



POLICY BRIEF

What Ontario can learn from the UK on reforming social assistance

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Introduction

The Ontario government is nearing the end of a 100-day review of social assistance and a plan that will “help get people back to work and keep them working, while supporting people with disabilities to work when they are able and participate in their communities.” It’s aiming to identify how it can tackle issues such as:

- the amount of time spent by social assistance staff on paperwork;
- the proportion of long-term claimants of Ontario Works;
- the proportion of people returning to Ontario Works after a short period off it; and
- the rising number of people on the Ontario Disability Support Program.

Over the past decade, the UK embarked on a series of welfare reforms with similar aims – to cut red tape while getting more long-term welfare recipients into sustained work. This paper summarizes the assessments of independent reviewers and auditors on the impact of those reforms and their value for money. It aims to identify lessons for Ontario as it pursues the same goals.

This paper focuses on three specific welfare reforms in the UK:

1. Universal Credit – which aims to simplify the benefits system by merging multiple income-tested benefits into a single payment.
2. The Work Programme – which aims to increase employment among long-term recipients by changing the delivery of welfare-to-work programs.

3. The Work Capability Assessment – which aims to identify those recipients of disability and sickness benefits who are capable of undertaking employment, as the first stage in efforts to support them into work.

1. Universal Credit

The UK experience

The UK is currently in the process of rolling out Universal Credit, a single benefit which replaces six different income-tested benefits for working-age households. It aims to:

- simplify the social assistance system by merging multiple income-tested benefits into a single payment;
- encourage more people into work by introducing better financial incentives and simpler processes; and
- reduce the costs of administering benefits.

With a £2.2 billion investment in 2011, the government planned to fully transfer eight million households to Universal Credit by 2017. But by the time the transition was due to conclude, only ten per cent of the expected cases had been moved over, 60 per cent of the initial investment had been spent, and the expected completion time was extended by six years.¹

In 2018, the UK's National Audit Office remained unsatisfied that the program would deliver any cost savings compared to the previous system, let alone the expected £8 billion per year when it was proposed.² The auditors identified a number of reasons why Universal Credit failed to live up to its original timelines, largely stemming from an underestimation of the scale and complexity of the program.

A key requirement for delivering Universal Credit and reducing administration costs was the development of a sophisticated IT system. The

1 National Audit Office. 2018. Rolling out Universal Credit. Retrieved from <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

2 National Audit Office. 2018. Rolling out Universal Credit. Retrieved from <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

program aimed to be “digital by default,” with individuals using services online whenever possible. The assumption was that with more people accessing services independently and remotely, administration costs would be lower. At the same time, the IT system needed to be secure enough to handle sensitive information, such as an applicant’s bank account and personal details.

In practice, the new system was unable to provide adequate security and be easy to use. Most individuals were unable to apply for Universal Credit without caseworker assistance. Reviewers later recommended that the government adopt a “digital as appropriate” approach instead, recognizing that the security and reliability components of IT systems needed to be prioritized over usability, and that online access would not meet the needs of all recipients.

The IT systems were also supposed to incorporate fully automated error and fraud detection to reduce the amount of time administrators spent verifying paperwork. However, this was not developed in time for the early rollout of Universal Credit. In the areas where the program was first tested, administrators were required to carry out multiple manual checks of error and fraud, which was not feasible at scale. These problems with the IT systems had a fiscal consequence – the budget for IT investment was increased by 60 per cent, and £34 million in the value of the newly developed IT assets was written off.³

A lack of consultation meant that the program’s design was based on mistaken assumptions about recipients’ needs, which led to problems during rollout. For example, Universal Credit seeks to make it easier for claimants to transition into employment by making benefit payments mirror the world of work and paying them one month in arrears. However, only half of the lowest earners are paid monthly, and their earnings often fluctuate. Under Universal Credit, recipients reported finding it harder to budget as they did not know how much their benefit payments would fluctuate month to month.⁴

3 National Audit Office. 2013. Universal Credit: early progress. Retrieved from <https://www.nao.org.uk/wp-content/uploads/2013/09/10132-001-Universal-credit.pdf>

4 National Audit Office. 2018. Rolling out Universal Credit. Retrieved from <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

Making payments a month in arrears meant a typical applicant faced a five-to-six-week wait for their first installment. Few had the means to make ends meet during this time, and more than half requested advanced payment loans. This not only caused individual hardship, but was also linked to an increase in rent arrears. Municipalities reported falls in rent collection rates and an increasing unwillingness among landlords to rent to Universal Credit recipients. It also increased costs for central government, which paid £4.7 million to municipalities towards costs associated with Universal Credit rollout, and has committed to covering further costs in future.⁵

Considerations for Ontario

The UK experience highlights how changes that seem logical to policy makers can be problematic in practice. Seemingly minor changes to the way a benefit is administered can have big implications, and cause hardship to individuals and expense to municipalities.

