The fluctuating nature of conditions such as mental health problems may also require a different and more flexible approach from both cash and care services, such as support workers being 'on call' during 24 hours; accommodating employers; cash which does not label but provides an income when needed. Similarly health prevention work could focus on those most at risk of becoming long-term benefit claimants.

'Life events' has been suggested as another organising principle for service delivery in the UK. Seven of the most common life episodes are – leaving school; having a baby; becoming unemployed; changing address; retiring; needing long-term care at home; bereavement. The UK government is experimenting with this approach in its *Sure Start* programme, which seeks to join up service provision for children under four who are 'at risk' of social exclusion. Disability is an important dimension in conventional life episodes. But there may also be particular 'journeys' for people with an impairment, so a two-pronged approach may be necessary; first, ensuring that disability is 'mainstreamed' into projects based on life episodes, and secondly that the specific transitions made by disabled people themselves are tackled by similar 'transition' structures where possible.

## Mainstreaming

Mainstreaming has been suggested by the UK's Department for International Development using a 'twin-track' approach, which entails

- Addressing inequalities between disabled and non-disabled people in all strategic areas; and
- Supporting specific initiatives to enhance the empowerment of disabled people.<sup>48</sup>

### *What is mainstreaming?*

Edinburgh University undertook an analysis of mainstreaming to inform equalities work in the new Scottish Parliament and Executive, mainly concerning gender, but it has broader application. Mainstreaming is defined as

*'rethinking mainstream provision to accommodate gender and other dimensions of discrimination and disadvantage, including class, ethnicity and disability.'*<sup>49</sup>

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<sup>48</sup> Department for International Development, 2000, 'Disability, poverty and development'

<sup>49</sup> University of Edinburgh, 1998, 'Mainstreaming Equal Opportunities', The Scottish Office

It entails a long-term strategy to frame policies differently and to change organisational cultures and structures. It is sometimes thought of as organisational or managerial, though the politics of equality is at the heart of it, and political will is needed for it to succeed.<sup>50</sup>

However there are dangers that in mainstreaming the particular needs of disabled people (and others) will be forgotten. Experience at UK local government level and at national state level in the EU suggests that the most effective approach to 'mainstreaming' is for **generalist** provision, taking into account the needs of disadvantaged groups in the main services provided, **in combination with specialist co-ordinating structures** offering advice and techniques for mainstreaming and policy development, and monitoring how mainstreaming operates in practice.<sup>51</sup>

Specialist equalities committees are the norm at national Parliament level in EU countries and within Europe-wide institutions; however despite public statements of support for equalities issues, there is also little evidence that politicians or officers understand how this might be applied to specific cases.<sup>52</sup>

This suggests that continual expert support is needed, and that training in equalities and how to appraise policy options needs to be an on-going process, not as a one-off.

In the UK, central government departments are expected to assess the impact of policy options on disabled people as part of the process of 'mainstreaming' equalities. Policy appraisal requires departments to identify, analyse and validate policy impacts by disability, race and gender. In the process of policy appraisal, officials are advised to contact expert voluntary organisations where necessary, although there appears to be no information about how often this is done, nor its effectiveness. Mainstreaming will become increasingly important if initiatives develop across traditional functional boundaries.

### ***Why mainstream?***

At a European level, there have been moves beyond the traditional 'welfare' approach of merely accommodating disabled people to a more proactive emphasis on removing barriers to active participation in the labour market, education, transport, housing and welfare. In terms of welfare the problems were considered to be:

- Many people live close to, or even below, the poverty line
- There is often little recognition of the extra costs of impairment
- Support for independent living is uneven
- Information is often confusing, which can lead to low take-up of support.

*'The general response to disability in the past has been to offer compensation through charity; separate provision outside the mainstream of society, and the*

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<sup>50</sup> See e.g. University of Edinburgh, 1998, 'Mainstreaming Equal Opportunities', The Scottish Office

<sup>51</sup> University of Edinburgh, 1998, 'Mainstreaming Equal Opportunities', The Scottish Office

<sup>52</sup> University of Edinburgh, 1998, 'Mainstreaming Equal Opportunities', The Scottish Office



*development of specialist caring services. These responses have arguably compounded the problem of exclusion felt by disabled people'.<sup>53</sup>*

The overall aim, then, is to 'formulate policy to facilitate full the participation of people with disabilities in economic and social life.' The European Commission believes that issues affecting disabled people should not be considered separately but as an integral part of the policy-making process. Member states have been moving away from specialist provision such as special schools and employment in sheltered workshops towards integration into mainstream schools and open employment where possible.

The Amsterdam Treaty now allows the Council to take 'appropriate action to combat discrimination based on sex, racial or ethnic origin, religion or belief, **disability**, age or sexual orientation.' However there is no central piece of EU wide legislation to firmly establish disability rights within the EU, which has been considered necessary, otherwise the EU has achieved only partial mainstreaming.<sup>54</sup>

### ***Taking a preventive approach***

Around 10% of the population worldwide has a disability, although two-thirds of them live in developing countries, in some countries up to a fifth of the population are disabled. Many are poor, and 80% live in rural areas, often where services are unavailable, and facing considerable physical and social barriers.<sup>55</sup> Poverty is both a cause and consequence of disability, and each tends to reinforce the other. Given the association between disability, poor health and poverty, some impairments can be prevented through broad anti-poverty and public health measures. As noted by the UK's Department for International Development, whilst general improvements in living standards will help, specific steps are still required so that disabled people participate fully and benefit equally from social change.<sup>56</sup>

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<sup>53</sup> European Commission, 1997, 'Equality of Opportunity for the Disabled: Background report'.

<sup>54</sup> Geyer, R, 2000, 'Exploring European Social Policy', Polity Press

<sup>55</sup> see references in Dept. of Economic and Social Affairs, 2000, 'The United Nations and Persons with Disabilities: The First 50 Years', UN

<sup>56</sup> Department for International Development, 2000, 'Disability, poverty and development'

## Models And Definitions Of Disability

### *Summary*

The medical model tends to focus mainly on the individual's impairment, whilst the social model emphasises the role of physical and attitudinal barriers beyond the individual. In industrialised countries it seems that, whilst the civil and human rights agenda has been informed by the social model, and many academics and organisations espouse it, social security systems remain based on a medical approach, defining eligibility for benefits either by reference to functional impairment, percentage disablement, reduced ability to earn or incapacity for work. Assessment and verification of individuals is often undertaken by medical practitioners.

The tensions between the compensation approach of the benefits system and a more active approach to accessing employment, is discussed in section d. There does not seem to be any 'ideal' system to copy.

However suggestions for a dual approach, and the new international definition linking the individual and the environment, may provide some signposts to ways forward. Definitions would then probably reflect aspects like the need for assistance and identifying the additional costs of the impairment, and an assessment process which brings together different aspects of personal support (cash and kind) but within greater control by the disabled person (see also section on links).

### **The medical and social models**

The following typology of the medical vs social model descriptions are taken from Arthritis Care's leaflet *The Social Model of Disability*.

#### ***The medical model says:***

- You are an arthritic sufferer
- You are the problem
- Your disability needs curing
- You cannot make decisions about your life
- You need professional to look after you
- You can never be equal to a non-disabled person

#### ***The social model says:***

- You are a person with arthritis
- Disability is not an individual problem
- Disabled people cannot compete on equal terms because there are too many barriers
- Disabled people need to recognise that society has a duty to remove those barriers
- Disabled people have the same right to full equality as other citizens

In the past, the focus of analysis and policy has been on the individual, often taking a 'medical' approach; this perspective has been questioned as it can result in blaming

the person for their impairment. The medical model also tends to blur any distinction between sickness and disability. Sickness differs from disability, though there are sometimes overlaps; disabled people are not necessarily sick, and ill-health may not lead to disability.<sup>57</sup> Someone who is sick may not be able to work, whereas someone who has an impairment (like blindness) may be able to do so, with employer adjustments. Though not invariably an easy distinction to make, the benefits system also tends to conflate the two and treats them as the same (see section c).

In the UK, it is possible that the civil rights lobby and the benefits lobby (and responses to them) may have developed from the different models of disability; civil rights from a social model, benefits from a medical model. Within government, the Department for Education and Employment emphasises an 'employment model', which sits somewhat uneasily with the more medical approach of the Department of Social Security (DSS), which tends to be based on the *status of benefit receipt* rather than the processes that might have led people to claim or through which they could move off benefit. Exclusion from the world of work is seen by some 'social model' writers as the ultimate cause of the various other exclusions experienced by disabled people.<sup>58</sup> This does not mean that all disabled people can work at the same pace nor that everyone with an impairment should work in the conventional sense. However,

*'a radical programme which opened up employment opportunities and removed disabling welfare barriers would be something that the disabled people's movement and governments could unite over'.*

Ironically the social model would appear to give more backing to government policies on work.<sup>59</sup>

Perhaps one of the reasons why it has been difficult for systems to move beyond the medical model in relation to disability benefits is that the focus is inevitably the individual; the adoption of a social model perspective is easier in other areas, for example transport and housing.

### **Alternatives to a medical model - moving towards the social**

The social model is a way to understand social processes and for disabled people to deal with negative attitudes from others. Whilst the social model has gained greater acceptance in recent years (such as academics and research institutions), commentators have questioned the extent to which it can address the very real restrictions of some impairments<sup>60</sup> or equates disability with discrimination.<sup>61</sup> However, the individual model is also limited in its focus, viewing impairment as the sole determinant of disability. Alternatives include the development of a dual approach, accommodating both the impairment and the disadvantages created by

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<sup>57</sup> further discussed in Berthoud et al, 1993, 'The Economic Problems of Disabled People, Policy Studies Institute

<sup>58</sup> Oliver M and Barnes C, 1998, 'Disabled People and Social Policy', Longman

<sup>59</sup> see Daniel, C, 1998, 'Radical, angry and willing to work', *New Statesman* 16 March 1998

<sup>60</sup> French, S, 1996, 'Disability, impairment or something in between?' In Swain, J, et al eds, 'Disabling Barriers - Enabling Environments, Sage

<sup>61</sup> Low, C, 'Disability models ... or muddles? *Therapy Weekly*, 1 February 1996

social and economic barriers.<sup>62</sup> This might suggest that someone in a coma could be considered disadvantaged solely by impairment, whereas someone with a facial disfigurement is likely to be disadvantaged by social attitudes rather than impairment.

### *An interactionist perspective*

The interactionist perspective, developed earlier this century as a way of understanding human identity, allows consideration of both the social barriers to employment, the impairment, and the relationship between them as a social process, explaining how two individuals with the same impairment may experience the effects of that impairment in quite different ways.<sup>63</sup>

Going back to the arthritis typology, the interactionist perspective perhaps would say:

- You are a person who happens to have an impairment (arthritis);
- 'Disability' is a *social process*, resulting from the interaction between the individual, their impairment and the social context or environment in which they live.
- People with impairments should be able to compete on equal terms with others as a part of basic human and civil rights. We, as society, have a *social responsibility* to remove or reduce the barriers that have been socially created through ignorance or discrimination. This is where 'mutuality' between disabled and non-disabled people may be important, as any one of us can develop an impairment (even if the poorest have an above average risk) and non-disabled people (such as parents with buggies) also need better access.
- It is not just people who are currently disabled but all of us who need to recognise that society should remove barriers. At the same time, people with impairments need to be fully involved in all aspects of society (social, economic, political). This could mean that, once barriers have been removed, impairments become less important as they will not be a valid reason for exclusion.
- As indicated by the social model, it should be clear that disabled people have the same right to full equality as other citizens, as well as the same duties we require of all citizens. In other words, disabled people should not be exempted from social obligations *simply* because they have an impairment, provided of course we have made sufficient adjustments to include people with impairments. The onus is on us to ensure inclusiveness *first*, before we can expect obligations to be met.

### *The new international definition*

The interactionist perspective is similar to the revised World Health Organisation international classification of 'impairments, disabilities and handicaps', used by countries in assessment and statistics. The definition has progressed from a medical approach to one that considers the person as a whole, within their social and

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<sup>62</sup> Berthoud R et al, 1993, 'The economic problems of disabled people', Policy Studies Institute

<sup>63</sup> Howard, M, 1998, 'Disability dilemmas: welfare to work or early retirement', Oppenheim and McCormick, eds, 'Welfare in working order', Institute for Public Policy Research

environmental context, and now consists of both individual and environmental factors:

- Body functions (impairments are problems in physiological or psychological body functions or structure);
- Activities (where performance of a task or action by the individual is limited);
- Participation (where an individual's involvement in life situations in relation to health conditions, body functions or structures, activities and contextual factors are restricted in the manner or extent of involvement);
- Environmental factors (the physical, social and attitudinal environment in which people live and conduct their lives. This dimension interacts with each of the others).<sup>64</sup>

Similarly, the UN's approach has moved from a social welfare approach to a human rights approach. The UN Standard Rules on the Equalisation of Opportunities for Persons with Disabilities, were adopted unanimously by the UN General Assembly in 1993. The 22 rules appear in the form of statements of principles across a wide range of issues, and point to the need for

- Preconditions for equal participation;
- Target areas for equal participation (including social security);
- Implementation measures.

Rule 20 states that nations are responsible for the continuous monitoring and evaluation of national programmes and services. Whilst the UN Standard Rules are not legally binding on member states, they can provide a framework against which Government policies can be reviewed and developed.

