25th March 2015

Thank you for providing me with the opportunity on 4 February to talk to the Committee on its inquiry into benefit sanctions policy beyond the Oakley Review.

I have now had time to read your report. As I am sure you can appreciate, given the report has been published so close to the dissolution of Parliament, the Government will not have the time to formally respond to its contents.

Since 2010, the welfare reforms this Government has undertaken have helped the employment rate to hit an all time record high in the UK and grow faster than any major economy. There are also a record breaking number of vacancies – with nearly three quarters of a million available at any one time. What’s more the claimant count has fallen by over 358,000 to 816,800 in the year to February 2015, and today’s figures show that the number of workless households has fallen by 600,000 since 2010.

The purpose of the sanctions system is to encourage claimants to comply with the reasonable requirements developed to help them move into or prepare for work. 72% of Jobseeker’s Allowance (JSA) claimants and 61% of Employment Support Allowance (ESA) claimants say sanctions make it more likely they will engage.

Sanctions play a vital role in supporting the benefit and employment system that underpins this. As the Deputy Governor of the Bank of England has said “changes to welfare rules in particular that mean that people might be less inclined at the margin to want to stay in unemployment”. It should also be noted that the number of sanctions imposed has gone down over the past year.

Under the previous Government, the sanctions system was unclear, variable and confusing. For example, if a claimant was given a low level sanction - and we know that the majority (57%) of sanctions are low level - it could be for anywhere between 1 and 26 weeks. This meant that under the previous system, claimants did not know in advance what the sanction would be. This Government has reduced the maximum level of low level sanctions to 13 weeks, and ensured a consistent and clear approach for when a claimant does not comply with the expectations placed upon them.

There is clear international evidence that active benefit regimes work. That is why most developed economies attach conditions to the receipt of benefits for people who are not working. Financial sanctions for refusing job offers or failing to participate in activities to help them into work are the norm in the US, Ireland, Germany, the Netherlands and France.

The vast majority of benefit claimants (over 99% of ESA claimants and 94% of JSA
claimants) engage with the system and meet their requirements each month. ESA (WRAG) claimants will never face a sanction for not finding work or failing to apply for or take up specific jobs and claimants in the ESA Support Group have no requirements placed on them at all.

Claimants have their circumstances and capability – including health conditions, disability and caring responsibilities – taken into account as a matter of course when their requirements are set. Each claimant will only be asked to do what is reasonable for them and each claimant will have the opportunity to offer “good reason” for not complying with their agreed activities before they receive a sanction.

Work Coaches have access to the comprehensive Vulnerability Guide to help them support all claimants with complex needs, or claimants who require additional support, to enable them to access DWP benefits or use our services.

Before imposing a sanction steps are taken to ensure decisions are correct. Independent decision makers consider each case, including any evidence of good reason put forward by a claimant; claimants can ask for the decision to be reconsidered and can appeal against the decision to an independent tribunal. There is no prescriptive list of what constitutes good reason in legislation as we would not want a valid good reason to be ignored because it was not prescribed. There is however a 48 page Incapacity Reference Guide for work coaches and decision makers to refer to.

We have a well-established system of hardship payments which offers support to claimants who have been sanctioned and can demonstrate they require financial assistance. Therefore no claimant should ever have to go without essentials as a result of a sanction.

Those in a vulnerable group can claim hardship payments from the date the sanction or suspension begins. When a sanction is imposed, the claimant remains entitled to Housing Benefit so their housing is not affected. We have improved the hardship process so that no one is sanctioned without being told about hardship payments and have sped up the hardship payment process so that vulnerable claimants receive financial assistance.

As you are aware, we set up an independent review, conducted by Matthew Oakley, into the operation of Jobseeker’s Allowance sanctions. We not only accepted all of the 17 recommendations in the report, but also went further. For example, we are reviewing all claimant communications and sanctions processes, not only for those JSA claimants, who came under the remit of the Report, but all JSA claimants and also all ESA claimants.

The Department published an update on improvements to communications following the Oakley review, on 18 December 2014. We will be implementing all other recommendations, some of which will require new legislation and changes to existing contractual frameworks, as we continue to review and improve the sanctions process.

I am placing a copy of this letter in the House library.

Rt Hon Esther McVey MP
Minister for Employment