National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

Benefit sanctions

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National Audit Office

Department for Work & Pensions

Benefit sanctions

Report by the Comptroller and Auditor General

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Comptroller and Auditor General
National Audit Office

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This report examines the Department for Work & Pensions' administration of benefit sanctions in Great Britain.

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Contents

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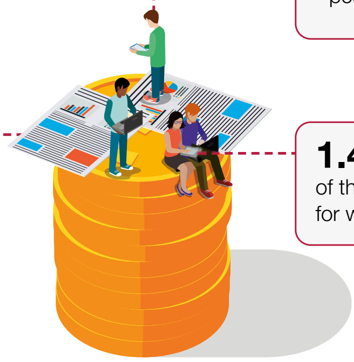
Key information

1 Conditional benefit system

Legislation sets out requirements to receive out-of-work benefits.

Four benefits with conditions:
1 Jobseeker's Allowance;
2 Employment and Support Allowance;
3 Universal Credit; and
4 Income Support.



3.5m
people in 2015 claimed out-of-work benefits.

1.4m
of these people are expected to look or prepare for work.

2 Setting and monitoring conditions

The Department and providers interpret, set, and administer conditions.

11,000
work coaches in 700 jobcentres in 2015.

16
Work Programme providers in 2015.

People should be made aware of their responsibilities and the consequences of not meeting them.

People should discuss how they can meet conditions with their work coach and agree reasonable steps that are tailored to their circumstances.

3 Sanction referrals

The Department and providers refer people for sanction decisions if they do not comply with conditions.

0.8m
estimated referrals for a sanction decision in 2015 across four benefits.

Jobcentres make sanction decisions in straightforward cases.

People have a chance to explain why they did not comply.

Jobcentres discuss reasons with claimants and send evidence with the referral.

The Department contacts Work Programme participants to ask for evidence.

4 Sanction decisions

Decision-makers decide whether or not to impose sanctions based on the evidence available.

Decision-makers decide whether or not to impose sanctions.

People are notified of sanctions.

£300
The amount of benefit lost for a four-week sanction by a single Jobseeker's Allowance claimant aged 25 or over.

0.4m
estimated sanctions imposed in 2015 across four benefits.

24%
The proportion of all Jobseeker's Allowance claimants between 2010 and 2015 who received a sanction.

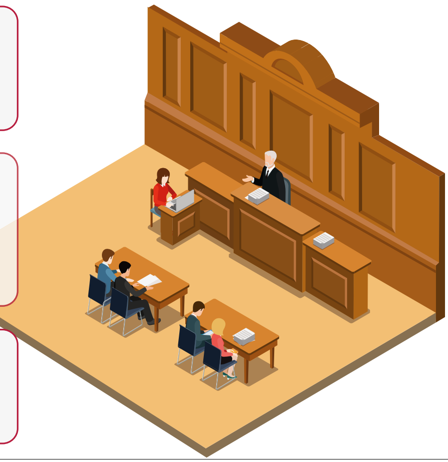
5 Reconsiderations and appeals

People can challenge the Department's decision to sanction them.

70,000
Jobseeker's Allowance sanctions reviewed by the Department in 2015.

19,000
second reviews by the Department (known as 'mandatory reconsiderations') of Jobseeker's Allowance sanctions in 2015.

1,300
tribunal appeals of Jobseeker's Allowance sanctions in 2015.



Claimants are reimbursed if their sanction is overturned.

11%
of all Jobseeker's Allowance sanctions referred by jobcentres overturned in 2015.

26%
of all Jobseeker's Allowance sanctions referred by providers overturned in 2015.

6 Costs of the system

Sanctions have costs and benefits for the people who receive them and public spending.

£30m–50m
estimated cost to the Department of administering sanctions in 2015.

Unknown
impact of sanctions on wider public spending through additional support or savings arising from increased employment.

£132m
estimated value of benefit payments not made by the Department due to sanctions in 2015.

£35m
estimated value of hardship payments made to sanctioned claimants in 2015.

Summary

1 Over 3.5 million people rely on out-of-work benefits including Jobseeker's Allowance, Employment and Support Allowance, Universal Credit and Income Support. Many of these people also receive support from the Department for Work and Pensions (the Department) to help them prepare or look for work.

2 To receive out-of-work benefits, over one million of these claimants have to show they are complying with conditions. For example legislation requires Jobseeker's Allowance claimants to actively seek work. The Department interprets and administers these conditions. It can require people to attend jobcentre appointments or participate in externally-run employment schemes such as the Work Programme. The Department believes that setting conditions helps encourage some claimants to find work, and there is some evidence that lone parents were more likely to enter work after conditions were introduced.

3 Claimants who do not meet conditions without good reason can receive sanctions. A sanction is a decrease or loss of benefit payments for people who are already on low incomes. A four-week Jobseeker's Allowance sanction means a single claimant aged over 25 loses around £300 of benefits. The Department considers that the possibility of a sanction encourages more people to comply with its conditions. It also uses them to penalise claimants for not meeting their responsibilities.

4 The Department imposed 400,000 sanctions in 2015. Sanctions can be fixed in length up to three years. They can also continue indefinitely until a claimant meets conditions for claiming benefit. The length of a sanction depends on why someone is claiming benefits, the type of non-compliance and any previous sanctions. Sanctions reduce support to people, sometimes leading to hardship, hunger and depression. The Department has safeguards intended to protect vulnerable groups and hardship payments are available on application.

5 Sanctions are not uncommon or new. They have been used in their current form since Jobseeker's Allowance started in 1996. Successive governments have changed and extended their use. Many countries use sanctions to enforce conditions placed on people receiving benefits.

6 However, the fact that sanctions are widespread does not mean they are well designed, fairly administered or effective. The need to enforce conditions may mean sanctions cannot be eliminated altogether, and we do not consider what the correct level of sanctions should be. Nevertheless the Department has a responsibility to constantly evaluate sanction rules, and balance their effectiveness in encouraging employment against the impacts on claimants and any wider costs for public spending.

7 In particular the Department should monitor the impacts of sanctions on those who receive them. While most people may be encouraged to comply just by the possibility of a sanction, sanctions are not rare. A quarter of Jobseeker's Allowance claimants receive them at some point. The Department needs to administer sanctions quickly, accurately and consistently, minimising unnecessary anxiety for those in difficult circumstances.

8 In this report we consider whether the Department is achieving value for money in its administration of sanctions. To demonstrate value for money the Department must show it has:

- set clear aims for its use of sanctions, made design choices based on evidence, and considered risks for consistency and outcomes (Part One);
- used sanctions in a way that ensures its decisions are consistent, accurate and timely (Part Two); and
- evaluated outcomes for claimants and public spending to help inform the future design and administration of sanctions (Part Three).

9 The Department is expanding Universal Credit over the next five years and has decisions to take about contracted employment support under the Work and Health Programme. The Department has an opportunity to improve its understanding of sanctions and how it uses them in these programmes.

Key findings

Designing sanctions

10 How people respond to sanctions is uncertain. The Department expects most claimants will not be sanctioned and that the deterrence effect of sanctions will encourage them to comply with conditions. However, the Department has limited evidence on how people respond to the possibility of receiving a sanction, or how large this deterrent effect is in practice. Direct effects on people who receive sanctions will also be important; we found 24% of Jobseeker's Allowance claimants receive a sanction at some point (paragraphs 1.8 to 1.10 and Figures 4 and 5).

11 The previous government increased the scope and severity of sanctions. The 2012 reforms expanded the range of claimants subject to conditions and increased the maximum length of Jobseeker's Allowance sanctions from 26 to 156 weeks. When it made the changes the Department recognised that they would affect claimants' behaviour in ways that were difficult to predict (paragraphs 1.11 to 1.13 and Figure 6).