### **The assessment process**

In many countries, disability benefits are assessed at some point by medical practitioners, though there are variations; in Israel, rehabilitation is assessed by social workers and in Australia an initial assessment is made by DSS assessors, backed up by specialist disability advisers who identify rehabilitation potential.<sup>65</sup> Alternatives that have been suggested for the UK include using the interactionist approach to integrate employment and social security assistance, based on an 'employability assessment' undertaken by experts in work-related tasks (such as occupational therapists rather than medical doctors); or using a definition of 'disadvantage' in the labour market.<sup>66</sup>

Some of the principles underlying assessments can be drawn from the way that the Independent Living Movement (ILM) has developed, with a strong critique of the

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<sup>64</sup> Assessment, Classification and Epidemiology Group, 1999, International Classification of Functioning and Disability, ICIDH-2, World Health Organisation

<sup>65</sup> Thornton P et al, 1997, 'Helping Disabled People to Work: A cross-National Study of Social Security and Employment Provisions', Social Security Advisory Committee Research Paper 8

<sup>66</sup> Howard, M, 1997, 'Investing in disabled people; a strategy from welfare to work', Disablement Income Group; O'Bryan A et al, 2000, 'Economic security and supported employment', National Development Team

medical model and an orientation towards the social. The three guiding principles of the ILM are:

1. The people who know best the needs of disabled people are disabled people themselves;
2. These needs can most effectively be met by programmes providing a variety of services, rather than several agencies;
3. Disabled people should be integrated into the community.

In the UK disabled people may be assessed by several professionals for different but similar purposes, without any of the assessors necessarily transferring the information. Furthermore, there is little sense of control for the individual being assessed if information is being shared between professionals without any input from themselves. When being assessed, disabled people's lives tend to be broken into segments, designed to make sense for the service providers rather than the individual. Segments can be labelled 'nursing', 'personal', 'domestic', 'social'; the focus is then on which authority pays for which segment. Is a bath medical or social? Each part of the welfare system uses different criteria – some going back to 1948, and local areas differ, such as health authorities using different eligibility criteria for wheelchairs, and a variable standard of assessment.

The potential range of initial assessments in the UK includes

- Income replacement benefits by DSS Benefits Agency at district level;
- Extra costs benefits by DSS regional Disability Benefit Units;
- Community care services, cash payments and equipment, delivered to local criteria by local authority social services departments (there are 354 authorities in England alone);
- Wheelchair services from the NHS but to local criteria
- Payments to employ a personal assistant by the UK-wide Independent Living Fund, an Independent Trust accountable to the DSS, in conjunction with community care services from local authority social services departments;
- Housing and home adaptations by local authority housing/environmental services in conjunction with local social services departments (sometimes different local authorities)
- Concessionary fares and access to designated parking spaces ('Blue badge') for people eligible for the higher rate of the mobility component of DLA, assessed by local authority social services or transport departments.

The need for assistance with daily tasks is the basis for several related assessments, as is mobility needs. In particular the questions required to determine eligibility for DLA and AA are similar to the questions asked by local authority social services departments when assessing community care needs. Some commentators have suggested that a more 'joined-up' and 'whole person' approach to delivering cash, care and housing, should be explored.<sup>67</sup>

Organisations of disabled people (taking a social model perspective) have also suggested that a 'personal profile' could be created to help establish needs for support and equipment. A profile, held by the individual, could be used as a 'passport' to

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<sup>67</sup> Becker, S, 1997, 'Responding to poverty: the politics of cash and care' London, Longman

personal care and equipment, updated when an individual felt their condition had deteriorated to the extent that they needed reassessment. This the authors suggest would replace the need for each agency involved to carry out its own reassessment.

## **Purposes Of Social Security**

### *Summary*

Social security systems overall have several purposes - to prevent or alleviate poverty, to distribute incomes across an individual's lifecycle, and to distribute incomes between different groups in society (such as taking contributions from people when in work to distribute towards those who cannot work because of old age or unemployment). Benefits can be targeted by means, needs or categories.

So far as disability benefits are concerned, the purposes can be to provide an income for those unable to work, either through contributory schemes or by a means-tested safety net; to provide some assistance with the additional costs of impairment; and to compensate specific groups for impairment (such as those incurred during the course of military services or work, or for public policy reasons such as children damaged by being vaccinated as part of government programmes).

Income replacement benefits are often based on the concept that people are unable to work because of an impairment, with some countries, like the UK, taking an 'all or nothing' view of incapacity. The numbers claiming these benefits have exceeded expectations, and many countries are now taking more 'active' measures to help people back into work or to prevent them becoming long-term recipients in the first place. However in the UK this has entailed grafting certain 'active' measures onto an essentially 'passive' benefit rather than a more systematic integration. The UK probably has the most comprehensive system of payments for additional costs, though numbers claiming these benefits have also risen.

An alternative approach would be to separate out income maintenance payments and active labour market policies for people of working age from the extra costs, instead focussing additional payments for disabled people under 'costs' benefits.

## **Purposes of social security generally**

There are several possible aims for social security, though they may change over time and tend to reflect broader social goals. One common purpose of social security is to alleviate poverty (often via means-tested benefits), or to prevent poverty (sometimes seen as the role of contributory benefits), or to meet needs of certain groups (like children). Sometimes described as a purpose of social security, or a consequence of it, there is also income distribution across the lifecycle, and between different groups, the UK system distributing more over time than from one individual to another.<sup>68</sup> Compared with many industrialised countries, the UK probably has more universality of coverage, but benefits are lower than in many of the other EU countries.

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<sup>68</sup> Mackay S and Rowlingson R, 1999, 'Social security in Britain', Macmillan Press

Social security can also be 'targeted' in different ways:

- *Means* - income and savings, variable thresholds and tapering off of income above the minimum, and interrelationship with the tax system.
- *Category* - by age, gender, ethnicity, marital status, geographic location, length of residence, health status, presence of disability, educational status, participation in education or training, housing tenure, job search status, caring status, military service history and occupational history.
- *Needs* - depending on characteristics like housing status, impairment.<sup>69</sup>

### **Purposes of sickness and disability benefits**

Why have separate benefits for disabled people? The main rationales for benefit (not uncontroversially) are that :

- Disabled people are regarded as a deserving group because they have not brought misfortune on themselves, unlike unemployed people;
- The assumption is (for working age people) that disability is the same thing as being incapable of work, and this status (unlike the unemployed) does not change.<sup>70</sup>

However, the existence of disability benefits can make it easier for employers to lay off certain workers, particularly during times of economic recession.<sup>71</sup>

Certainly disabled people are often poor or at risk of poverty because of the combination of additional disability-related costs (see below), and lower incomes.

Haveman has suggested two approaches in disability policy: ameliorative and corrective.<sup>72</sup> The ameliorative approach tries to ensure that disabled people have access to a minimum level of income and is usually reflected in social security policy. The corrective approach tries to reduce or remove the effect of disability by changing the environment in which disabled people live, such as in access to employment. Lonsdale and Seddon were of the view that Australia and Sweden have adopted approaches more in the direction of corrective, whereas the Netherlands and the USA have moved towards the ameliorative approach. The UK may be moving towards a more corrective approach (though with some painful inconsistencies).

There are few comparative studies about disability benefits, despite the fact that often industrial injuries and sickness benefits are often the first to be established in many

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<sup>69</sup> Saunders P, 1999, 'Social security in Australia and New Zealand: Means-tested or Just mean? Social Policy and Administration Vol 33 no 5 December 1999

<sup>70</sup> e.g. Mackay S and Rowlingson R, 1999, 'Social security in Britain', Macmillan Press

<sup>71</sup> Lonsdale S and Seddon J, 1994, 'The growth of disability benefits: an international comparison', in Baldwin and Falkingham eds, 'Social security and social change: new challenges to the Beveridge model', Harvester Wheatsheaf

<sup>72</sup> Haveman, RH, et al, 1984, 'Public Policy Towards Disabled Workers', Cornell University Press, quoted in Lonsdale and Seddon, 1994, 'The growth of disability benefits: an international comparison', in Baldwin and Falkingham eds, 'Social security and social change: new challenges to the Beveridge model', Harvester Wheatsheaf



countries.<sup>73</sup> The same might also be said about compensation for war injuries, as in some countries these were established as limited schemes, such as during the Civil War in the USA.<sup>74</sup>

The main types of disability benefits can be grouped as:

- *Earnings replacement/income maintenance* - this can be contributory or means-tested;
- *Compensation* - war pensions scheme, industrial injuries scheme and other funds for specific purposes
- *Extra costs* - allowances for additional expenses, sometimes targeted only at those in work.

### **Earnings replacement/income maintenance**

Income maintenance schemes for disabled people have been payable on the basis that someone was too sick or disabled to work. Responsibility for some sickness schemes have been transferred to employers (such as in the Netherlands). Short-term schemes, often contributory based, were intended to act as a defence against poverty if the person was unable to work because of sickness (a significant proportion of the UK's former Poor Law population before the contributory schemes were established).<sup>75</sup>

In the UK, short-term sickness payments were intended to cover long-term needs as well as a short-term contingency. In 1971 Invalidity Benefit was introduced to meet long-term needs and was payable at a higher level, which could meet need without recourse to social assistance. It was to be similar to the old age pension, and a clear rationale for Invalidity Benefits was to treat people who had retired early due to disability in a similar way as those who had retired at normal pensionable age. Benefits were to be payable for an indefinite period, which later began to be questioned as numbers of recipients rose.

In some countries there is a distinction in the type and amount of benefit payable if a disabled person has never worked compared with those who have a history of employment and/or contributions. In the UK and Germany, many are not covered if they have never worked. In Sweden someone will be paid a supplement to bring them up to the minimum, to avoid reliance on social assistance. In the USA, Supplementary Security Income (SSI) is the basic safety net, and is primarily for people who have never worked; there is a separate Disability Insurance programme for workers who become disabled. In the UK, until April 2001, benefits for people without a contributions record were payable at a lower level but with a tighter disability test; from April, young people will become 'credited in' to the contributory system.

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<sup>73</sup> Ploug and Kvist, 1996, 'Social security in Europe: Development or Dismantlement?', Kluwer Law International, quoted in Mackay S and Rowlingson R, 1999, 'Social security in Britain', Macmillan Press

<sup>74</sup> see US website and links - [www.ssa.gov](http://www.ssa.gov)

<sup>75</sup> Brown, J, 1984, 'The Disability Income System', Policy Studies Institute

### ***Benefits based on incapacity***

Income replacement schemes tend to be based on some notion of incapacity or inability to work. In a study of social security and employment provisions in seven countries, many had originally established compensatory cash benefits to provide an income in case of total incapacity for work, on an 'all or nothing' basis.<sup>76</sup> Subsequently some had introduced 'partial' capacity through half-rate or different levels of benefit payable, largely based on the amount of earnings capacity which had been reduced. The rationales for partial capacity benefit (though not always clear) have included :

- compensation for harm caused to disabled people by society (France);
- 'rehabilitation before pension' (Germany);
- support to enable people with partial capacity to work (Sweden and Finland);
- partial capacity to earn, rather than partial capacity to work normal hours (the Netherlands);
- reducing costs and welfare dependency by providing work incentives (UK - the Disability Working Allowance (now the Disabled Person's Tax Credit) is only payable for those working more than 16 hours, and is separate from out of work incapacity benefits).

Claimants must have partial capacity

- To work (Finland and Sweden);
- To earn the previous wage (France);
- To earn from commensurate work (Germany);
- To earn from acceptable alternative employment (the Netherlands).

However in many cases there is a tendency to award full rather than partial payments, and few actually combine partial payments with work (only 6% in Australia, rising to about a fifth in France), suggesting that the concept of partial capacity may not be that helpful.

The US adopts a slightly different approach in that benefits are not based on the concept of 'incapacity' but on a test of disability, though the person has to be sufficiently impaired so that they are unlikely to be able to earn enough to be financially independent (defined in terms of earnings). Whilst this approach does not raise quite the same inherent contradictions as the UK system of incapacity, decision-makers can still interpret the very taking of a job as indication that the individual's condition has improved.<sup>77</sup>

### ***Growth in numbers of claimants***

There has been a common pattern of growth in numbers of working age claimants of invalidity benefits in the UK, USA, Sweden, Australia and the Netherlands, even

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<sup>76</sup> Thornton T et al, 1997, 'Helping Disabled People to Work: A cross-National Study of Social Security and Employment Provisions', Social Security Advisory Committee Research Paper 8

<sup>77</sup> O'Bryan A et al, 2000, 'Economic security and supported employment', National Development Team

though the income-replacement benefits varied between those countries.<sup>78</sup> The Netherlands then had relatively 'lenient' eligibility rules and high levels of benefit; Sweden emphasised employment and temporary disability pensions as well as a permanent pension; and Australia was the most means-tested system. Common factors included the high level of disability benefits relative to other benefits; and the increasing use of 'labour market considerations' in eligibility.

An OECD study also showed that, in Hungary the numbers doubled between 1990 and 1996, and in Luxembourg numbers of disability pensions granted over the last ten years exceeded the *combined* total of old age and early-retirement pensions.<sup>79</sup> However this does not seem to be an even picture as the Slovak Republic has reported decreased numbers and countries like Japan and Korea do not collect this information. Two policy responses to increased growth have been tighter eligibility based on impairment-testing, and more encouragement into employment. Tighter eligibility may reflect concerns to protect those who may need to rely on benefit for long periods - but a strictly medical assessment may have unintended consequences, as severity or level of impairment does not neatly equate to work capacity or potential. Restricting eligibility is likely to lead to limited returns, none the least because, as some social model writers have pointed out, 'disability' is a tough category to define and police.<sup>80</sup>

The trends suggest, however, that payments on the basis of impairment are likely to attract large numbers of people to claim, which can put strain on social security budgets, and lead to subsequent political battles over moves to restrict eligibility.