Sharing plans with administrators and recipients can identify these practical implications, as well as the types of issues they could cause and the ways they could be mitigated, which can prevent problems during implementation. Improvements can be achieved by building on aspects of the existing system that work well, which are best understood by caseworkers, recipients, and advocates.

Ontario's experience of delays, complications, and rising costs from transitioning to the Social Assistance Management System ([SAMS](#)) echoes the UK's difficult experience developing IT for Universal Credit. As the Ministry pursues a modernization agenda, more aspects of the social assistance process will be possible online, which has the potential to save time for both caseworkers and recipients. But the "digital by default" approach initially pursued with Universal Credit illustrates the limitations of a rigid pursuit towards online service delivery. Multiple ways of accessing services ensure that recipients are not excluded when online access is not appropriate for their needs.

⁵ National Audit Office. 2018. Rolling out Universal Credit. Retrieved from <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

2. The Work Programme

The UK experience

Welfare-to-work programs designed to help long-term unemployed people find work and come off social assistance have existed in the UK since the 1990s. They have typically been delivered by private and voluntary sector providers through contracts with the government. Similar to Ontario Works (OW), these programs provide supports such as help with job searching, CV-writing, and interview techniques.

In 2011, the UK government introduced the Work Programme to replace existing welfare-to-work programs which had performed poorly in helping long-term unemployed people get and keep jobs. It consolidated the contracts for welfare-to-work services which, according to the National Audit Office, produced economies of scale and efficiencies in procurement processes and contract management. However, it did not manage to reduce the number of long-term welfare recipients.

The Work Programme was expected to perform better than previous welfare-to-work programs partly because a larger share of the payments to program providers was based on performance, with the biggest payments awarded for sustained job outcomes. But nearly 70 per cent of participants completed the two-year program without finding sustained employment, about the same level as that of the system that was in place previously.

Contractors were also given greater incentives to support people with more complex or multiple barriers to employment by receiving higher payments for sustained job outcomes for this client group. Despite this, performance levels were significantly lower for this group. In fact, the incentives were not sufficient, and contractors still reduced what they planned to spend on those hardest-to-help, who received less support than those with better employment prospects.

Considerations for Ontario

The design of the Work Programme recognized that sustained employment outcomes among those facing complex barriers take time to achieve. But it also showed that financial incentives were not sufficient to ensure that

providers targeted more resources towards helping those further from the labour market. Nor did they lead to better outcomes.

People on social assistance face a variety of barriers to work – some will find the basic employment supports adequate for their needs, but others will need sustained support to address multiple and complex needs. These barriers are not confined to a lack of skills and labour market access but other issues such as personal health or money issues, the availability of housing and childcare, and workplace discrimination. The modest success rates of most welfare-to-work programs is a reflection of this complexity.

Evidence across the OECD shows that “longer-term employment outcomes improve where there is a mixed approach for people with multiple barriers and significant distance from the labour market.”⁶ Imposing strict conditionality and work requirements will not necessarily help those with complex needs especially if penalties for non-participation exacerbate other problems (for example, if a reduction in payments leads to rent arrears or homelessness). While appropriate support can increase the number of people achieving sustained job outcomes and reduce the social assistance caseload, it is important to recognize that these outcomes take time to achieve.

3. The Work Capability Assessment

The UK experience

Over the last decade, the UK government has reformed the way it supports people who are unable to work for health or disability reasons. The change was aimed to equip individuals on long-term disability benefits for future employment and eventually reduce the number of recipients, while also continuing to support those with the highest needs.

To achieve these objectives, new applicants and existing recipients of sickness/disability benefits were required to complete a Work Capability Assessment. This identified individuals as:

- able to work and not entitled to a sickness/disability benefit;

⁶ Commission for the Review of Social Assistance in Ontario. 2012. Brighter Prospects: Transforming Social Assistance in Ontario. Appendix F. Retrieved from https://www.mcsc.gov.on.ca/documents/en/mcsc/social/publications/social_assistance_review_final_report.pdf

- unable to work due to a severe functional impairment and entitled to a higher benefit payment; or
- unable to work but likely to be able to work in future and therefore expected to take part in work-related activity in preparation for a return to the labour market.