12 **The Department's changes to employment support have introduced risks for its use of sanctions.** The Department has changed its employment support and approach to sanctions in response to identified problems. For example it has put more emphasis on one-to-one relationships between staff and claimants to encourage more appropriate conditions. Changes introduce new risks. While greater flexibility for jobcentre staff to tailor conditions can make them more appropriate, it also increases the risk of inconsistency in how sanctions are used (paragraphs 1.14 to 1.18 and Figure 7).

Using sanctions

13 **The rate at which people are referred for a sanction decision has varied over time.** Jobcentres' monthly sanction referral rate for Jobseeker's Allowance claimants rose to 10.7% in March 2011 then fell to 3.1% in December 2015. There are many possible reasons for the rise and fall in referrals but they cannot be explained fully by changes in claimant compliance. It is likely that management focus and local work coach discretion have had a substantial influence on changing referral rates (paragraphs 2.4 to 2.6, Figure 10, and Appendix Three).

14 **Use of sanctions varies substantially between jobcentres and between providers.** Until it knows the causes of variation between jobcentres the Department cannot tell if it is within acceptable limits. We found that some Work Programme providers make more than twice as many sanction referrals as other providers supporting similar people in the same area (paragraphs 2.7, 2.12 and Figures 11 and 12).

15 **The Department has taken steps to reduce wasteful activity.** Decision makers cancel referrals that cannot be processed due to errors. In 2012, 40% of Work Programme referrals contained information about claimants that did not match the Department's. By March 2016, the Department had reduced errors to 22% by improving communication with providers (paragraphs 2.16, 2.17 and Figure 14).

16 **The process for administering sanctions means many are overturned.** Sanctioned claimants can ask the Department to review its decision. In 2015, 26% of all sanctioned Work Programme participants had their decision overturned, compared to 11% of jobcentre sanctions. The Department overturns more Work Programme sanctions because its evidence gathering process is weaker than for claimants referred by jobcentres. It has not considered why many Work Programme participants do not provide evidence, but is exploring ways to gather information from all claimants earlier in the process (paragraphs 2.20 to 2.24 and Figure 16).

17 **The Department is meeting its target timescales for most sanction decisions but is missing its Universal Credit targets.** In August 2016, 42% of decisions about Universal Credit sanctions took longer than 28 working days. The backlog of referrals awaiting decisions has grown during 2016. Decision-makers for other benefits decide on 90% of referrals within five working days (paragraphs 2.25 to 2.27 and Figures 18 and 19).

Outcomes for claimants

18 **International evidence suggests that sanctions increase movement from benefits into employment.** Studies show people who receive sanctions are more likely to get work, but the effect can be short-lived, lead to lower wages and increase the number of people moving off benefits into inactivity. Evidence on deterrence effects of sanctions is more limited but has similar findings (paragraphs 3.2 to 3.4 and Figure 21).

19 **The Department has not used its own data to evaluate the impact of sanctions in the UK.** It has administrative data on individual benefit histories, sanctions and employment, and data on local sanction rates and performance. The Department could use this data to evaluate the impacts of sanctions. We undertook new preliminary analysis looking at how Work Programme participants responded to sanctions, and the relative sizes of employment effects and negative outcomes such as inactivity and lower earnings. Our results need further investigation but they show the Department should do more to understand these sanctions outcomes (paragraphs 3.9 to 3.11).

20 **The Department has not supported wider work to improve understanding of sanction outcomes.** Although the Department has commissioned independent reviews about aspects of sanctions and taken steps to improve processes, it has rejected calls for a wider review (paragraphs 3.7 and 3.8).

21 **The Department does not track the costs and benefits of sanctions.** Potential benefits include increased and faster entry into employment leading to lower benefit spending and higher tax revenues. Possible wider costs include the direct impact on people who get sanctioned, such as financial hardship or depression. Supporting them may lead to higher public spending in areas such as local authority funded welfare support. The Department does not know these wider costs and benefits (paragraphs 3.14 to 3.20 and Figure 23).

Conclusion on value for money

22 The Department has not used sanctions consistently. Referral rates vary substantially across jobcentres and providers, and have risen and fallen over time in ways that cannot be explained by changes in claimant compliance. While the Department is correcting errors earlier, it needs to do more to show that the quality of referrals and sanction decisions has improved. Our review of the available evidence suggests the Department's use of sanctions is linked as much to management priorities and local staff discretion as it is to claimants' behaviour.

23 It is encouraging the Department has taken steps to improve its approach to sanctions in response to identified problems like high error rates. But it needs to do more than react to problems. Sanctions have costs, for people who receive them and for the government. With little evidence for its design choices the Department must use its data to assure itself that sanctions work as it intends. It cannot simply rely on international evidence suggesting that broadly some form of sanction has an effect. Until the Department can show greater consistency in its use of sanctions and demonstrate that their effectiveness is proportionate to their costs we cannot conclude that the Department is achieving value for money.

Recommendations

24 As the Department introduces further changes to labour market support, we recommend it carries out a wide-ranging review of sanctions. In particular:

a **The Department should support better understanding of the impact of sanctions.** It should use its data – including real time information on earnings – to track the direct and indirect impact of sanctions on the likelihood, duration and quality of employment, including for those with barriers to work. It should adopt an open and collaborative approach to working with academic researchers and third-party organisations.

b **The Department should assess the wider cost of sanctions to central and local government.** It should track how sanctions affect demand for publicly funded services.

c **The Department should use information to continuously improve its approach to sanctions.** The Department has mechanisms for learning and improvement. It should expand its use of feedback from each stage of the sanctions process to fix recurring problems that lead to unnecessary referrals and overturned decisions.

d **The Department should improve both internal management information and published statistics about sanction processes, variation and trends.** It should demonstrate that it has satisfied the UK Statistics Authority that it has met all recommendations on its published statistics.

e **The Department should model future demand for Universal Credit decisions.** A large decision backlog already exists. The Department needs to understand likely growth in demand and decision-makers' capacity to meet it.

f **The Department should explore ways to reduce variation in referrals from providers.** The Department needs to better manage variation as it develops new programmes such as the Work and Health Programme.

Part One

Designing sanctions

1.1 A benefit sanction is a penalty imposed on a benefit claimant by the Department for Work & Pensions (the Department). It is a decrease or loss of a benefit when someone has not met conditions imposed by the Department. In this part we consider whether the Department has: set clear aims for its use of sanctions; made design choices based on evidence; and considered risks linked to its design choices. **Figure 1** summarises our assessment.

Figure 1

Assessment of the Department's approach to designing sanctions

Criteria	National Audit Office assessment	Rating
Understanding attitudes and behaviour	**Claimants' responses to sanctions are uncertain.** The Department has limited evidence on how people respond to the possibility of receiving a sanction, or how large this deterrent effect is in practice.	
Use of evidence for design choices	**Little evidence for design choices.** The Department identified that it was introducing its 2012 reforms with little evidence about the likely effect.	
Assessment of risks to sanctions	**Changes have introduced risks for consistency and outcomes.** The Department has designed current sanction rules alongside wider changes to employment support. It has not considered the risks its changes introduce or the competing aims it needs to balance.	

Source: National Audit Office

Sanctions are part of a wider approach

1.2 The Department aims to increase employment. It expects that this will directly benefit people who get work, and have positive consequences for benefit spending and tax revenues. To achieve higher employment it provides financial support through benefit payments and services to help people prepare or look for work. This support is mostly provided in jobcentres and through contractors.