### ***Means-tested or social assistance payments to disabled people***

Many industrialised countries have seen growing numbers claiming social assistance or basic means tested safety net benefits, some of which is related to increasing claims from disabled people.<sup>81</sup> Not all means-tested systems are the same, and they perform different functions depending on other parts of the system. For example, in Australia and New Zealand, where all benefits are means-tested, though some at a higher level than in the UK. This contrasts with residual social assistance in the Nordic countries, as most provision is universal or contributory. In the middle there may be states with rudimentary assistance - Southern Europe and Turkey, where assistance is mainly for specific groups like disabled people, in some cases integrated with social work and other services, and those with highly decentralised assistance with local discretion - Austria and Switzerland.<sup>82</sup>

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<sup>78</sup> Lonsdale S and Seddon J, 1994, 'The growth of disability benefits: an international comparison', in Baldwin and Falkingham eds, 'Social security and social change: new challenges to the Beveridge model', Harvester Wheatsheaf

<sup>79</sup> Kalsisch D et al, 1998, 'Social and Health Policies in OECD countries: A survey of current programmes and recent developments', OECD Occasional papers no 33

<sup>80</sup> Oliver M and Barnes C, 1998, 'Disabled People and Social Policy', Longman

<sup>81</sup> Eardley T et al, 1996, 'Social assistance in OECD countries: Synthesis Report', DSS research report no 46

<sup>82</sup> Eardley T et al, 1996, 'Social assistance in OECD countries: Synthesis Report', DSS research report no 46

In Germany, disability is linked to both an increased risk of receiving assistance as well as longer durations.<sup>83</sup> Social assistance in Germany and Sweden, unlike the UK, can also include services, as well as cash transfers. This can include the costs of disability as well as the costs of personal assistance or nursing home care. However in Sweden few disabled people receive social assistance.

In the UK means-tested social assistance was initially payable at the same rate, whatever the reason for being out of work; subsequently a higher rate was payable for anyone who was on benefit long-term, as well as specific additions such as for heating and special diet.<sup>84</sup> The current system is based on a personal allowance, with 'client group' premiums payable on top. For disabled people this meant premiums were based on entitlement to other benefits (extra costs and incapacity) rather than an individual investigation of each item of extra need. Disability is now more explicitly recognised in the means-tested system; numbers of people on income support with a disability premium has continued to rise. There is now also a tax credit for those working more than 16 hours a week, formerly an in-work benefit but which is now paid by the Inland Revenue.

Means-tests have the advantage of targeting on people once they are poor or on low incomes, however the disadvantages concern the disincentives to save and to take up work, as well as low take-up for schemes which carry stigma.

### **Compensation schemes**

Compensation benefits are often the first to be introduced, such as for war pensions and industrial injuries or workmen's compensation. War Pension schemes tend to have considerable support from special interest groups and have tended to remain largely unchanged. Though often relatively small in terms of spending and numbers of recipients when compared with the other disability schemes, there have been moves to introduce more 'active' approaches to recipients and potential recipients some workplace compensation schemes, including rehabilitation and case management.<sup>85</sup>

In the UK there is also a presumption against 'double compensation'; someone receiving compensation for personal injury through the courts will have this reduced by an amount equivalent to the total of benefits they have received up to the date of settlement, or 5 years. However, benefits cannot be deducted from damages for pain and suffering.

### **Extra costs benefits**

Once it can be established that disabled people incur additional costs, there are reasons to offer cash payments to help towards meeting those costs, though not necessarily in full. The additional costs faced by disabled people can consist of '*personal support*' - ie the goods and services needed to help with tasks that non-

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<sup>83</sup> Barnes, H, 2000, 'Working for a living? Employment, benefits and the living standards of disabled people', Policy Press

<sup>84</sup> see e.g. Burchardt T, 1999, 'The Evolution of Disability Benefits in the UK: Re-weighting the basket', CASE paper 26

<sup>85</sup> see e.g. Martin, K, 1995, 'Workers' Compensation - case management strategies', *AAOHN Journal*, vol 43, no 5

disabled people can do by themselves, like housework and intimate tasks such as help with dressing, bathing etc; and *higher spending on everyday items* like heating, laundry, transport.<sup>86</sup> It is also possible to distinguish between

- Personal assistance - help provided by a worker hired by, and reporting directly to, the disabled person
- Services - help provided by a worker or volunteer paid by the local authority or NGO;
- Care - help provided by relative or friend, usually without a formal contract or payment (see also below).<sup>87</sup>

Often, people with the most severe impairments have the highest costs; a third of disabled people in a GB *Disability Survey* in 1996/7 said they spent more on transport, 45% spent more on heating and electricity, those with the most severe impairments being twice as likely to spend more.<sup>88</sup> However, the amount people *spend* can be limited by the amount of money they actually have, can underestimate what the person *needs* and it may be difficult to make comparisons with non-disabled people. Some NGO research with severely disabled people found that there is no simple correlation between the severity of impairment and spending; for instance, transport costs may be lower where someone goes out less because of their impairment (rather than the cost).<sup>89</sup>

Costs will be affected by factors like the impairment; social norms and expectations about helping others; the physical environment (e.g. the design of public transport); and expectations of the disabled person (and others) about the activities in which she or he might participate.<sup>90</sup> It follows that changes in other policies or practices can substantially affect the standard of living of disabled people; for instance, in the UK, extra costs have been rising from the expanding numbers of local authorities charging for their community care services.

Compensating the individual for the additional costs is only one possible response - another approach would be to tackle the additional causes of the expense at societal level (see also section d).<sup>91</sup>

However for the purposes of designing cash compensation for additional costs, decisions need to be made about

- the scope of spending to be covered
- consistent mechanisms for measuring the costs involved;
- balancing between individual need and meeting average needs in the most efficient way.<sup>92</sup>

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<sup>86</sup> R Berthoud, 1998 *Disability benefits: a review of the issues and options for reform*, Joseph Rowntree Foundation,

<sup>87</sup> Berthoud, R et al, 1993, 'The economic problems of disabled people', Policy Studies Institute

<sup>88</sup> Grundy E et al, 1999, *Disability in Great Britain*, DSS research report

<sup>89</sup> A Kestenbaum, 1997 *Disability-related costs and charges for community care*, The Disablement Income Group,

<sup>90</sup> Berthoud, R et al, 1993, 'The economic problems of disabled people', Policy Studies Institute

<sup>91</sup> Abberley, P, 1992, 'Counting us out: a discussion of the OPCS disability surveys', *Disability, Handicap and Society*, vol 7 no 2

There are probably two approaches; a broad brush approach, giving a large group of people an average payment, or an individualised assessment, giving more to people with highest (and probably substantial) needs.

***The broad-brush approach*** is a response to the difficulty that there are too many different kinds of costs to cover them all by distinct individual allowances and they are not incurred by every disabled person.<sup>93</sup>

In the UK the original attendance allowance was not intended as a benefit for 'disablement' but to help those requiring a considerable degree of personal attention'.<sup>94</sup> Subsequently reforms in 1992 brought attendance and mobility allowance together and introduced two new lower rates of benefit, making it more of a general disablement costs allowance, and not specifically for care or mobility.<sup>95</sup>

Disabled people in Germany are entitled to a tax allowance (increasing with the degree of assessed disability) as compensation for higher living costs. This was introduced in 1974 and has not been uprated; as with tax allowances, its value is greatest for those on higher incomes. Sweden also has a benefit called Disability Allowance for people of working age who have been functionally impaired for at least a year and who require additional help or incur additional costs. The amount varies by the amount of assistance required, and is paid either as a stand-alone benefit or as a supplement to the disability pension; it is not means-tested nor taxable. Finland, too, has a Disability Allowance, payable as compensation for disability due to the need for assistance and to meet special expenses, but only for people of working age and not with out of work benefits.<sup>96</sup> The USA adopts a different approach by taking the additional costs of working into account when calculating any SSI payable to disabled people.<sup>97</sup>

***The individualised approach*** is more often adopted to assess for some of the highest costs, that of paying for another person to provide personal assistance, often as an alternative to residential care. Numbers receiving such payments are normally low relative to those receiving the broad-brush allowances. For instance in the UK, sources of payments include an independent trust overseen by the DSS, the Independent Living Fund, and, since 1997, councils have been *permitted* to provide money directly to disabled people to purchase community care services or equipment.<sup>98</sup> Individual needs were assessed by visiting social workers once the initial

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<sup>92</sup> Barnes, H, 2000, 'Working for a living? Employment, benefits and the living standards of disabled people', Policy Press

<sup>93</sup> Large, P, 1991, 'Paying for the Additional Costs of Disability', in Dalley, G, ed, 'Disability and Social Policy', Policy Studies Institute

<sup>94</sup> see e.g. Brown, J, 1984, 'The Disability Income System', Policy Studies Institute

<sup>95</sup> House of Commons, 1998, 'Disability Living Allowance', Social Security Select Committee, HC paper 641

<sup>96</sup> Thornton T et al, 1997, 'Helping Disabled People to Work: A cross-National Study of Social Security and Employment Provisions', Social Security Advisory Committee Research Paper 8

<sup>97</sup> O'Bryan A et al, 2000, 'Economic security and supported employment', National Development Team

<sup>98</sup> though the Health and Social Care Bill includes provision for regulations to be made requiring LAs to make direct payments

eligibility criteria were satisfied, and cash payments were made on the basis of hours of help needed.<sup>99</sup>

## **Linked Provisions**

### *Summary*

Definitions of 'social security' or social protection vary across countries and so neat comparisons are not always possible. However many countries now have a closer link between employment and social security provision for disabled people, as 'active' labour market measures are extended to disabled people. In the UK, the separation of different provisions for disabled people into different departments can mean that a comprehensive approach to disability across government as a whole is lost, and until recently there were no specific government objectives which each department had to meet. Policies for disabled people across areas like transport, housing and social security would probably need to be designed and implemented more closely than in the UK system.

Another 'linked' issue is assistance for informal carers, which may be useful to consider at the same time as provision for disabled people themselves, and raises similar issues about the balance of provision between cash and kind.

The OECD is undertaking a survey of disability policies, mainly working age people, due for publication in 2002.

## **A more active approach to welfare - EU and OECD**

During the 1990s there has been an overall policy shift towards a more 'active' approach to people of working age, which means reducing the use of benefits in isolation and linking them more with employment support. This contrasts with a 'passive' approach which tends to consist of dispensing compensation by way of cash payments. Employment policy can combine three elements:

- Integration into the labour market;
- Measures to tackle discrimination; and
- Reduced dependence on benefits.<sup>100</sup>

The emphasis in recent years has been on encouraging retention and rehabilitation in the conventional open labour market, stimulated by an equalities agenda as well as pressure on benefit regimes. However, contradictions remain in different parts of the policy arena, causing perverse effects, and responsibilities for implementation often remain fragmented and poorly co-ordinated. Research for the European Commission has identified three approaches to disability and employment issues (not in solely European states):

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<sup>99</sup> Lakey, J, 1994, 'Caring about independence: disabled people and the Independent Living Fund', Policy Studies Institute

<sup>100</sup> ECOTEC Research Consulting, 2000, 'Benchmarking employment policies for disabled people', European Commission

- Rights, specialist organisations and programmes for disabled people (USA, Australia);
- Active labour market policy with disability 'mainstreamed' and based on social partner consensus (Nordic countries);
- 'Welfare to work;' strategy supported by anti-discrimination legislation (UK).<sup>101</sup>

Nordic countries have had a strong tradition of active labour market policies, both to help retrain individuals to find employment and to encourage employers by providing subsidies.<sup>102</sup> In particular, 'active' policies have been directed at the premature exit from the labour market by older workers. People who leave the labour market and move onto disability pensions have rarely returned to work again. Activation measures for this group involves early intervention and monitoring of those off work on sick leave, vocational assessment, guidance and retraining for those who cannot return to their previous job, as well as measures that contain an element of job creation e.g. through wage subsidies. In Nordic countries, legislation on individual rights and quotas have not played a major role. In Finland the focus has been on younger disabled people entering the labour market as well as older disabled people, emphasising earlier intervention and subsidised employment.

Active measures often involve individually-tailored approaches like case management (e.g. as in UK, Australia, France, Germany). Whilst the basic philosophy is hard to criticise, there have been problems in practice as a result of under-resourcing, limited scope to tackle the multifaceted nature of some problems, individual perceptions that they may be no better off in work, negative interactions with the benefits system, and in some areas, unfavourable labour market conditions. However in relation to the latter, there does seem to be differences between countries in the proportion of disabled people in work, even when they are at similar points in the economic cycle; for example in Australia disabled women seem to have gained more, perhaps as a result of the gender bias in the labour market.