However, the implementation of the Work Capability Assessment did not go to plan. Initial forecasts underestimated the proportion of individuals who would be deemed indefinitely and severely incapacitated, and there were successive delays in completing the assessments. In 2011, the UK's Office for Budget Responsibility forecast the annual spending on incapacity benefits to fall by £2 billion by 2016; in reality, spending rose by £2 billion.⁷

Multiple problems stemmed from the inability of the assessment process to accurately assess an individual's capacity to work. This led to a high volume of appeals and widespread press coverage of high profile cases, which eroded public confidence in the process.⁸ Around 35 per cent of new applicants who were found fit-for-work appealed against the decision, and 33 per cent of these decisions were overturned. The appeals procedure in 2013/14 alone amounted to £69.9 million in public expenses.⁹

The time required to complete assessments on existing claimants was also underestimated. As the assessment process required multiple revisions, a significant backlog of outstanding cases developed and reassessments were temporarily suspended while a new assessment supplier was found. The replacement supplier similarly struggled to complete the expected number of assessments within the target time frame as the revised process was more labour intensive and the average cost of completing an assessment increased by 65 per cent.

Despite five annual independent reviews which highlighted how the assessment process could be improved, concerns remain about the ability to

7 Office for Budget Responsibility. Welfare trends report – January 2018. Chart 2.7. Retrieved from <https://obr.uk/wtr/welfare-trends-report-january-2018/>

8 In the summer of 2013, there were several media reports of deaths among individuals with health issues after being assessed by the UK government as fit for work.

9 Work and Pensions Committee. 2014. First Report: Employment and Support Allowance and Work Capability Assessments. Retrieved from <https://publications.parliament.uk/pa/cm201415/cmselect/cmworpen/302/30202.htm>

assess the work capability of people with mental health conditions, learning disabilities, and fluctuating health conditions.¹⁰

Considerations for Ontario

The UK government sought to reframe its disability/sickness benefit program by reassessing recipients to focus on what they have the capacity to do, rather than what they cannot do. But it underestimated both the severity of impairments among recipients and the resources involved in the process, and the reform did not yield the expected cost savings as a result.

Having a distinct social assistance program for people with disabilities recognizes that they face additional living costs and distinct barriers to work. At the same time, social assistance programs should support people with disabilities to have the same opportunities for employment as those without. The UK experience suggests that offering existing recipients more services for employment access is likely to be more effective than imposing more conditionality on those facing health – or disability-related barriers to work which, as the Work Capability Assessment showed, is expensive, time consuming, and, ultimately, fiscally wasteful.

Lessons for reforming social assistance

1. Reforms need time, consultation, and iteration

The reforms that took place in the UK required several years to develop and implement. The government of Ontario's commitment to announce a plan for social assistance reform in 100 days can be fulfilled as long as the announcement is high-level and does not commit the government to detailed policy changes. The government can use this announcement as an opportunity to show that it appreciates that the system is complex, that people receiving social assistance face multiple and complex barriers to employment, and that it will work with stakeholders to transform Ontario's social assistance system. Finding better ways that social assistance can help will take time, consultation, and iteration.

10 Paul Litchfield. 2014. An Independent Review of the Work Capability Assessment – year five. Retrieved from https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/380027/wca-fifth-independent-review.pdf

2. Effective policies are informed by a deep understanding of the issue

Encouraging social assistance recipients into employment is not adequate if the labour market requires skills that they do not have, if jobs don't pay adequately, and if employers don't accommodate disabilities. To "help get people back to work and keep them working" as the social assistance review aims to do, the government needs to develop appropriate supports that reflect not only individual barriers to employment, but also the local labour market, and the availability of housing, transit, and childcare. As demonstrated in the example from the UK, if the policy, legal, and fiscal risks are not appropriately examined before a detailed announcement for reform is made, the government could face implementation challenges, fail to meet its objectives, and waste money in the long run.

3. Collaboration in design prevents problems during implementation

The UK experience shows that well-intentioned but uninformed policies can create more problems than they solve. Even minor changes can have big implications and cause unforeseen expenses. There are a number of people and organizations (administrators, recipients, advocates, employers, and academics) that can help inform the government's plans for social assistance transformation. A collaborative spirit towards formulating the plan would help identify potential implementation problems and ways they could be mitigated, and also develop buy-in from stakeholders.

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