1.3 The Department wants people to take steps to seek or prepare for work where appropriate. To encourage this, it uses conditions. For example, it has made actively seeking work a condition of receiving Jobseeker's Allowance. The Department can also make participation in externally-run employment schemes like the Work Programme compulsory for some people. The Department has some evidence that conditions encourage claimants to find work. Lone parents were more likely to enter work after the Department introduced conditions.[1]

1.4 The Department intends that sanctions support conditions in two ways:

- The Department believes that the possibility of sanctions means that more people engage with employment support. People may change their behaviour due to receiving a sanction or because of the possibility of receiving a sanction (a deterrence effect).
- The Department also considers that sanctions provide consequences for people who do not comply with conditions. It uses sanctions to penalise people who do not comply with their responsibilities.

1.5 Sanctions form part of the Department's wider approach to benefits and employment support. The Department intends that benefits, employment support and conditions and sanctions together lead to employment. Changes to sanctions should therefore be considered alongside other changes the Department has made.

1 Department for Work & Pensions, *Lone Parent Obligations: an impact assessment*, July 2013.

Conditions and sanctions for four benefits

1.6 Most people claiming Jobseeker's Allowance and Universal Credit, and certain people claiming Employment and Support Allowance and Income Support, have to meet conditions in order to receive benefit. On average, 1.4 million people were subject to the possibility of a sanction for not meeting conditions each month in 2015 (**Figure 2**).

Figure 2

Claimants subject to conditions and sanctions

The Department can sanction claimants of four benefits. Sanction rates vary by benefit[1]

	Jobseeker's Allowance	Employment and Support Allowance	Universal Credit	Income Support for lone parents	**Total**
Average monthly claimants, 2015[2]	697,000	2,338,000	87,000	435,000	**3,557,000**
Average monthly claimants who can be sanctioned, 2015[2]	697,000	418,000	70,000	210,000	**1,395,000**
Average monthly referral rate, 2015	6.5%	1.0%	11.7%[3]	Not available[4]	
Average monthly sanction rate, 2015	3.2%	0.3%	Not available[5]	1.6%	

Notes

1 We have calculated rates as the number of sanctions or referrals a month divided by the number of relevant claimants at a point in the month. The average monthly rate is a weighted average.

2 The Department does not have data on conditions and sanctions for other Income Support claimants. See Appendix Two and Figure 27 for detail on which claimants can and cannot be sanctioned.

3 The referral rate on Universal Credit is higher than Jobseeker's Allowance because the Department uses a different process when claimants miss jobcentre appointments. If people claiming Jobseeker's Allowance do not get in touch within five days of missing an appointment the Department normally closes their claim and does not refer them for a sanction. Each month in 2015, the Department referred an average of 1.2% of Jobseeker's Allowance claimants for sanctions for this reason. The Department does not close Universal Credit claims in this way. It imposes sanctions instead. On average in 2015, the Department referred 7.9% of Universal Credit claimants each month for a missed appointment.

4 The Department does not collect data on Income Support referrals.

5 The Department's data before September 2016 do not separate sanction decisions from other kinds of Universal Credit decisions. See Appendix Two for details of data limitations.

Source: National Audit Office analysis of Department for Work & Pensions data

1.7 We estimate the Department imposed 400,000 sanctions in 2015. Sanctions data are subject to a number of limitations (see Appendix Two). It imposed 67% of sanctions on people claiming Jobseeker's Allowance. The Department's use of Jobseeker's Allowance sanctions has varied over time, reflecting both changes in the number of claimants and the proportion of claimants who receive a sanction (**Figure 3**).

Limited understanding of claimants' behaviour

1.8 To design an effective approach to sanctions the Department needs to understand who it is trying to influence and support, and how sanctions influence their behaviour.

1.9 It is difficult to tell how different claimants might be influenced by sanctions. The Department has surveyed some groups of claimants about sanctions. Between a third and two-thirds of claimants surveyed agreed that the possibility of a sanction encouraged them to look for work or to comply with benefit conditions (**Figure 4** on page 16).

1.10 The Department also needs to consider the different ways sanctions affect people's attitudes about conditions:

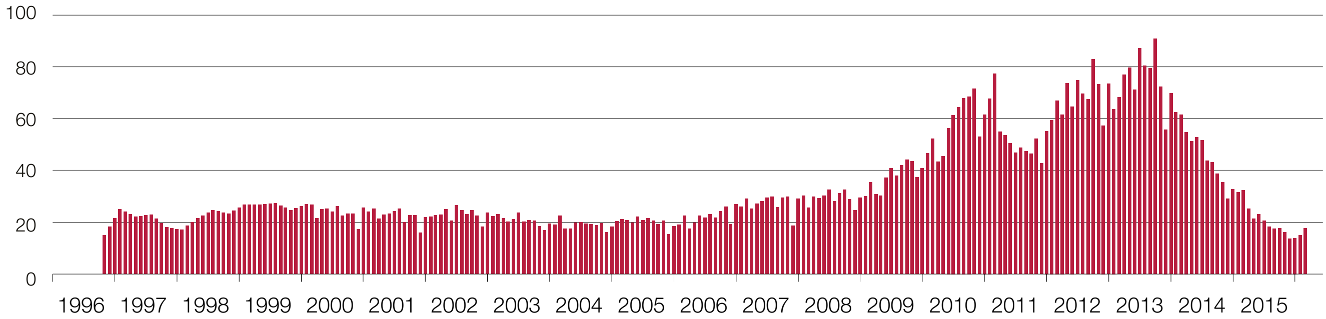
- Most people do not receive sanctions (**Figure 5** on page 16). The Department does not know how much compliance with conditions is affected by the possibility of a sanction.
- Around a quarter of people claiming between 2010 and 2015 received at least one sanction. Sanctions will have direct effects on behaviour.
- Some people receive multiple sanctions. The Department does not know whether people who get more sanctions get them because they are less compliant than other claimants or because they claim for longer and have more opportunities not to comply with conditions.

Figure 3

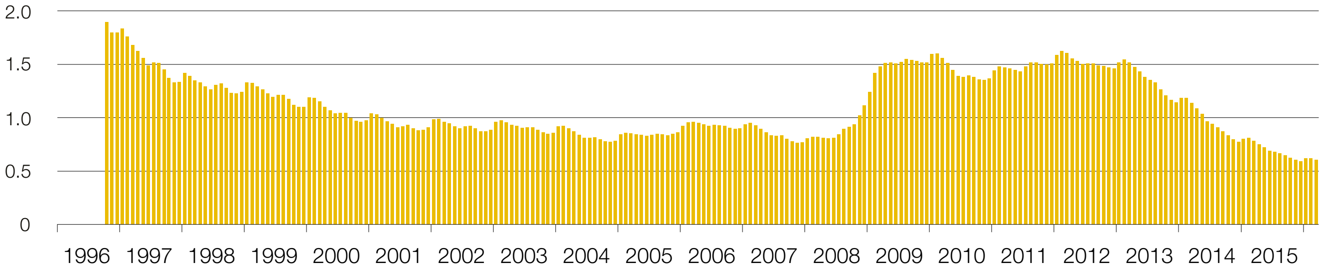
Jobseeker's Allowance claimants, sanction volumes and rates