There are three contrasting European approaches to civil rights:

- Denmark - the legal philosophy is that legislation in general should protect the needs of disabled people through ordinary measures.
- Sweden has a Disability Ombudsman that monitors civil rights and the application of the UN Standard Rules, though the Ombudsman cannot enforce anything by court action.
- France has civil rights legislation in two basic Acts, based on the underlying principle of integration into an ordinary environment, whether in terms of education, occupation or being able to live independently at home. Specialist intervention is regarded as a palliative for those for whom disability is too serious or specific to permit integration.<sup>103</sup>

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<sup>101</sup> ECOTEC Research Consulting, 2000, 'Benchmarking employment policies for disabled people', European Commission

<sup>102</sup> Kautto, M et al, 1999, 'Nordic Social Policy: changing welfare states'. Routledge

<sup>103</sup> European Commission, 1998, 'Compendium on Member States' Policies on Equality of Opportunity for People With Disabilities'



## **Transport and social security**

Some commentators have taken the view that cash allowances for transport would not be necessary if public transport systems were fully accessible to disabled people. Whilst there are links to be made, countries like Sweden have taken a mixed approach: although there is a legal requirement that public transport should be fully accessible, this is progressing slowly in Sweden and so some municipalities offer free use of taxis. Disabled people unable to use public transport are entitled to an allowance to enable them to purchase or adapt a car.<sup>104</sup>

Cash payments can also offer flexibility in how the money is used. In the UK, for example, help with mobility was originally met through provision of cars to war pensioners and trikes (three-wheelers) to civilians. However this changed when it became apparent that this cut out children and people who could not drive, as well as emerging concerns about the safety of trikes; a cash allowance was introduced so as to provide 'equity and flexibility'.<sup>105</sup>

Some countries focus their additional assistance to help with travel to work. For example, in Australia there is a mobility allowance for people in work or training, if unable to use public transport, and tax refunds in Germany (though few receive refunds as the eligibility criteria are tight).<sup>106</sup> Means-tested grants are available to buy a car or obtain driving licence, and small grants are available for adaptations to a vehicle. Chauffeur services are also available for those who cannot use public transport or taxis, irrespective of work status, funded through social assistance.<sup>107</sup> In Italy, increased help with mobility needs is intended to take advantage of labour market opportunities, and includes exemption from road tax, VAT reduction on purchase and additional help for modification.

## **Common goals across policy areas**

What is unclear is how countries account for and present the variety of policies intended to assist disabled people. Whilst many of these are linked, if government is organised into functional areas it is not always easy to establish whether government money is being spent wisely and efficiently in pursuit of the stated aims.

In the UK, the most transparent budget in terms of disability-related spending is probably social security, with some £24 billion (a quarter of the DSS budget) spent on disability benefits. However this does not tell us much about whether government objectives are being met, nor the extent to which spending is tackling the causes and consequences of social exclusion. Without such an analysis, there is a danger that the relative transparency of budgets like the DSS could result in pressure for them to be re-directed elsewhere. Similarly, spending in other departments could reduce demand

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<sup>104</sup> Barnes, H, 2000, 'Working for a living? Employment, benefits and the living standards of disabled people', Policy Press

<sup>105</sup> see e.g. Brown, J, 1984, 'The Disability Income System', Policy Studies Institute

<sup>106</sup> Thornton T et al, 1997, 'Helping Disabled People to Work: A cross-National Study of Social Security and Employment Provisions', Social Security Advisory Committee Research Paper 8

<sup>107</sup> Barnes, H, 2000, 'Working for a living? Employment, benefits and the living standards of disabled people', Policy Press

on the DSS; for instance, the gains from making transport accessible could deliver considerable savings in health, social security and employment.<sup>108</sup>

As with mainstreaming (section a) the extent to which people encounter difficulties in carrying out everyday activities and in fulfilling social roles represent the 'social consequences' of disability. Whether relating to assistance at home, adaptations at home or work, transport or leisure facilities, the central question has to become 'to what extent these schemes reduce the extent and quality of disabled people's participation in society?'<sup>109</sup>

### **Cash or kind**

The balance between provision in cash or kind varies, as in the UK there is a separation, but other countries have more links. In European countries there is a greater association between benefits and social work. This also relates back to the issue of extra costs, as in the UK there is a National Health Service free at the point of delivery, but a system of means-tested social care.

### **Informal carers**

When considering provision for disabled people, questions are often raised as to the balance of support between disabled people and informal carers. The UK is unusual in having a separate flat rate benefit payable to people who provide at least 35 hours a week of 'informal care' to a disabled person. Ireland also has a Carers Allowance (which is means-tested).

In a study for the UK Social Security Advisory Committee in 1993, many European countries, payments for 'care' were paid to the disabled person themselves, who then paid their own carer.<sup>110</sup> This was often administered by regional or municipal authorities operating their own criteria for eligibility and means-tested. In countries like Sweden, working age family carers can be 'employed' by the municipality as salaried care-givers, their 'pay' based on the assessed level of services the disabled person would otherwise have received. None of the countries which offer financial support to both informal carers and disabled people permit both to be received simultaneously.

The UK is also alone in having a national social security system; in other European countries even nationally-defined payments are delivered at regional or local level, whether as social insurance (as in Germany) or as means-tested assistance (France).<sup>111</sup> There are probably three models:

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<sup>108</sup> Over £1 billion when estimated ten years ago Fowkes, Oxley and Heiser, 1994, 'Cross-sector benefits of accessible transport', Cranfield. We are not aware of a more recent update.

<sup>109</sup> Stokkom S and Fougeyrollas P, 1998, 'Use and usefulness of the International Classification of Impairments, Disabilities and Handicaps in maintaining people with disabilities at home and in their own community', Council of Europe Publishing

<sup>110</sup> Glendinning, C and McLaughlin, E, 1993, 'Paying for Care: Lessons from Europe', Social Security Advisory Committee Research paper 5

<sup>111</sup> Glendinning, C and McLaughlin, E, 1993, 'Paying for Care: Lessons from Europe', Social Security Advisory Committee Research paper 5

1. Centrally delivered social security payments (e.g. UK, Ireland, Sweden, German social insurance);
2. Overall policy decided at national level but implementation carried out by relatively autonomous local and regional organisations (e.g. Italian 'companion payment and German social assistance);
3. Payments totally within local welfare services (e.g. Finnish Home care allowances).

Payments tended to be a *substitute* for services, not additional. This may be because services have tended to be targeted on those who live alone (and as a result with less substantial needs). The German social assistance includes the choice of either cash or kind; in the early stages of the scheme more people opted for cash, but there seems to be an increasing preference for services.<sup>112</sup> This might reflect the perceived unresponsiveness of services. However, direct cash-based systems do not necessarily recognise carers as they are based on an assessment of the *disabled person's* needs. In Germany, even when cash is chosen, there is no right to an independent income for the carer, and it is left to the discretion of the disabled person as to how the money is spent. As payments are normally too low to purchase the necessary services, informal carers are still needed. So it has been argued that cash-based systems accentuate the different interests of carers and disabled people whilst service-based systems can accommodate the differences more easily.<sup>113</sup>

The 1993 SSAC report pointed to two issues arising from this debate;

- whose needs are included in any assessment process, and for care services or cash payments or both; as well as
- to whom should payment be made.

In the countries studied, the disabled person's needs for care services were included to some extent in assessments for financial support. Payments varied, from the German health insurance system paying the disabled person only (the carer having no financial entitlement as such), to the UK and Ireland providing cash direct to carers. Germany allows financial support based on payment or reimbursement for specific services, split between the health insurance and means tested assistance. However in Germany relatives have an obligation to provide practical help to elderly and disabled people, and only if relatives are unable to help do health insurance and means-tested benefits become payable. The care allowance offers a choice between services in kind and a lower cash payment, although because of the shortage of care services and low income of carers, most opt for the latter. The Finnish Home Care Allowances were based on the needs of the disabled person but, with their agreement, were payable direct by the municipality to the carer (intended as a substitute for formal services). In France, tax allowances to employ a private home help, 'life assistant' services, as well as two cash allowances, can be made to the disabled person who can decide how it is spent (including payment to the family carer).

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<sup>112</sup> Pickard, L, 1999, 'Policy options for informal carers of elderly people', in 'With Respect to Old Age: research vol 3', report by the Royal Commission on Long Term Care, Cm 4192,-II/3

<sup>113</sup> Pickard, L, 1999, 'Policy options for informal carers of elderly people', in 'With Respect to Old Age: research vol 3', report by the Royal Commission on Long Term Care, Cm 4192,-II/3

## Further information

The OECD is undertaking some research into disability policies, mainly for people of working age, which will consider compensatory cash policies on the one hand and more 'active' employment-related interventions on the other. This is due to report in 2002 and will contain an analysis of major changes in disability policy since 1980.<sup>114</sup>

## Disabled Children

### *Summary*

As with adults, it can be helpful to consider the extent to which disabled children are similar to, or different from, other children. Whilst impairments and their consequences and additional costs mark the differences, disabled children are similar to others in relation to basic needs and rights, and so a mix may be preferable.

Many industrialised countries provide for disabled children through additions to the basic child and family allowances. Countries that provide disability benefits separately from other child provision have tended to develop them as an adjunct to adults, rather than tailored for children specifically.

## The costs of a disabled child

A distinguishing feature is that many disabled children incur additional costs.

### *Differences*

Disabled children have a range of impairments and a majority have more than one impairment and many have emotional/behaviour problems on top of a physical or sensory impairment. A disabled child can bring extra costs, though these can be hard to measure. They can also depend on the type, nature and severity of impairment, cultural factors and the availability and cost of social, educational and health services. In the UK there is far less data on the costs for children than for adults. Some of the additional costs identified include spending more on clothing, heating, laundry etc as well as equipment/adaptations and the reduced employment opportunities of parents.

The main types of extra expenses can be:

- Capital items specifically for disability e.g. purchase of special equipment (incurred by 13% of families with a disabled child);
- Regular payments for disability-related items e.g. medical supplies or respite care (68%);
- Regular payments for extra spending on everyday items such as higher heating, food, etc (70%).<sup>115</sup>

<sup>114</sup> see website [www.oecd.org/els/social/dp/about.htm](http://www.oecd.org/els/social/dp/about.htm)

<sup>115</sup> Smyth M and Robus, N, 1989, 'The financial circumstances of families with disabled children living in private households', OPCS surveys of disability in Great Britain, report 5

However, as UK research points out, not all disabled children bring additional expenditure; whilst a third of families thought their child had additional needs they were unable to meet, but nearly a quarter were neither spending anything extra, nor thought they needed to.<sup>116</sup>

Disabled children tend to be poor and marginalised. Even in the UK, families with disabled children are more likely to be poor than other families with children or families with a disabled adult.<sup>117</sup> In developing countries only an estimated 1-2% of disabled children receive an education.<sup>118</sup>

### *Similarities*

All children need security, education, development and so on, so the quality of life for disabled children will depend in part on the success of policies for all children. Disabled children will also have the same kinds of needs as other categories to which they belong e.g. lone parent family, large families, poor families or ethnic minority families.

UK research has indicated that those most in need of services are least likely to get them. The families who received most support services (health or social care) tended to be two-parent families and foster carers rather than lone parent families and large families (four or more children).<sup>119</sup> This they speculate may have resulted from criteria which favoured those with least social need, or that no distinctions were being made on social need so families who were more able to use services did so. It also shows the importance of family circumstances as well as the child's impairment. Poor families also seem to be less likely to obtain DLA cash payments; given identical care needs or functional impairments, the most disadvantaged made fewer applications, were less successful when they did apply, and were less likely to be awarded the higher rates of benefit.<sup>120</sup>

### **Generalist provision**

Many OECD countries with some additional provision for disabled children appear to do so through additions to the family allowances or child benefits payable, for example by raising the age threshold, income thresholds or extra additions. Even in countries with a strong tradition of means-testing (like New Zealand and Australia) provision for disabled children is targeted on age and disability criteria rather than income and assets. Other countries give special disability allowances (like UK and Ireland). An OECD table is reproduced below.

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<sup>116</sup> Smyth M and Robus, N, 1989, 'The financial circumstances of families with disabled children living in private households', OPCS surveys of disability in Great Britain, report 5

<sup>117</sup> Gordon D et al, 2000, 'Disabled children in Britain: a reanalysis of the OPCS Disability Survey', The Stationery Office

<sup>118</sup> Department for International Development, 2000, 'Disability, poverty and development'

<sup>119</sup> Gordon D et al, 2000, 'Disabled children in Britain: a reanalysis of the OPCS Disability Survey', The Stationery Office

<sup>120</sup> Roberts K and Lawton D, 1998, 'Reaching its target? Disability Living Allowance for children', York University, Social Policy Report number 9

## Summary of provision for disabled children

Country	Provision
Australia	Child Disability Allowance, more care needed, non-means tested, up to age 16 or older if student
Austria	Additional family allowance if permanently disabled under 19
Belgium	Special supplement to family allowance and up to age 21
Canada	Child care expense deduction for older children
Czech Rep.	Special supplement to family allowance and up to age 26
Germany	No age limit on family allowance if disabled
Hungary	Special family allowance paid to family for disabled child
Greece	Additional benefit depending on child's condition - further aid may be available from parents' social security fund
Ireland	Domiciliary care allowance for disabled child 2-16 at home
Italy	No age limit and higher income thresholds on family allowance if disabled, no means test for accompanying income security for seriously disabled child
Japan	Special child rearing allowance to age 20, and special allowance payable to those aged over 21
Luxembourg	Family allowance supplement for disabled child
New Zealand	Allowance for disabled child, flat rate, non-means-tested
Portugal	No age limit on family allowance if child totally disabled, additional allowance for sick child for constant attendance
Slovak Rep.	Family allowance up to age 26
Spain	No age limit on family allowance where disabled, no means-testing where child at least 33.3% disabled, special supplements which increase with level of disability (33%, 65%, 75%)
Sweden	Family allowance up to age 23 for child attending special school for 'mentally retarded'
Switzerland	Family allowance up to age 18, 20 or 25 depending on area (cantons) or up to 20 and not receiving full disability pension (federal scheme for farmers and agricultural workers)
Turkey	Payable without age limit if insured parent dies (for daughters, only on condition that she is not married)

Extending the age limits appears to be based on the assumption that disabled children will remain 'dependent' on their parents into young adulthood, rather than incurring additional expenses on top of the basic costs of a child.