The Department's use of sanctions peaked in 2013

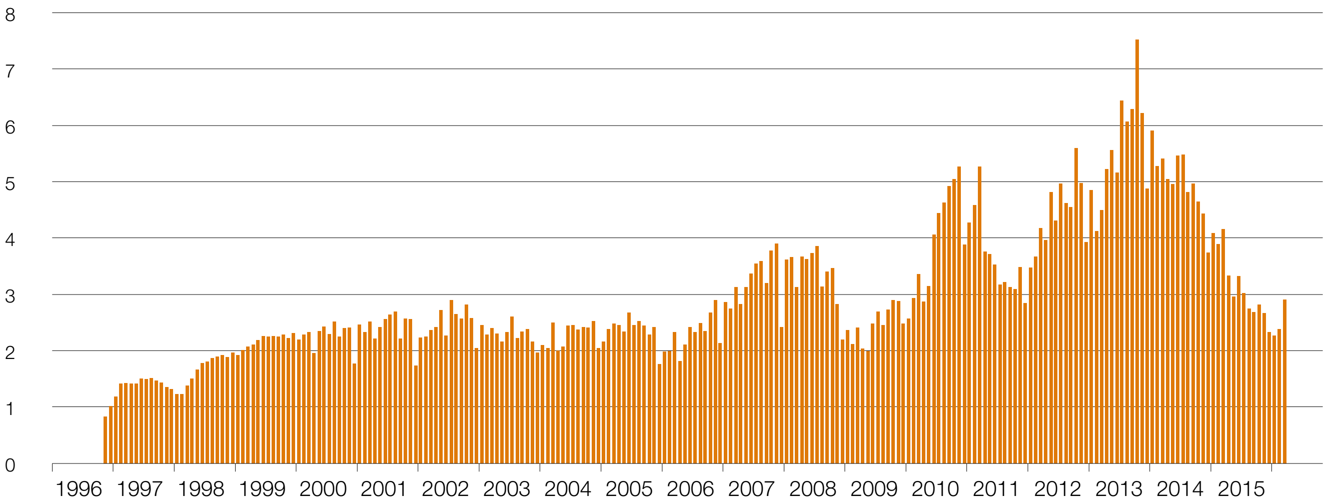
Number of sanctions (000)[1]



Number of claimants (million)



Percentage of sanctions as a proportion of claimants each month[2]



Notes

1 Excludes sanctions overturned after successful challenges by claimants.

2 We have calculated sanction rates as the number of sanctions a month divided by the number of relevant claimants at a point in the month.

3 Data runs from October 1996 to March 2016.

Source: National Audit Office analysis of Department for Work & Pensions and Employment Service data

Figure 4

Impact of sanctions on claimant attitudes and behaviour

Between a third and two-thirds of claimants agreed the possibility of a sanction, or receiving a sanction, encouraged them to look for work or to comply with benefit conditions

Claimant group	More likely to comply with conditions[1] (%)	Sanctions make no difference (%)	Year
Attitudes of people who receive sanctions			
Jobseeker's Allowance, aged under 25	48		2014
Long-term unemployed	35	51	2012
Attitudes about the possibility of sanctions			
Work Programme	41	53	2014
Jobseeker's Allowance	62	27	2012
Employment and Support Allowance, looking for work	53	40	2012
Employment and Support Allowance, not looking for work	31	57	2012

Note

1 Question wording varies. Respondents reported that they were more likely to follow jobcentre instructions, look for work, or take steps to prepare for work.

Source: National Audit Office review of Department for Work & Pensions documents. See Appendix Two for full references

Figure 5

Number of sanctions per person for people claiming Jobseeker's Allowance at any point between 2010 and 2015

The Department does not sanction most claimants. A minority get many sanctions

Sanctions per person	People (%)	Total sanctions (%)	Median weeks claiming
No sanctions	76	n/a	16
Any number of sanctions	24	100	64
Of which			
One sanction	58	28	43
Two sanctions	20	19	74
Three or more sanctions	22	53	106

Source: National Audit Office analysis of Department for Work & Pensions data

Little evidence for design choices

1.11 To use sanctions effectively the Department needs to understand the tools it has to influence claimants' behaviour. The Department chooses who must meet conditions and what those conditions should be.

1.12 The Department has changed sanction rules over time in response to government priorities but has limited evidence to support its design choices. It most recently changed sanction rules through the 2012 Welfare Reform Act. The government wanted to make sanction penalties clearer and tougher. The Department made three main changes:

- **Scope**

  The Department has brought more types of claimants within the scope of conditions and sanctions. For example, it changed conditions for single parents to encourage them towards work when their children are at a younger age. Universal Credit has introduced conditions and sanctions for low-paid workers to encourage them to increase their earnings.

- **Severity**

  The Department introduced longer sanctions in 2012 (**Figure 6** overleaf). The changes moved Great Britain from eighth to third in the Organisation for Economic Cooperation and Development (OECD) rankings of unemployment sanction strictness.[2]

- **Escalation**

  The Department introduced longer second and third sanctions.

1.13 When it increased sanction severity and introduced escalating sanctions the Department recognised the changes would affect claimants' behaviour in ways that were difficult to predict, and that it was introducing new approaches with little evidence on the likely effect.[3]

2 We compared the 17 OECD countries with the highest GDP per capita in 2015. K Langenbucher, '*How demanding are eligibility criteria for unemployment benefits, quantitative indicators for OECD and EU countries*', OECD Social, Employment and Migration Working Papers, No. 166, OECD Publishing, 2015.

3 Department for Work & Pensions, *Impact Assessment for the Conditionality Measures in the Welfare Reform Bill*, October 2011.

Figure 6

Sanction penalties introduced in 2012

The Department increased the maximum length of a Jobseeker's Allowance sanction from 26 weeks to 156 weeks

Level	Examples	Length of sanction for not meeting conditions from 2012	Previous length (before 2012)
Lower	Not taking part in jobcentre appointments	4 or 13 weeks on first or second occurrence	1, 2, 4 or 26 weeks
Intermediate	Not doing enough to actively seek work	End of entitlement and a sanction of 4 or 13 weeks on first or second occurrence	End of entitlement but no sanction
Higher	Leaving employment voluntarily	13, 26 or 156 weeks on first, second or third occurrence	Variable from 1 to 26 weeks

Note

1 For a more complete description of the rules surrounding sanctions and escalation, see: *Jobseeker's Allowance: overview of revised sanctions regime*, Department for Work & Pensions, 2013.

Source: National Audit Office analysis of Department for Work & Pensions documents

Risks for consistency and outcomes not considered

1.14 The sanction regime is affected by the Department's wider changes to its employment support. Through the claimant commitment and Universal Credit, the Department is increasing requirements on claimants to look for work. Over the last five years the Department has also introduced several contracted employment programmes. The largest of which – the Work Programme – accounts for 37% of all sanction referrals since its introduction in 2011. The Department will stop referring claimants to the Programme in March 2017.[4]

1.15 The Department has changed sanction processes in response to problems identified in external reviews it commissioned, such as the Gregg Review and the Oakley Review.[5,6] These considered choices for greater personalisation in the Department's approach to setting conditions and communicating with claimants. The Oakley review led to the Department making changes including revising letters to claimants about sanctions.

1.16 Changes to sanctions and employment support introduce competing risks and aims that the Department has to balance (**Figure 7**). It has not actively considered the risks to sanctions its changes to employment support have introduced.

4 The Work and Health Programme will replace the Work Programme.

5 Professor Paul Gregg, *Realising potential: a vision for personalised conditionality and support: an independent report to the Department for Work & Pensions*, December 2008.

6 Matthew Oakley, *Independent review of the operation of Jobseeker's Allowance sanctions validated by the Jobseekers Act 2013,* July 2014. The review considered Jobseeker's Allowance sanctions after referrals to mandatory back to work schemes.

Figure 7
Examples of the competing aims the Department must balance in using conditions and sanctions

Sanction severity

Less severe sanctions may act as a lesser deterrent but cause less hardship and disengagement from employment support.	The Department wants to encourage people to engage with services designed to get them into work. It can adjust the severity of sanctions to discourage people from not complying with conditions.	More severe sanctions may act as a greater deterrent but cause greater hardship and disengagement.

Tailoring conditions

Applying consistent conditions to all claimants means conditions may not be appropriate for personal circumstances.	The Department wants to sanction only people unwilling to comply with conditions. It can allow staff to tailor conditions to suit individual circumstances.	Tailoring conditions can mean people face inconsistent conditions unless all work coaches make the same judgements.

Formal rules and protections

Detailed rules can take account of more circumstances and situations but are more difficult to understand and remember.	The Department wants work coaches to agree appropriate conditions with claimants. It can set protections for groups and circumstances where its standard approach would be inappropriate.	Simple rules are easier to understand and remember but may not take account of all circumstances and situations.

Discretion to refer

Limiting discretion means all possible non-compliance is reviewed by decision-makers, but could discourage claimants and be less efficient.	The Department wants sanctions to encourage claimants to engage with its support. It can allow work coaches to refer claimants only if they think it would encourage them to engage.	Increasing discretion may improve support and efficiency, but can be inconsistent if staff treat the same situations differently.

Source: National Audit Office

1.17 The Department has two ways it can protect people against inappropriate sanctions. First it can allow staff flexibility to tailor conditions to individual circumstances. It has put more emphasis on one-to-one relationships with claimants to encourage more appropriate conditions. This flexibility also brings the risk of inconsistency in whether claimants in similar circumstances receive sanctions or not.

1.18 Second the Department can use formal rules to protect people with particular needs, for example excusing victims of domestic violence from meeting conditions for a limited period. These safeguards can be hard to implement. The Department relies on claimants self-reporting circumstances and work coaches being aware of protections. The Department does not track use of the protections and cannot tell whether work coaches use them effectively.

1.19 In Part Two, we consider the impact of these changes on the consistency and accuracy of sanction use. Part Three considers whether the Department can show it has achieved its aims for sanctions while minimising negative effects on claimants and public spending.

Part Two

Using sanctions

2.1 How the Department uses sanctions affects whether they encourage people to seek and gain jobs. While local discretion and individual circumstances will always lead to some variation in sanction use, the Department has a responsibility to ensure that people in similar circumstances are treated consistently and fairly. The Department needs to monitor and understand the reasons for variations in sanction use. In this part we assess whether the Department has used sanctions in a way that ensures its decisions are consistent, accurate and timely. **Figure 8** summarises our assessment.

Figure 8
Assessment of the Department's use of sanctions

Criteria	National Audit Office assessment	Rating
Consistency	**Inconsistent use of sanctions in recent years.** There are many possible reasons for the rise and fall of referral rates in recent years. It is likely that changes in management focus and more local discretion by work coaches have had a substantial influence. **Substantial variation between jobcentres and between providers.** Variation is poorly understood and may suggest inconsistent use of conditions and sanctions.	
Accuracy	**Reducing administrative errors.** The Department has reduced the proportion of Work Programme referrals cancelled in error. **Overturns many of the sanctions it imposes.** The Department has increased the proportion of all referrals upheld. However, it still overturns many sanctions when they are challenged by claimants. **Fewer challenges reaching tribunals.** Internal decision reviews and mandatory reconsiderations are reducing the need for appeals at tribunals.	
Timeliness	**Time targets met overall.** There is a growing Universal Credit backlog.	

Source: National Audit Office

Different stages in the sanction process

2.2 The sanction process involves a number of different stages (**Figure 9**). Jobcentres and Work Programme providers set conditions, monitor compliance and refer people for sanction decisions. The Department's decision-makers (or in straightforward cases jobcentre staff) consider the evidence and decide whether to impose a sanction. While the Department decides, claimants continue to receive benefit. People sanctioned can challenge the Department's decision. Challenged decisions are reviewed and can be overturned by the Department and independent tribunals.

2.3 The process involves a large number of people. In 2016, conditions were assessed by 11,000 work coaches in 700 jobcentres and contracted staff across 16 Work Programme prime providers. About 400 decision-makers considered whether people should be sanctioned. Jobcentres also decide whether to impose sanctions in straightforward cases. At each stage of the process, the Department can use performance measures to understand whether its services are working (Figure 9).

Figure 9
The sanction process

Part of process	Roles and actions	Example performance measures[1]	Report reference
Setting conditions and making referrals	**Work coaches** and **Work Programme providers** agree conditions with claimants, and check compliance.	**Conditions:** number and type of conditions set and met.	Limited data available
	Work coaches make referrals for sanction decisions and include evidence available at time of referral.	**Referral rate:** sanction referrals as a proportion of claimants.	**Figure 10**
	Providers make referrals for sanction decisions. Decision-makers contact claimants for evidence after they receive the referral.		
Deciding whether to apply sanctions	**Decision-makers** cancel referrals made in error, for example where contact details are incorrect.	**Cancellation rate:** proportion of referrals cancelled due to errors.	**Figure 14**
	Decision-makers either uphold referrals or decide not to apply sanctions.	**Upheld rate:** proportion of referrals to which decision-makers apply sanction (excluding cancellations).	**Figure 15**
	Jobcentres make sanction decisions in straightforward cases.	**Jobcentre decisions:** decisions to apply or not apply sanctions in straightforward cases.	Limited data available
Challenging decisions and first internal reconsideration	**Claimants** can challenge decisions, and send evidence or explanations not already considered by the Department.	**Challenge rate:** proportion of sanctions challenged by claimants.	Not included
	Decision-makers undertake first internal reconsideration.	**Overturn rate:** proportion of sanctions overturned during first internal reconsideration.	**Figure 16**
Mandatory reconsideration and appeals	If challenged, **decision-makers** undertake mandatory reconsideration.	**Mandatory reconsideration:** number of cases.	**Figure 17**
	Claimants can appeal to an independent **tribunal**, if the Department does not overturn their sanction.	**Appeals:** number of cases going to tribunals.	**Figure 17**

Note

1 Other than the cancellation rate the Department does not monitor these potential performance measures. It uses a quality assurance framework to review some work coaches. These results cannot be used to identify trends.

Source: National Audit Office

Inconsistent use of sanctions over time

2.4 The Department has used Jobseeker's Allowance sanctions at substantially different rates since January 2010 (**Figure 10**). Monitoring changes in sanction referral rates can help the Department tell if its use of sanctions is consistent and effective. Unexplained variation over time could mean the Department has weak controls over how sanctions are administered or that operational changes are affecting sanctions in unintended ways.

2.5 The Department considers recent falls in sanction use by jobcentres show better employment support leading to increased levels of claimant compliance. Changes in claimants' behaviour may well have been a factor. However, other factors also affect referral rates. These include:

- **Changes in expectations on claimants**

  Much of the increase in the Department's use of sanctions came after it started the Work Programme in 2011. The Department made participation compulsory for many claimants. Decreasing numbers of people on the Work Programme rather than increasing compliance have contributed to the fall in the rate of sanctions since 2013.