### Specialist disability benefits

Where there are specific allowances for disabled children through the disability system, the experience of the UK and US suggest that these have been set up with adults in mind, and not related or applied very well to children. Children tend to miss out as many schemes depend on work status or the payment of contributions - which they have not been in a position to make.

In the UK, disability provision set up after the Second World War were primarily intended for people of working age who, but for an impairment, would otherwise have

been in employment. Children were completely excluded until 1970 when various schemes took some account of children; however, children were included not as a deliberate policy but as a side-effect of helping people of working age.<sup>121</sup> This included the forerunners of DLA (AA and MobA), an independent trust (the Family Fund) and a compensation scheme for children who had been damaged as a result of being vaccinated against diseases (the Vaccine Damage Payments (VDP) Scheme).

### **The rationale for cash benefits for disabled children**

The income maintenance rationale cannot apply to children, who are not breadwinners and so have not had to forego employment because of an impairment. Other rationales include:

- A child's disability requires the parent to work less and earn less than they otherwise would, or have to hire outside help to assist with their child's needs;
- The needs of a disabled child are greater and so the costs are higher.

An additional rationale of compensation may arise, as with the UK system, where schemes were introduced for specific groups of severely disabled children. Both the Family Fund and VDP were intended as temporary responses to awkward political situations. With the Family Fund, it was prompted by newspaper revelations about children born to women who had taken thalidomide in pregnancy; the response was a scheme that was not just for this group of children, but for all of those with a severe impairment. In the case of VDP the state had encouraged mass vaccination programmes against diseases like polio but in the 1970s it was difficult for parents to prove negligence and therefore take legal action).

However, as the policy rationale for cash benefit (income maintenance) for adults is stronger than for children, the question is inevitably raised whether the needs of disabled children can best be met through cash payments, or in-kind benefits/services (such as equipment, health care, personal assistance). Or it may be that a cash payment to enable one of the parents to stay at home (see section d).<sup>122</sup>

Two further questions are: do cash benefits or services give better outcomes, and should the amount of benefit be scaled in proportion to need and severity?<sup>123</sup> In the US there is some evidence that in-kind programmes produce bigger benefits, but also that two-thirds of families incur no extra costs for their disabled child, but some 5% incur a substantial amount.

In the US there is only one flat rate of benefits, irrespective of costs, whereas in the UK there are different levels of DLA payable.

In the US, prior to 1990 the same disability criteria applied to children and adults. In 1991, the Supreme Court ruled that disability standards for children should not be narrower than those applied to adults. At that time, adults could qualify either by

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<sup>121</sup> Brown, J, 1984, 'The Disability Income System', Policy Studies Institute

<sup>122</sup> Rupp C and Stapleton, D, eds 1998, 'Growth in disability benefits: explanations and policy implications', Upjohn Institute

<sup>123</sup> Reno V et al, 1997, 'Disability challenges for Social Insurance, health Care Financing and Labor Market Policy', National Academy of Social Insurance, Washington DC

meeting an impairment test ('listing of impairments') or by being unable to engage in any substantial gainful activity. The second test was seen as less rigorous than the first, but for children there was no equivalent of this second test. As a result, eligibility criteria for children are now based on a child's developmental delay and limitations on the ability to engage in age-appropriate activities of daily living.

The numbers of claims by disabled children grew, and this court case was also seen as a major factor influencing this increase. The growth was also thought to have been prompted by some teachers and social workers encouraging parents to apply because their school could then receive additional funding and access to medical/other tests.  
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## Supported Employment

### *Summary*

There have been problems defining supported employment, as it can mean different things in different contexts. However the main concern about work environments which are specifically for disabled people (like sheltered workshops) is that they have had a vested interest in keeping disabled people within those segregated settings because of funding regimes, and that as a result, many who have the ability to progress do not do so. There has been an increasing emphasis in recent years on integrating individuals into the open labour market, rather than in sheltered settings like workshops. Whilst some people may need a 'supportive' work environment during rehabilitation or whilst developing skills, progression into open employment (with supports if necessary) has to be built into funding and eligibility criteria for specialist schemes. Sheltered work also needs to be seen as one particular form of intervention along a spectrum of help, ranging from advice with job search and placement, retention and rehabilitation. Job retention is also becoming increasingly important.

## Definitions

People can often talk about supported and sheltered employment as being the same thing, but there is a distinction which can be important for improving the employment outcomes for disabled people. Using definitions produced by a recent policy consortium report in the UK,

*'supported employment'* refers to people hired and paid by an employer, which meets the aspirations of the employee and the employer's requirement, where both employer and employee receive support to ensure success.<sup>125</sup>

In contrast, *'sheltered workshops'* refers to segregated situations where disabled people may do minimal work, where eligibility and funding is based on an assessment of reduced productivity.

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<sup>124</sup> Rupp C and Stapleton, D, eds 1998, 'Growth in disability benefits: explanations and policy implications', Upjohn Institute

<sup>125</sup> O'Bryan A et al, 2000, 'A framework for supported employment', Joseph Rowntree Foundation



## Purposes of sheltered employment

The provision of sheltered employment was originally intended to serve two purposes: the provision of gainful employment to disabled people in an environment where they could develop skills and confidence to enable them to move into the open market, and secondly to help them enter the wider labour market.<sup>126</sup> However sheltered employment has increasingly been seen as 'social' rather than labour market provision in many industrialised countries, with few people apparently progressing into the open labour market. Having said that, there have been moves towards limiting 'special' provision in favour of supporting people in a variety of ways (such as using job coaches etc) in open employment, and a renewed emphasis on using sheltered provision as a stepping stone.

## Models of employment support

In many countries sheltered employment after the Second World War meant working in a segregated workshop setting, heavily subsidised by government or NGOs; by the 1990s this had given way to a more differentiated pattern, where a range of intermediate solutions have been tested out. An analysis of member countries in the Council of Europe<sup>127</sup> found a diverse picture.<sup>128</sup>

At one end of the spectrum sheltered employment has been the main option for some countries like the Netherlands compared with countries like Germany which have stressed employment in the open labour market, through quotas and subsidies to employers. In the former eastern bloc countries, sheltered employment in production co-operatives is undergoing rapid change with the transition to market economy.

Norway emphasises integration in the open market, reserving sheltered employment for those who would not find work in the open market after rehabilitation.<sup>129</sup> In Sweden, sheltered jobs have been provided through Samhall, a large government-owned group of companies. However, more emphasis is now being placed on rehabilitation within Samhall in order to improve the chances of transition into the open market. The numbers of disabled people participating are large compared to other countries. The emphasis is also on job retention and early intervention.

Poland has a different approach where sheltered workshops are simply companies employing a large number of disabled people, operating in the open market receiving partial support from the state rehabilitation fund. A 'sheltered workshop' in Poland is once which employs not less than 20 workers, where

- At least 40% of the workforce comprises disabled people (or 30% blind);

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<sup>126</sup> ECOTEC Research Consulting, 2000, 'Benchmarking employment policies for disabled people', European Commission

<sup>127</sup> Albania, Andorra, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, the Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Macedonia, Turkey, Ukraine, UK.

<sup>128</sup> Council of Europe, 1995, 'Employment strategies for people with disabilities: the role of employers', Council of Europe publishing

<sup>129</sup> Kautto, M et al, 1999, 'Nordic Social Policy: changing welfare states', Routledge

- The infrastructure complies with the needs of disabled people;
- Medical care and rehabilitation is ensured.

In Italy, 'integrated workshops' represent an intermediate solution between open and sheltered workshops, and are more popular than sheltered workshops. Personal assistance allowance are also available in some projects.

In France, entry into the open labour market has been eased to avoid keeping people within a sheltered environment. Innovations include secondments in firms, the creation of independent jobs and tele-work. These are often accompanied by a 'tutor' to guide and follow the person during her/his career and ensure integration. A similar approach is also being developed in Norway and Sweden where integrated employment of people with severe impairments is being undertaken using a 'job coach' to assist induction and follow-up. This is seen as a better option than the more traditional approach of wage subsidies.

Experience in countries like Ireland, Norway, New Zealand and the USA also suggests that specialist supported employment sectors need to engage with more generic approaches.<sup>130</sup>

### **Job retention**

Job retention is a different approach which can help to prevent people getting onto benefit rather than moving them off at the other end. A cross-national study of work capacity and reintegration has recently taken place in Denmark, Germany, Israel, The Netherlands, Sweden and the UK.<sup>131</sup> Resumption rates of workers off sick for three months, showed the Netherlands had the highest return to work rates at one and two years, Germany and Denmark the lowest. It appears that individual characteristics, such as age, gender, education and perception of ability can have as much impact as specific interventions.

### ***The importance of job protection***

The findings also suggest that job protection (ie laws preventing arbitrary dismissal on health or disability grounds) plays an important role. If there is no job to return to, interventions make less sense. This also highlights the importance of an underpinning of anti-discrimination legislation. Indeed it is likely that job protection and the benefits system are key factors; in the US, with limited job protection and benefits, many people had to look for work with a new employer, compared with Denmark, which has poor job protection but generous benefits.

Different approaches to job protection include :

- Germany 'quota levy' - 6% of their workforce must be disabled people, otherwise a financial levy is payable (helps retention but fewer disabled people recruited);

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<sup>130</sup> O'Bryan A et al, 2000, 'A framework for supported employment', Joseph Rowntree Foundation

<sup>131</sup> Cuelenare, B, 2000, 'Work resumption and the use of interventions: experiences from the Netherlands and other Countries', in Lewis, J, ed, 'Job Retention in the context of long-term illness, DfEE and the Joseph Rowntree Foundation

- USA/UK individual rights - can bring a complaint against employers for unfair dismissal;
- Sweden - no dismissal whilst someone is receiving a sickness insurance benefit.<sup>132</sup>

## Concluding Comments

It has been said that welfare states not only serve citizens, but also construct political alignments.<sup>133</sup> Within advanced industrialised nations it may be that the politics of the welfare state is the politics of the status quo. For example, attempts to reform Italy's pension system led to the fall of the then government, in part because it was unable to build consensus around the issues. There have been a variety of special interest groups with a vested interest in maintaining some of the elements in the complex system we have in the UK.<sup>134</sup> This includes the insurance industry and legal profession, ex-military groups supporting the special status of war pensions, lawyers and the police supporting criminal injuries compensation, and (less powerfully now) trades unions supporting the industrial injuries scheme.

However more broadly, European countries often have high-level advisory groups on disability issues that include disabled people themselves advising government about disability policy from a social model perspective.<sup>135</sup>

It may be easier for developing countries to anticipate some of the pitfalls in particular structures from the lessons of older welfare states, and to build in support from the start, rather than having to change tack once a programme becomes difficult to fund.

Different issues may arise in industrialised countries because of the ageing populations, economic position and the relatively 'mature' welfare state provisions, many of which have had unintended consequences as well as positive ones. As well as other developing countries (sorry, little information to hand within the time available), it might be worth taking a closer look at transition economies - some will be trying to set up new social protection systems and ways to reduce social and health inequalities, such as the Czech Republic and Hungary (which is especially concerned about high mortality rates among middle-aged men).<sup>136</sup>

In the UK, disabled people (and carers) are regarded as 'deserving' groups by the public.<sup>137</sup> However whether this continues in the future may depend on where the line of 'deserving' claimants are drawn. Whilst supporting people who are genuinely unable to work for long periods because of ill-health, people may also be aware of the

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<sup>132</sup> Thornton, P 1999, 'Strategies to promote the Retention of Disabled Workers in Eight Countries', Rehab Network Spring 1999

<sup>133</sup> Esping-Andersen, E, 1996, 'Welfare States in Transition', UN Research Institute for Social Development

<sup>134</sup> Brown, J, 1984, 'The Disability Income System', Policy Studies Institute