- **Changes in management priorities**

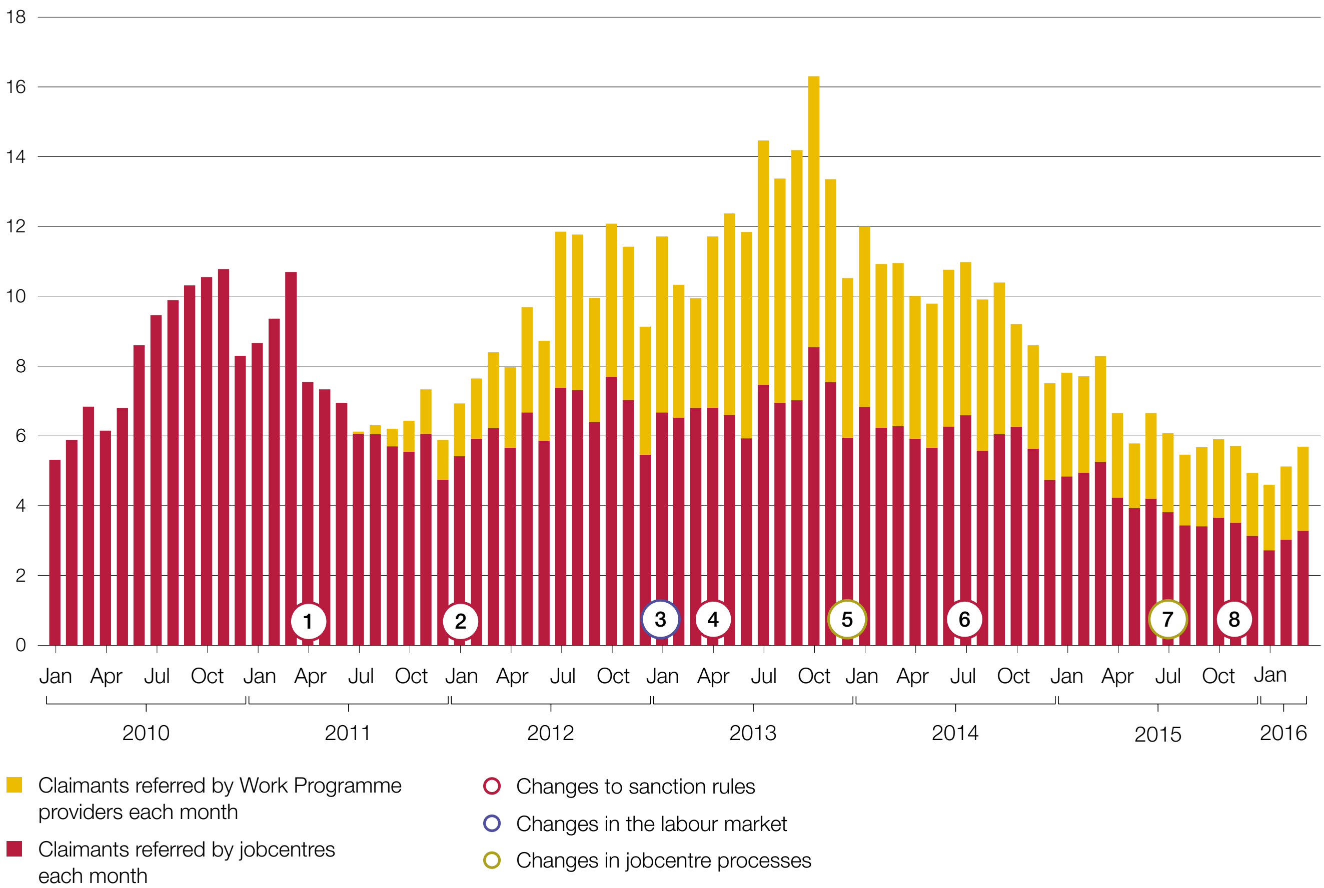
  Managers' attention can affect how often work coaches make referrals. Until April 2011, the Department had a benchmark for jobcentres to refer 6% of Jobseeker's Allowance claimants each month. The Department found that removing the benchmark affected staff. A minority stopped referring claimants; others maintained a target culture. In late 2013 around half of jobcentre staff surveyed felt pressure to make referrals. On our visits to jobcentres staff told us that managers' focus on referral rates fell substantially from 2013 onwards, which may help explain falling referral rates. Internal management expectations are unlikely to have affected claimants' behaviour.

- **Changes in approach to providing support**

  Even after excluding Work Programme referrals, the Jobseeker's Allowance referral rate has fallen substantially since October 2013. The fall could show the impact of the Department's new approach to helping claimants agree what they will do to find work, which it introduced in 2014. The falling rate does not in itself mean the new approach is effective. Claimants may comply more or work coaches may refer non-compliance less.

Figure 10
Variation in Jobseeker's Allowance sanction referral rate over time

The sanction referral rate has changed over time



1. The Department removed its benchmark Jobseeker's Allowance referral rate.
2. The Department increased expectations for actively seeking work criteria.
3. Number of people claiming Jobseeker's Allowance peaked, and started to fall.
4. The Department published its investigation into use of sanctions and 'targets' by jobcentres.
5. Phased rollout of claimant commitment started. It was completed in May 2014.
6. The Department introduced changes increasing conditions for claimants.
7. The Department began roll-out of the 'work coach delivery model', aiming to improve relationships with claimants.
8. Increased discretion for jobcentres to deal with more reasons for not meeting conditions, rather than referring to decision-makers.

Note

1 The Work Programme began in 2011.

Source: National Audit Office analysis of Department for Work & Pensions data

2.6 Our review of recent trends suggests that changes in employment support and compliance do not fully explain either increases or recent falls in jobcentre referral rates (Appendix Three). Variation in referrals suggests that processes are not being applied consistently over time. We have concluded that:

- The Department does not have a clear understanding of the reasons for variation in referrals over time. This is complicated by limitations in the systems and information it uses to monitor sanctions.
- Comparing trends for different referral reasons strongly indicates operational influences on referrals, rather than improvements in compliance.
- There remain operational and informational limitations that make it difficult to apply sanctions appropriately. For example claimants can close and reopen claims to avoid a sanction for missing a jobcentre appointment.

Variation between jobcentres is not well understood

2.7 The Department's guidance requires staff to take an unbiased and impartial approach to applying sanctions. In April 2015, the Department's internal auditors found improvements overall in the conditionality and sanctions regime, but they noted variation between jobcentres in Jobseeker's Allowance referrals. They found evidence that suggested work coaches were not complying with sanction processes, weakening the fair and consistent use of sanctions. The Department has identified similar issues in internal summaries of staff surveys.

2.8 Referral rates varied from 1.6% to 4.3% for the middle half of jobcentres in December 2015 (**Figure 11**). Variation between jobcentres has been consistent over time. Variation may be due to differences in the types of claimants in each area, but the Department has not assessed the causes of the variation. Until it understands these factors the Department cannot tell if variation is within acceptable limits.

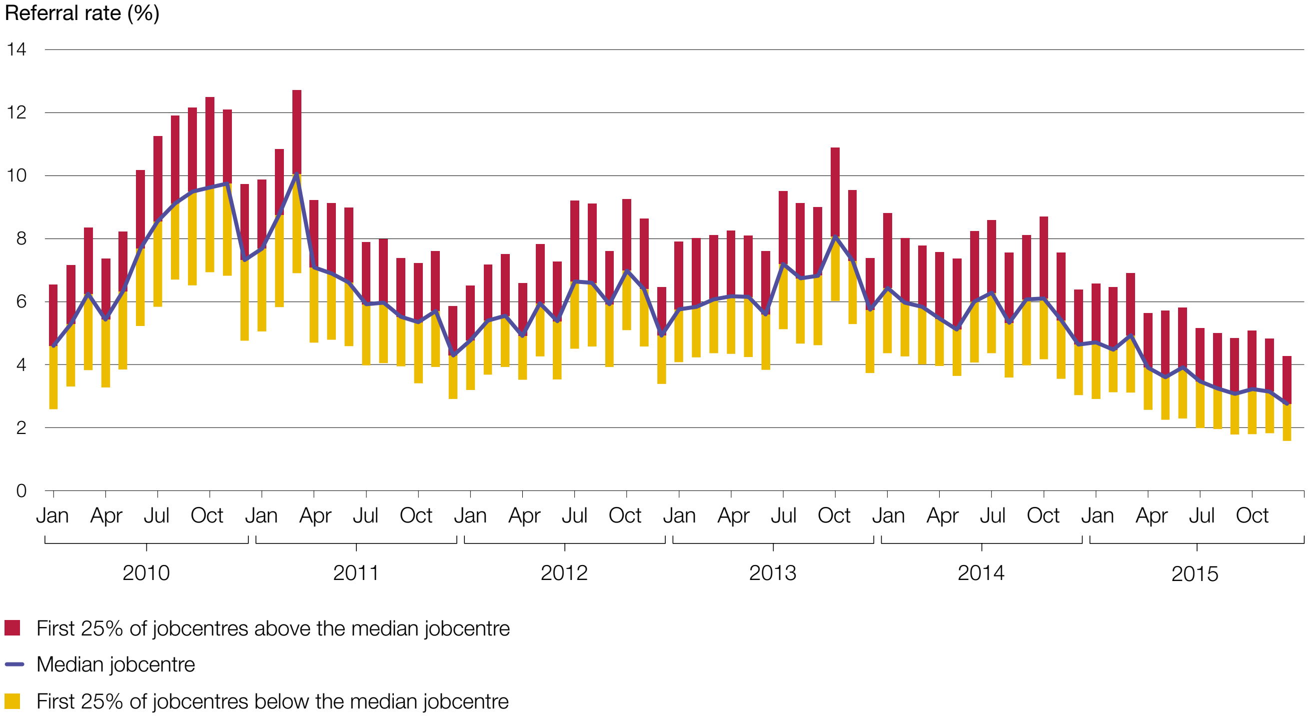
Variation between Work Programme providers in the same area

2.9 Referral rates also differ substantially between Work Programme providers. The Department randomly assigns people to a provider in their area, meaning the different providers in each area serve people with the same attitudes and skills.

2.10 Differences in referral rates are therefore likely to reflect differences between providers rather than claimants' behaviour. Differences that may affect provider referral rates include: the number of activities they make compulsory; whether they refer all cases of non-compliance as required; and whether the quality of their support affects claimant participation.

Figure 11
Variation in referrals between jobcentres

Variation in Jobseeker's Allowance referrals across jobcentres has been consistent



Note

1 Analysis excludes 14% of jobcentres which could not be matched between sources for claimants and sanction decisions.

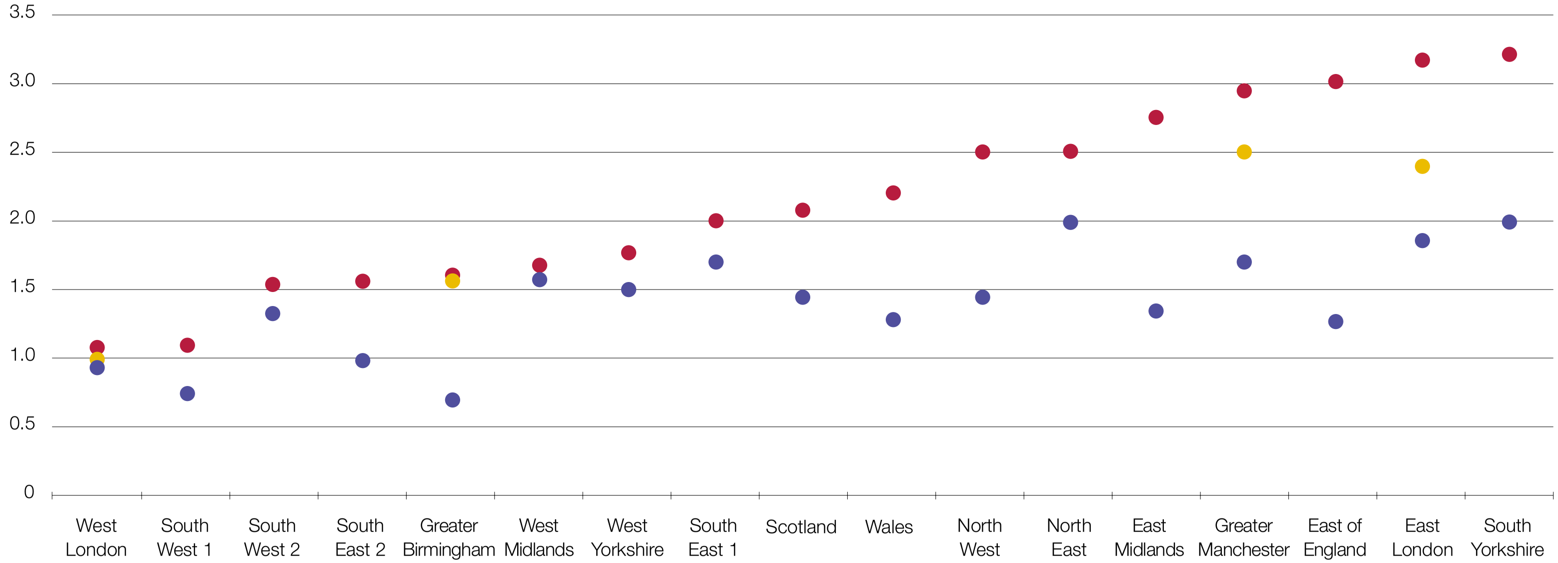
Source: National Audit Office analysis of Department for Work & Pensions data

2.11 Providers made 2.3 million sanction referrals between July 2011 and March 2016; equal to 1.5 referrals per Jobseeker's Allowance claimant enrolled on the Work Programme since it started. The contract with the lowest made 0.7 per person (**Figure 12** overleaf).

Figure 12
Variation in referrals from Work Programme providers

Referral rates differ between providers working in the same area

Number of Jobseeker's Allowance referrals per person from July 2011 to March 2016



	West London	South West 1	South West 2	South East 2	Greater Birmingham	West Midlands	West Yorkshire	South East 1	Scotland	Wales	North West	North East	East Midlands	Greater Manchester	East of England	East London	South Yorkshire
● Provider with the highest sanction referral rate	1.1	1.1	1.5	1.5	1.6	1.7	1.7	2.0	2.1	2.2	2.5	2.5	2.7	2.9	3.0	3.1	3.2
● Middle-placed provider	1.0				1.5									2.5		2.4	
● Provider with the lowest sanction referral rate	0.9	0.7	1.3	1.0	0.7	1.5	1.5	1.7	1.4	1.3	1.4	2.0	1.3	1.7	1.2	1.8	2.0
Number of contracts	3	2	2	2	3	2	2	2	2	2	2	2	2	3	2	3	2