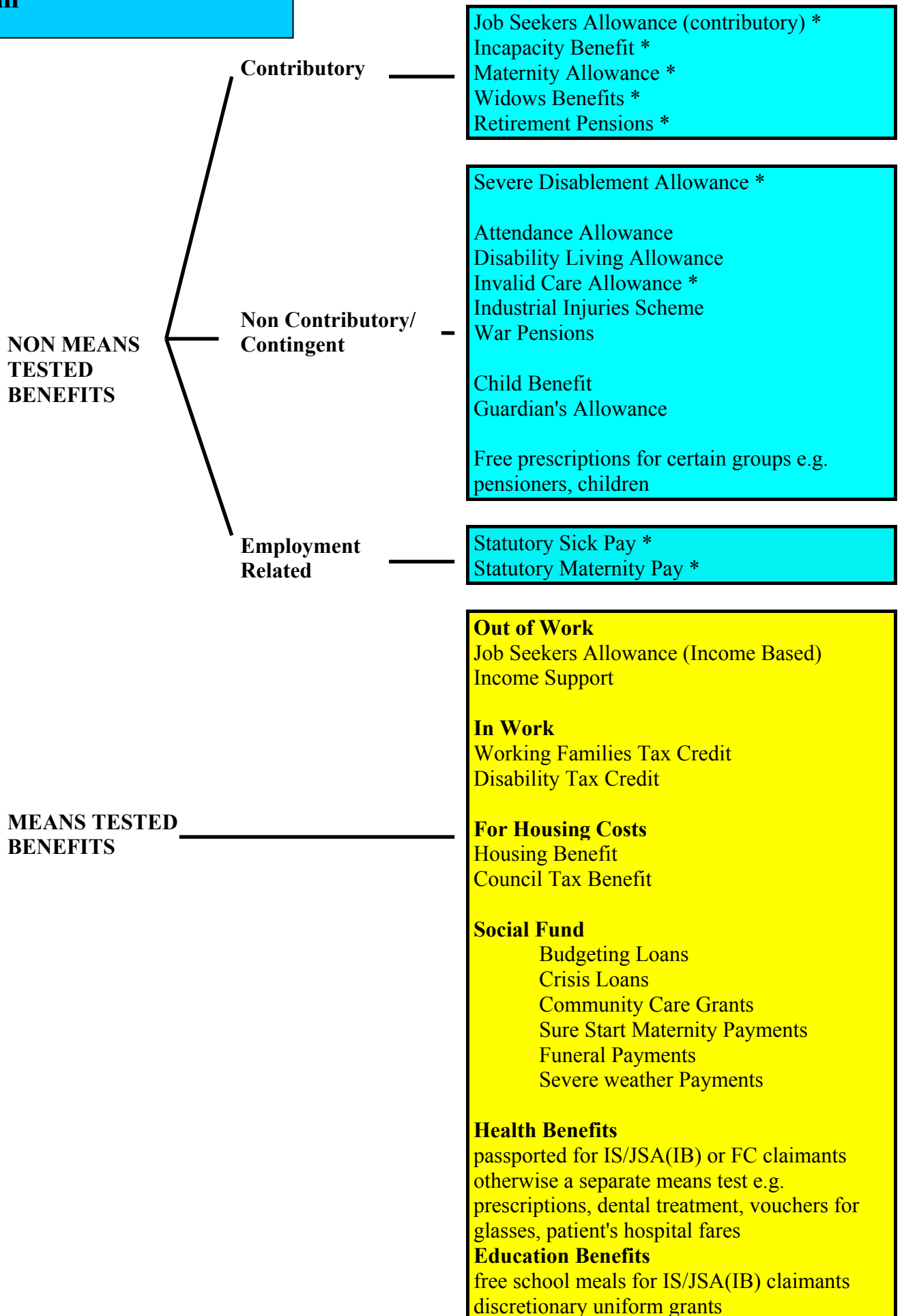
<sup>135</sup> European Commission, 1998, 'Compendium on Member States' Policies on Equality of Opportunity for People With Disabilities'

<sup>136</sup> Table 2.1 in Kalisch D et al, 1998, 'Social and Health Policies in OECD countries: A survey of current programmes and recent developments: Annex: Tables and Charts', Occasional papers no 33

<sup>137</sup> e.g. Hills and Lelkes, 1999, 'Social security, selective universalism and patchwork redistribution', in Jowell et al eds 'British Social Attitudes The 16<sup>th</sup> report', Ashgate

dangers of abuse and 'malingering'. For instance, entitlement to benefits in the US has been restricted so that people with drug and alcohol problems are no longer paid on the same basis as disabled people.

# The UK Social Security System



\* overlapping benefits

# A Review of Adjudication and Tribunals for social security in the United Kingdom

## Introduction

This section provides a review of the UK system of adjudication and tribunals in response to the following question of the Committee on Social Security. It is divided into three sub sections. The first section provides an historical overview of adjudication pertinent to the question. The second section provides a detailed explication of the current structure, procedure and operation of the adjudication system and compares this with the system before the new changes were instituted in April 2000. The rationale is to provide a comparison between the two systems in the light of much dissatisfaction expressed with aspects of the new arrangements. Finally there is a section which discusses some of the key issues needing to be considered in South Africa in the light of the UK model of adjudication.

## Historical Background

The UK system of adjudication through independent tribunal has historically separated the administration of appeals from the system of court-based justice whilst still maintaining the “judicial gravity” of the latter through legal expertise and right of final appeal of claimants to the court. This has undergone considerable change in the new arrangements enacted by the Social Security Act of 1998 (detailed in the second section below). This system differs from continental Europe<sup>138</sup>.

The case for administrative rather than legal tribunals operating through the court system was made as early as 1928 in a volume entitled *Justice and Administrative Law – a Study of the British Constitution*. In this the summary statement of the value of administrative tribunals was made as follows:

“The advantages of administrative tribunals are the cheapness and speed with which they have usually worked; the technical knowledge and experience which they make available for the discharge of judicial functions in special fields; the assistance which

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138 The historically independent arrangements for adjudication and appeals in the United Kingdom is distinguishable from those which obtain in major parts of Europe. In countries such as Belgium, France, Germany, Greece, Italy, the Netherlands and Sweden social security adjudication is executed predominantly by the courts and is completely separate from administration. An appeal is regarded as a dispute between the administration and the claimant with the courts assigned the task of resolving the dispute. Administrative procedures is divorced from the system of ordinary, civil or administrative justice. Appeal procedures in these countries are however less formal and more flexible than other legal procedures with less stringent procedural rules than in other branches with a greater variety of rules thereby being established. from Eichenhofer, Eberhard, “*A European Perspective on the Bill*” in Adler, M and Sainsbury, R, 1998 *Adjudication Matters: Reforming Decision Making and Appeals in Social Security*. University of Edinburgh: Department of Social Policy

they lend to the efficient conduct of public administration; and the ability they possess to lay down new standards and to promote a policy of social improvement”<sup>139</sup>

A key related question in adjudication since this statement until the present, as highlighted by Bradley (1997) was

“how can a scheme of state insurance be administered in accordance with the law but without undue recourse to the courts ? ”

The earliest arrangements for adjudication, of unemployment insurance claims made to the National Insurance Act of 1911, composed a three tier system : an insurance officer, a court of referees (local tribunal composed of a legal chairman and a representative each of industry and trade-unions) and an ‘umpire’ (senior lawyer to hear appeals from the court of referees).

Under the post-1945 Beveridge inspired system of expanded social security the three-tier system came to perform an important role. Workmens compensation was no longer the prerogative of courts or lawyers and was placed under the three-tier structure as an industrial injuries scheme. The family allowance followed suit and was similarly placed under the three-tier system. The three-tier system was not however applied to the safety net of subsistence payments of the time.

The three tier system was also not applied to the determination of issues such as classification of employment, definition of self-employment and questions related to contribution records for example. These became the prerogative of the Secretary of State (actually civil servants acting on his/her behalf) and are known presently as “Secretary of State questions” as they were not considered to be appropriately determined by local tribunals.

Historically decisions by an Adjudication Officer could be challenged by an independent appeal whereas Secretary of State decisions were subject only to internal review, with possible judicial review<sup>140</sup>.

The significant historical influence on the present form of the adjudication and tribunals system in the United Kingdom lies in the 1957 report of the Franks Committee on “Administrative Tribunals and Enquiries”.

In the Franks Report tribunals were not considered to be either ordinary courts nor appendages of government departments. The Franks report also established the tribunals as independent bodies of parliament:

“Much of the official evidence... appeared to reflect the view that tribunals should... be regarded as part of the machinery of administration, for which the government must retain a close and continuing responsibility... We do not accept this view. We consider that tribunals should properly be regarded as machinery provided

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<sup>139</sup> Robson 1947, quoted by Bradley, A - “A Historical Perspective on Reforming Decisionmaking and Appeals” in Adler, M and Sainsbury, R 1998 - “ Adjudication Matters: Reforming Decision Making and Appeals in Social Security” University of Edinburgh: Department of Social Policy

<sup>140</sup> Mckay, S and Rowlingson, K – 1999 Social Security in Britain, Macmillan Press: London

by Parliament for adjudication rather than as part of the machinery of administration (Franks Report, 1957, p.9).”<sup>141</sup>

The Report attempted to establish an independent system of tribunals characterised by the principles of openness, fairness and impartiality:

Openness requires the publicity of proceedings and knowledge of the essential reasoning underlying the decisions; fairness requires the adoption of a clear procedure which enables parties to know their rights, to present their case fully and to know the case which they have to meet; impartiality requires the freedom of tribunals from the influence, real or apparent, of Departments concerned with the subject matter of their decisions (Franks Report, 1957, p.10).”<sup>142</sup>

It was the Frank Report that led to the establishment of a Council of Tribunals.

The success of these independent tribunals was undermined it was felt by poor decision-making in the Supplementary Benefit Tribunals which did not form part of the three tier system. In 1974 Lord Scarman in a book on English law and social security said that Supplementary Benefit Appeals Tribunals displayed “...only the most tenuous link with the legal system”. With regard to these Supplementary Benefit Tribunals, low standards of decision-making were blamed in part on the absence of lawyers and in part on a mass of discretionary and secret rules. This led to the failure of these Supplementary Benefit Tribunals to deliver justice.

In contrast the three tier system for decision-making on the contributory side of benefits was thought to function far more effectively (as the criticisms for the Supplementary Benefits Tribunal did not apply to it).

In 1983 the Supplementary Benefits Tribunals were merged with the National Insurance Local Tribunals to become the Social Security Appeal Tribunals (collapsed into a unified Appeals Tribunal in April 2000).

The three-tier system described takes the form today of a “decision-maker” (known previously as an Adjudication Officer), a unified Appeals Tribunal (previously there were five specialist tribunals including a Social Security Appeals Tribunal) and a Social Security Commissioner.

The relative weighting of work is such that the “decision-makers” decide millions of benefit claims, the Appeals Tribunals decide thousands of appeals and the Social Security Commissioners hear hundreds of cases<sup>143</sup>.

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<sup>141</sup> *ibid* 1

<sup>142</sup> *ibid* 1

<sup>143</sup> Bradley, A - “A Historical Perspective on Reforming Decisionmaking and Appeals” in Adler, M and Sainsbury, R 1997 - “ Adjudication Matters: Reforming Decision Making and Appeals in Social Security” University of Edinburgh: Department of Social Policy



## **Structure and procedure for claims, adjudications, reviews and appeals<sup>144</sup>**

The system of adjudication, reviews and appeals in the United Kingdom has undergone a significant transformation since the implementation of the Social Security Act 1998 (following wide-ranging public discussion on the 1996 Green Paper called “Improving Decision Making and Appeals in Social Security”).

The transformation has affected the accountability, structure and function of the adjudication and appeal system. Whilst having the objective of improving the adjudication and tribunal system the reforms have also raised a number of concerns about the impartiality and operation of the system.

The following section details the current structure and procedure for claims, adjudications, reviews and appeals and compares this with the system that preceded it (before April 2000). The main intention is to indicate the differences in the two systems and highlight the exact nature of the changes. This will be followed in section three with a discussion of the new system and concerns raised in relation to it. **The present system of adjudication (post April 2000) is indicated in bold.** This is followed by the description of the prior arrangements (pre April 2000) for adjudication in non-bold.

In the United Kingdom social security benefit administration is the responsibility of the Department of Social Security and local level Benefit Agencies.

Social security claims, adjudications, reviews and appeals are governed by the following legislation: The Social Security Act 1998, The Social Security (Adjudication) Regulations 1995 (SI 1995 No 1801) and the relevant sections of the Social Security Contributions and Benefits Act 1992, Social Security Administration Act 1992 and the Social Security (Incapacity for Work) Act 1994.

The Social Security Act introduced in 1998 had the reform objective of improving the system of tribunal decision-making and appeals on social security and child support. The tribunal system prior to the Social Security Act was felt to be inefficient for the following reasons amongst other: (i) it heard benefit appeal cases which had no chance of succeeding (ii) dealt with new facts and changes in circumstances of benefit claimants that could have been resolved by Benefits Agencies (iii) drew claimants into the appeals process when they only wanted an explanation of the original benefit decision and (iv) had statutory requirements placed on them (tribunals) which were too formal and inflexible.<sup>145</sup>

**The first level procedure for determining a claimants right to social security benefits (such as income support, disablement benefit, family credit, pensions and incapacity benefit) are made by the Agency responsible for issuing the benefit.**

**Under the new system of adjudication since 3 April 2000 the initial**

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<sup>144</sup> This section is derived from Matthewman, J et al 1997 - Tolley's Social Security and State Benefits. Surrey: Tolley Publishing Company:

<sup>145</sup> Sainsbury, R What is the Future for Social Security Decision Making and Appeals ?, Tribunals, Volume 5, No.1 1998.

**determination on a benefit claim is made by a ‘decision-maker’ acting on behalf of, and accountable to, the Secretary of State and employed as a civil servant by the Department of Social Services.**

**The new Social Security Act also permits initial benefit decisions to be made by a computer operated by a civil servant and acting on behalf of the Secretary of State.**

Before April 2000 the initial determination and review of the claim was made through independent Adjudication Officers who were employed by the Department of Social Security (DSS) but were independent statutory authorities. They were thus not subject to the authority of the (DSS) when making their decisions as ‘decision-makers’ currently are.

The primary responsibility for assessing a benefit claim in relation to fact and law before April 2000 was thus the Adjudication Officer except certain 'incidental' questions which were the responsibility of the Secretary of State (such as whether the contribution conditions are satisfied in the case of contributory benefits).

Before April 2000 the Secretary of State could also not determine the award of specific benefits only the necessary conditions which need to be fulfilled if the award was to be made which the then Adjudication Officers were bound to implement.

<p>In cases where the decision of the Adjudication Officer were not accepted a review was permitted. In cases where the review of the Adjudications Officer was still not considered satisfactory an appeal could be made to a Social Security Appeal Tribunal (SSAT), Disability Appeal Tribunal (DAT) or Medical Appeal Tribunal. The specialist tribunals for social security, disability and medical claims have now been dissolved into a single over-arching “Appeal Tribunal” under the current Social Security Act of 1998.</p>
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### **“Revision” and “Supersession” of Initial Benefit Decisions**

**If the outcome of an initial benefit claim is felt to unsatisfactory by the claimant a request for a *revision* of a decision on a benefit claim can be made by the claimant before instituting an *appeal*. The period from which a decision is made is referred to as a “dispute period” and is of one months duration. The claimant can request a revision of the initial benefit decision in the “dispute period” without establishing grounds for the *revision* request. The advantage of the process of *revision* of a decision is that the process is less complex than requesting an *appeal* and a decision can be received more quickly. The benefit due following a successful *revision* is normally back-dated to the original decision.**

**In making a decision to seek a *revision* instead of an *appeal* on a benefit claim the claimant has to consider that the one month time limit for making an *appeal* continues to run whilst the decision-maker considers the application for a *revision*. The onus is therefore placed on them to ensure that the Benefits Agency has received their request for a *revision*.**

**A *supersession* of a decision can be requested at any time where there is a change in circumstances or there is a mistake as to or ignorance of a material fact, or**

**error of law. A general rule applying to *supersessions* is that the benefit awarded following a *supersession* will only be payable from the date of the action initiating the *supersession*. An exception is where the claimant notifies a change of circumstance within a month of the change then benefit will be paid from the date of change<sup>146</sup>.**

**The Secretary of State may request further information from the claimant or arrange a medical examination.**

Prior to April 2000 a claimant who was dissatisfied with a benefit claim outcome could apply for review of benefit decisions which could be made at any time but had to be made as soon as the claimant believed there was good grounds for applying due to strict backdating rules.

Benefit decisions of Adjudicating Officers were subject to review if based on a mistake of fact, were erroneous in point of law or there was a relevant change in circumstance. Such reviews on 'certain grounds' were similar to the new system of *revisions* in that they were less formal and inexpensive than exercising a right of appeal. They were intended to provide a rapid and informal means of altering a decision based on clearly erroneous understanding of the benefit case and to prevent a second claim having to be made where there is a change in circumstance.

If the benefit claimant was still dissatisfied with the Adjudication Officers review decision they could appeal against it as if it was an initial decision (that is, a decision made on the first application for benefit by the claimant).

## **Appeals**

**In 1999 the Appeals Service replaced the Independent Tribunal Service (ITS) the latter of which was headed by a President who was responsible for both the administration of appeals and for the judiciary. The responsibility for administration of appeals passed from the President of the ITS to the Secretary of State on 1 June 1999. The Appeals Service operated from that date as a shadow unit consisting of an executive agency within the Department of Social Services. It is headed by a Chief Executive responsible for administration of appeals and accountable to parliament and an independent panel of tribunal members appointed by the Lord Chancellor and headed by a President who is not accountable to parliament<sup>147</sup>.**

**The Appeals Service is presently divided into regions, with a chair for each region who recruits and trains tribunal members. Each region has a panel of tribunal members from which members are drawn to hear specific cases.**

**A significant departure from the arrangements before April 2000 was the introduction of a unified appeal tribunal jurisdiction which has replaced the five**

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<sup>146</sup> <http://www.disabilityuk.com/masterpages/dss2.htm>

<sup>147</sup> Social Security Departmental Report: The Governments Expenditure Plans 2000/01-2001/02

separate specialist jurisdictions (for medical appeals, social security appeals and disability appeals amongst other) .

### **Process, Staffing and Structure of an Appeal**

Appeals in response to an unsatisfactory outcome to an initial benefit decision are required to be made in writing to the Benefits Agency by the claimant setting out the reasons for dispute within one month of the decision.

The Appeals Tribunal consists of a chair and up to two wing members (tribunal members who sit on either side of the chair) depending on the nature of the appeal case. One member of the tribunal, normally the chair, is legally qualified.

Under the new arrangements for social security appeals there is now only a one member Appeals Tribunal (a lawyer) who adjudicates on social security appeals. This represents a significant departure from past practice where social security appeals were considered by three members including the Chair.

The other members present are a clerk to the tribunal hearing who is present in an administrative capacity and takes no part in decision-making.

Finally a “presenting officer” attends when an appeal is considered to be complicated and represents the “decision-maker”. The presenting officer is rarely the person that made the initial benefit decision and is there to explain the decision but not to defend it all costs. In addition an expert may be present if there are particularly difficult issues.

The procedure of appeal involves the Benefits Agency preparing the appeal papers, known as the “decision makers” submission, and sending a copy to the claimant and the local Appeals Service. In addition the Benefits Agency also sends an “inquiry form” asking the claimant whether they want an “oral hearing” and when they (and their representative if applicable) is available to attend a hearing. The inquiry form has to returned within 14 days. If neither parties opt for an oral hearing and the tribunal Chair does not think one is necessary the tribunal makes a decision based on the submission in the appeal form of the claimant and the submission of the decision maker – this is referred to as a “paper hearing”.

After the appeal is lodged a “decision maker” may review the decision appealed against and may *revise* the initial decision on the basis of any facts, information, or evidence provided by the claimant without proceeding to a full tribunal hearing. If this occurs the appeal could lapse and the appeal will need to be reinstated by the claimant if the outcome is still not considered satisfactory for the claimant. The appeal lapses where the *revised* decision is more advantageous to the claimant than the original decision.

If the dispute goes to a tribunal appeal hearing the claimant is furnished with the “decision-makers” submission which sets out in detail the reasons for the initial benefit decision. The claimant may then furnish additional information in

**support of their appeal such as independent medical evidence or supporting statements from witnesses.**

**Similarly a legally qualified tribunal member or tribunal clerk is entitled to send “directions” to the claimant or the Benefits Agency requiring them to provide further information or documents. The claimant can use this mechanism to issue directions as well where for example they are having difficulty in extracting documentation from the “decision-maker”.**

**A domiciliary (“at home”) hearing can be held under circumstances where the claimant appeals a benefit decision but is unable to attend the hearing at the tribunal venue. Due to the cost and logistical implications of such domiciliary hearings the Appeals Service seek to limit their number.**

**The Appeals Tribunal now only considers issues that are relevant to the claim and does not have to consider issues that are not raised by an appeal. This is a departure from past practice where concerns not directly related to the appeal case but considered relevant to the determination of circumstance of the claimant were allowed in the tribunal hearing.**

**The Tribunal considers whether a decision with which the claimant disagrees was “correct” when it was made. If the circumstances of the claimant alters after the initial decision the tribunal cannot take this into account. The additional evidence gathered by a claimant after the decision can however be used in the appeal by the claimant.**

**If the tribunal looks “down to the date of the hearing” (ie considers a change in circumstance after the initial benefit decision was made) it can entitle payment of a benefit of a claimant from a later date even if the tribunal considers the initial benefit decision to be correct.**

**Decisions of the tribunal are made on a majority basis where a unanimous decision cannot be reached. The claimant is normally informed of the decision at the tribunal hearing and provided with a decision notice confirming it.**

**Appeals can be struck out in circumstances such as when the claimant fails to provide information requested by a legally qualified tribunal member or clerk.**

**An appeal can also be struck out when it is considered “misconceived” (ie frivolous or vexatious) and has no prospect of success or if the tribunal does not have the jurisdiction to deal with it. The appeal can be re-instated by a legally qualified tribunal member if a request is made within one month of it being struck out by a claimant.**

**If the outcome of an appeal is satisfactory for the claimant the Benefit Agency is obligated to implement the decision of the tribunal immediately. The Benefits Agency is however entitled to appeal to a social security commissioner about the tribunal decision**

**If the outcome of the Appeal hearing is still unsatisfactory the claimant (or the Benefits Agency if they are dissatisfied with an appeal outcome) can appeal to a social security Commissioner. In order to do this a “full decision” is required from the Chair of the tribunal which must be provided in one month of being provided with the decision notice of the appeal tribunal.**

**A further appeal to a Commissioner can only be made in circumstances where there has been an “error in law” (that is, the law was mis-interpreted; no evidence exists to support the decision; there is a breach of the laws of natural justice or proper findings of fact or inadequate decisions are provided).**

**If a Commissioner finds that an appeal tribunals decision was wrong the case is sent to a differently constituted tribunal with directions on how to re-consider the issues. If the Commissioner finds the original Tribunal decision contains all the relevant material facts the Commissioner makes the final decision except where documents are not properly or timeously conveyed to the claimant (or Benefits Agency) or the decision is revised or superseded.**

**The final mechanism for appeal if the claimant (or Benefits Agency) is dissatisfied with a decision from the Commissioner is the Court of Appeal.**

**Appeals to the Court can only be made if there has been an error of law.**

**The procedure in the Court of Appeal is strict and formal and less flexible than the procedure before a tribunal or commissioner. The Benefits Agency will be represented by a barrister and the onus will be on the claimant to secure legal aid before appealing.**

Before April 2000 notice of appeal was made in writing to a specialist Social Security Appeal Tribunal (SSAT) if there was a failure to achieve a satisfactory outcome from a review by an Adjudication Officer of an initial decision on a benefit claim. Such notice could be sent within three months of the decision appealed against (this has been reduced to one month under the new arrangements).

Late appeals were only considered where it was less than six years since the notice of decision appealed against was made, there were wholly exceptional reasons relating to the facts of the case, the appeal has reasonable chance of success and it was in the interests of justice to extend the time.

SSAT's heard appeals against the refusal of both contributory and non-contributory benefits, including incapacity benefit, child benefit, statutory sick pay, statutory maternity pay, income support, family credit and contributory jobseekers allowance.

An appeal to a Social Security Appeal Tribunal could either take the form of a "paper" hearing or an "oral hearing". Following the registration of an appeal the claimant was asked whether they wanted an oral hearing where they would be present and whether they intended to be represented.

The alternative to an oral hearing was for the claimant to leave the decision to the tribunal based on information provided in the appeal papers. In the latter instance the

claimant would be invited to make further comments or submit further evidence in relation to their earlier appeal submission.

The option of a paper or oral hearing applied to all tribunals excluding the Medical Appeals Tribunal where the claimant was required to be present to undergo a medical examination.

Each locality had its own Social Security Appeal Tribunal (SSAT). The SSAT formed part of the then Independent Tribunal Service (ITS) which was a presidential service headed by a judge. The President of the ITS was required to be a lawyer of ten years standing appointed by the Lord Chancellor.

The SSAT's functioned on a local basis (of which there were 275 local centres in Great Britain) and were administered by Regional Chairman . The day to day administration and staffing of local tribunals was arranged by the offices of the President and the Regional Chairman.

Regional Chairman were assisted by a number of full-time and part-time Chairmen. Tribunal Chairmen were required to be barristers, solicitors or advocates of at least five years standing and were appointed for successive three year periods. They operated entirely independent of the Benefits Agency.

The Chairman was in charge of the SSAT proceedings and was required to maintain a record of the proceedings. The other two members of the tribunal were drawn from a single panel composed of persons appearing by the President of the ITS to have the requisite knowledge and experience of conditions in the area and to be representative of persons living or working there. Each tribunal additionally had a clerk appointed by the President, who arranged sessions, notified the parties and the tribunal and functioned as an usher and clerk at the hearing.

A Tribunal composed of a chairman and only one member could determine an appeal with the consent of the parties, otherwise it had to be full.

In exceptional circumstances a tribunal hearing could take place in the home of an appellant.

In as far as it was practicable one member of the tribunal was required to be of the same gender as the claimant.

If the claimant was still not satisfied with the outcome of a decision by the SSAT they could make a further appeal to a Social Security Commissioner who was appointed by the Crown and had to be a barrister or solicitor of ten years standing.

Appeals to such Commissioners, who made determinations individually other than in exceptionally difficult cases, could only be made on a point of law. Unlike social security tribunal appeals many appeals to Commissioners were made on the basis of the case papers alone without an oral hearing. A Commissioner could however hold a hearing if a claimant or some other party (including the Commissioner themselves) requested one unless the Commissioner determined that the appeal could properly be determined without such a hearing . Such hearing were open to the public and were

more formal than tribunal hearings. The Adjudication Officer (or a lawyer acting on their behalf) will be represented at such hearings.

A further appeal to the courts can be made if there is a point of law of general importance to be decided. Errors in law refer not only to law in the narrow sense but also if improper procedures were followed or if the facts are unsupported by evidence.

Leave should first be requested from a Commissioner or if this is refused then by the appropriate court itself.

## **Discussion**

The following section raises some general concerns based on the UK model for South African social security reform when considering a system of adjudication of claims.

The first major lesson for South Africa from the UK model of adjudication and tribunals is that it historically separated the administration and adjudication of appeals from the court system while still maintaining the “judicial gravity” of the court system in appeal proceedings. This has had the positive intended benefits and effects of making the system of appeals less cumbersome in legal terms, conducted in a more informal atmosphere which allows for genuine lay participation (of the claimants and tribunal members) in oral hearings without these being intimidating to the claimant, and finally less expensive to operate as the formal court procedure is not brought to bear at the first level of decision making. For all these reasons the principle of separation of the appeals adjudication procedure from the formal court system should seriously be considered at the first level of decision-making for the South African case.

The separation of accountability (or system of “dual accountability”) of the first tier decision makers (or Adjudication Officers under the old UK system) to the Minister in regards of management issues and to a wholly independent Chief Adjudication Officer in terms of substantive adjudication matters is an important consideration. This is because it defends the impartiality of the adjudication procedure (ie decisions are not made at the behest of the state), ensures a proper and impartial review of standards of adjudication and also ensures that there is proper financial accountability (via the Minister of Welfare) for public monies spent on administering the adjudication apparatus.

The new system in the UK (post April 2000) can thus be seen as regressive as it now invests power for first-level adjudication matters in the hands of “decision-makers” acting on behalf of the Secretary of State.

Institutionally the shift of powers of the Independent Tribunal Service (ITS) (which was headed by a President who was responsible for both the administration of appeals and for the judiciary) to the Secretary of State can be viewed as an erosion of the necessary autonomy enjoyed by the former over independent adjudication procedures. The new Appeals Service which replaced the ITS now operates as a shadow unit consisting of an executive agency within the Department of Social Services. It is headed by a Chief Executive responsible for administration of appeals, monitoring the quality of standards and decisions and accountable to parliament and an independent



panel of tribunal members appointed by the Lord Chancellor and headed by a President who is not accountable to parliament.

It thus removes the independent role of the Chief Adjudication Officers to whom Adjudication Officers were accountable to under the old system in the UK, as well as the independent standards assessment role of the latter. In effect decision-making on adjudication is devolved to civil servants who are employees of the Department of Social Services acting directly on behalf of the Secretary of State. The role of the Chief Executive of the Appeals Service, who have no statutory weight, is also subordinated to the Secretary of State in regards of administrative accountability. The system of “dual accountability” in operation since 1911 is thus ended under the new arrangements.

South Africa may not wish to follow these new arrangements in the United Kingdom, if the primary intention in South Africa is to ensure an institutional separation between administrative accountability to the Minister of Welfare and a wholly independent, substantive system of adjudication (which would approximate for example the role of quasi-judicious Section 10 organisations created by the Constitution such as the Commissions on Human Rights and Gender Equality).

A benefit of the new arrangements for adjudication in the UK however is that it potentially creates a greater degree of accountability to parliament of the Minister of Welfare (or Secretary of State) to parliament in regard to questions related to the operation, effectiveness and efficiency of the system of adjudication. The counter to this is that the Secretary of State has the lee-way to refer such questions to the Appeals Service which is a shadow executive unit operating within the Department of Social Service.

As regards the substantive operation of the new unified Appeals Tribunal, under the new arrangements for adjudication the President of the Appeals Tribunal assesses the availability of requisite tribunal expertise in the local region where the case is to be held and determines the appropriate composition of legal and other skills necessary to then adjudicate a case.

Concerns have been raised that the expertise and specificity of the different tribunals independently reviewing social security, disability, medical and pension concerns amongst other will be lost by the creation of a unified appeals structure. This is particularly of concern in complex cases where high quality legal expertise is required to unpack the battery of social security laws and regulations governing individual cases.

The Appeals Service, in a submission on the review of appeals, sets out what in their view is the benefits of a unified (rationalised) appeals tribunal service. They list amongst others a single administrative structure which could pool knowledge and administrative best practice; a uniform set of procedures allowing for a “one-stop shop” for appellants and their representatives and finally a single “public identity”

which will increase public awareness and understanding of the decision-making and appeals process.<sup>148</sup>

As regards the role of claimants in appeal proceedings a concern has been signalled by the end to an automatic “oral hearing” unless the claimant requests a “paper hearing”. Paper hearings are now the statutory standard unless otherwise requested in writing by a claimant. Many tribunals are reported to find paper hearings unsatisfactory and would in the view of some knowledgeable commentators certainly not have supported proposals to increase paper hearings if asked.

In 98 submissions to an official government review of tribunal proceedings 56 submissions indicated a preference for oral proceedings where tribunal cases turned on disputed facts or complex issues, where it was necessary to test the evidence or to uncover information not disclosed in written evidence. The submissions also argued that oral submissions gave the claimant their “day in court” and allowed justice to be seen to be done. The key advantage expressed about paper hearings were that they were quick and cheap. The key disadvantages expressed about paper hearings were that it was difficult to assess an appellant or witnesses credibility in writing and that many appellants were unable to express themselves well on paper at all. There was also and importantly a lower rate of success of appellants where they relied on written evidence alone.<sup>149</sup>

An additional point to consider in regards of oral versus paper hearings is the infringement of civil liberties suggested by the change in the UK to allow oral hearings only when it is explicitly applied for by claimants. One commentator is doubtful that these new arrangements conform with the European Convention on Human Rights as the principle of a fair and impartial hearing implies a public hearing which in turn implies an oral hearing<sup>150</sup>. A similar set of arguments would apply in relation to the human rights provision of the South African constitution. The evidence seems to suggest for the South African social security reform process that oral hearings should be encouraged as much as is possible under the given circumstances.

References to the need for greater flexibility in the operation of the new appeals system, has in fact probably more to do with attempts by the Department of Social Security to reduce the cost of appeals by reducing their number and the need for well-paid judicial staff<sup>151</sup>. The cost implications of administration of benefits are not insubstantial. In 1998 the UK Department of Social Security paid out approximately 90 billion pounds in benefits to over 30 million people. Of this 3-4 billion pounds was spent on administrative costs. The administrative costs in 1996 of actual social security appeal cases (under the old system) was 88 pounds per case with the most expensive cases being medical appeal tribunal cases at 578 pounds per case and

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<sup>148</sup> “Appeals Service: Contribution to the Review of Tribunals” [http://www.appeals-service.gov.uk/about\\_us/lit\\_guide\\_summary.htm](http://www.appeals-service.gov.uk/about_us/lit_guide_summary.htm)

<sup>149</sup> “Review of Tribunals: Consultation Paper” <http://www.tribunals-review.org/uk/cpx15-11-00.htm>

<sup>150</sup> Eichenhofer, Eberhard, “*A European Perspective on the BilP*” in Adler, M and Sainsbury, R, 1998 *Adjudication Matters: Reforming Decision Making and Appeals in Social Security*. University of Edinburgh: Department of Social Policy

<sup>151</sup> Sainsbury, R 1998 – “A Critique of the Case for Change”, in *Adjudication Matters: Reforming Decision Making and Appeals in Social Security* ed. Adler, M/Sainsbury, R University of Edinburgh: Department of Social Policy.

pension appeal tribunals at 389 pounds per case. The target for social security savings under the Change Programme in place in 1996 was an estimated 1000 million pounds. As pointed out by Sainsbury (1996) the cost of savings on the Independent Tribunal Service (by shifting to single member tribunals and reducing professional medical and legal expertise available at hearings) which cost 40 million pounds would make a relatively insignificant impact on the larger cost-saving objective.

A question that has to be considered from the UK case is thus the “value for money” achieved through replacing an independent adjudication decision-making apparatus forming part of a comprehensive, three member system of tribunal adjudication with relevant expertise by a single member tribunal without necessarily possessing the requisite legal qualifications.

The cost “gains” in other words could far outweigh the expertise, institutional history and legal knowledge lost in future adjudication determinations.

A final consideration for South Africa from the UK case is the proper relationship between the system of adjudication and the reform of the entire system of social security. Experts in the UK strongly advocate that any new system of adjudication must follow the detailed and substantive reforms planned for the entire system of social security as such reforms have fundamental implications for first-tier decision making and any new system of adjudication cannot be properly determined in advance of this<sup>152</sup>.

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<sup>152</sup> “Introduction” 1998 in *Adjudication Matters: Reforming Decision Making and Appeals in Social Security* ed. Adler, M/Sainsbury, R University of Edinburgh: Department of Social Policy.

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## **Appendix A:**

### **Oxford Symposium (6-8 December 2000) For Committee On Social Security Of South Africa**

#### **Alleviating Poverty and Building Citizenship in South Africa through Social Security: What Lessons from the UK Experience?**

Day One: Wednesday 6<sup>th</sup> December

**AM chair: Michael Noble**

9.30am      **Welcome and Introduction**  
Mike Noble (5 mins)

**Key issues in Social Security Policy in Europe**  
Tony Atkinson (30 mins)

**Social Security Reform in South Africa**  
Vivienne Taylor (10 mins)

**Discussion** (30 mins)

10.45 Tea break

**Outline of The United Kingdom System Of Social Security**  
Michael Noble (10 mins)

**Questions** (10 mins)

#### **11.20 Specific Groups I - Benefits for children and families**

**Policy on Child Poverty**  
David Piachaud (20 mins)

**Discussion** (45 mins)

1-2 **Lunch**

**PM Chair: Jane Lewis**

2pm            **A citizens income for children? The Politics of Child Benefit**  
Fran Bennet (10 minutes)

**Response**  
(South African Commission) (20 minutes)

**Discussion** (Until 4/4.15 pm)

4/4.15 pm Tea break

4.30 pm        **Wrap-Up And Outline Programme For Following Day**  
Michael Noble (10 mins)

7.00pm Supper

## **Day Two: Thursday 7<sup>th</sup> December**

**AM Chair: Robert van Niekerk**

*9.30am            Specific Groups 2*

**Pensioners**  
Katherine Rake (10 mins)

[Discussion]

**Sick and Disabled People**  
Marilyn Howard (10 mins)

**Discussion** (until 1pm with tea break)

1-2 Lunch

**PM Chair: Michael Noble**

**Unemployment**

Adrian Sinfield (10min)

**Welfare to Work and In-work benefits**

Jane Millar (10 mins)

**Discussion** (until 3.30)

3.30 Tea break

**Paying for Welfare**

John Hills (10 mins)

**Discussion** (30 mins)

**Response from the South African Commission** (10 mins)

4.30 **Wrap – Up And Outline Programme For Following Day** (10 mins)

7.00 Supper

**Day Three: Friday 8<sup>th</sup> December**

**AM Chair: Gavin Williams**

9.30am **Institutional Frameworks for Citizenship**

Jane Lewis (10/15 mins)

**Social Security and Citizenship**

Ruth Lister (10/15 mins)

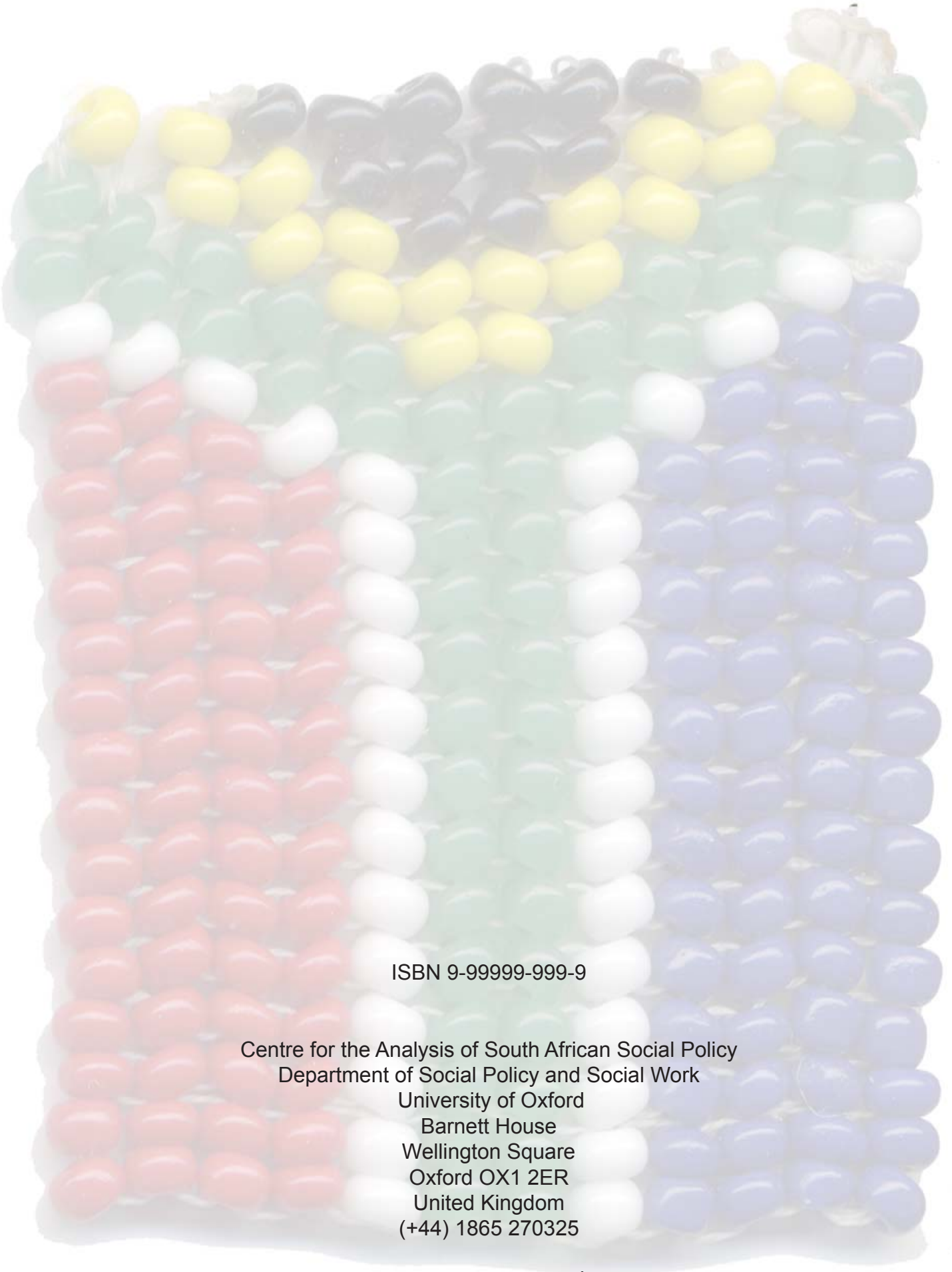
**Response**

Gavin Williams (10/15 mins)

**Discussion** (till 12.30)

**Concluding remarks from South African Commission**

**12PM Finish**



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