Note

1 We have excluded North Yorkshire, area 18, because the Department terminated one contract in this area.

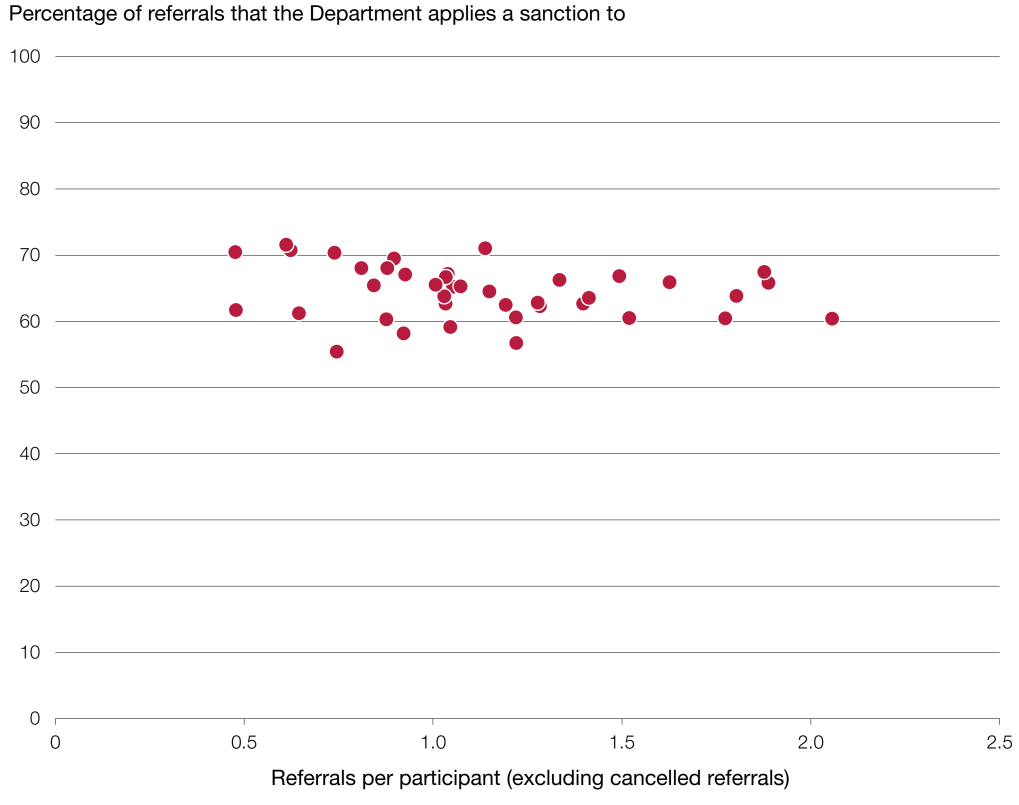
Source: National Audit Office analysis of Department for Work & Pensions data

2.12 In some areas there is little variation between providers. In other areas some providers make more than twice as many sanction referrals as other providers in the same area. Referral rates affect sanction rates. The Department decides whether to impose sanctions, not providers. It does not moderate variation in referrals between providers. It has imposed sanctions roughly in proportion to referrals whether providers have low or high referral rates (**Figure 13**).

Figure 13

Work Programme referrals that lead to sanctions, July 2011 to March 2016

The Department applies sanctions to a similar proportion of referrals from each provider whether they have a low or high referral rate



Notes

1 Each dot shows one Work Programme provider.

2 Excludes referrals and sanctions cancelled in error.

Source: National Audit Office analysis of Department for Work & Pensions data

More decisions overturned after challenge

2.13 The Department's decision-makers decide whether to sanction people referred by jobcentres and Work Programme providers.

2.14 The quality and accuracy of decisions is important both for individuals who may be sanctioned and for ensuring that the Department reduces waste. Reviewing recent trends in the Department's management information shows:

- The Department cancelled 17% of referrals in March 2016, down from 28% in August 2012.
- The Department's decision-makers imposed sanctions on 77% of people referred in March 2016, up from 64% in January 2010.
- The Department overturned 16% of the sanctions it imposed in March 2016, up from 7% in January 2010.

2.15 A number of factors could explain these trends. We examine these trends in more detail below. In our view the Department needs to undertake further work to understand trends, and improve monitoring of different measures within the sanctions process to ensure that it is making accurate decisions.

Fall in cancelled referrals

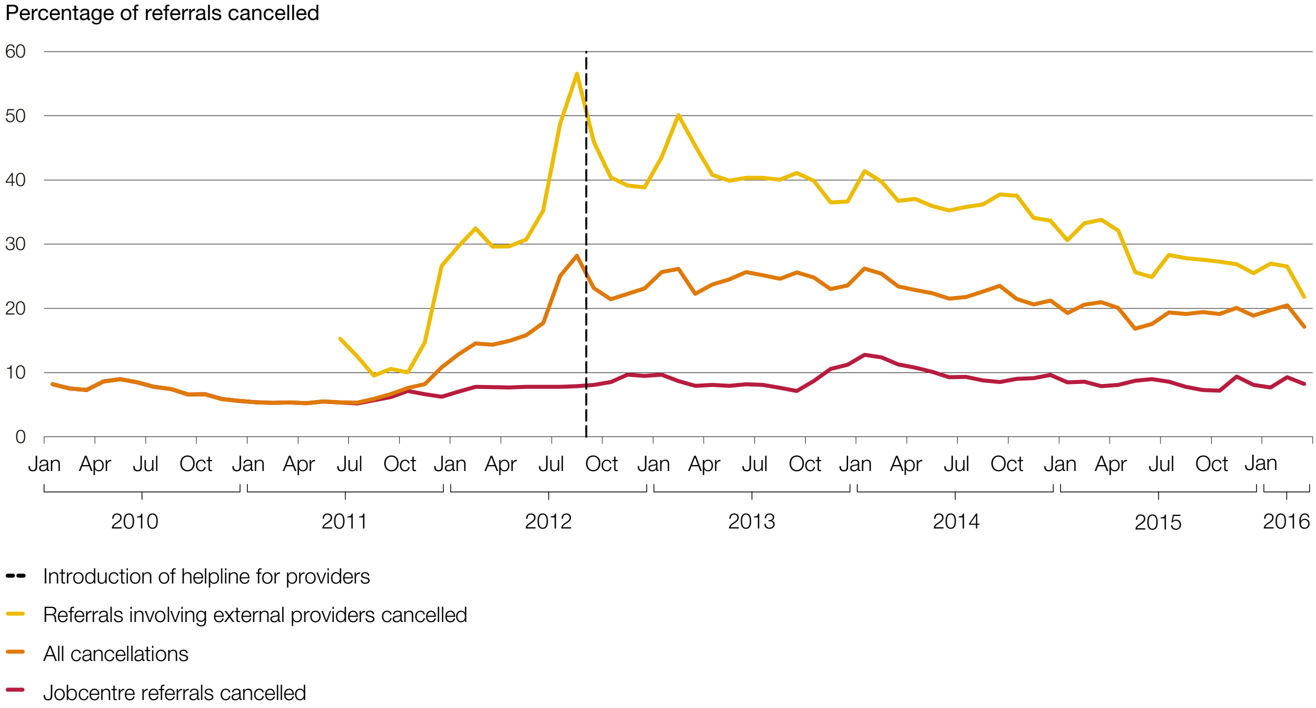
2.16 The Department aims to reduce the need to cancel referrals made in error. It cancels referrals that cannot be processed, for example because claimant details are incorrect. Claimants do not lose benefit when referrals are cancelled, but high rates indicate administrative failings and waste.

2.17 In 2012, 40% of Work Programme referrals were cancelled. The falling cancellation rate since then reflects improvements in the quality of Work Programme referrals. The overall cancelation rate rose sharply after the Department introduced the Work Programme. Errors are common because the Department does not tell providers when people's circumstances change. The Department reduced errors by introducing a helpline – costing £2 million since 2012 – so providers could check details. Jobcentres make few errors. The Department has consistently cancelled around 8% of jobcentre referrals since January 2010 (**Figure 14**).

Figure 14

Rates of cancelled referrals for Jobseeker's Allowance

Errors in referrals involving external providers fell from 57% in August 2012 to 25% in December 2015



Notes

1 From November 2016, the Department plans to measure the rate of cancelled referrals for Universal Credit.

2 The Work Programme started in June 2011.

Source: National Audit Office analysis of Department for Work & Pensions data

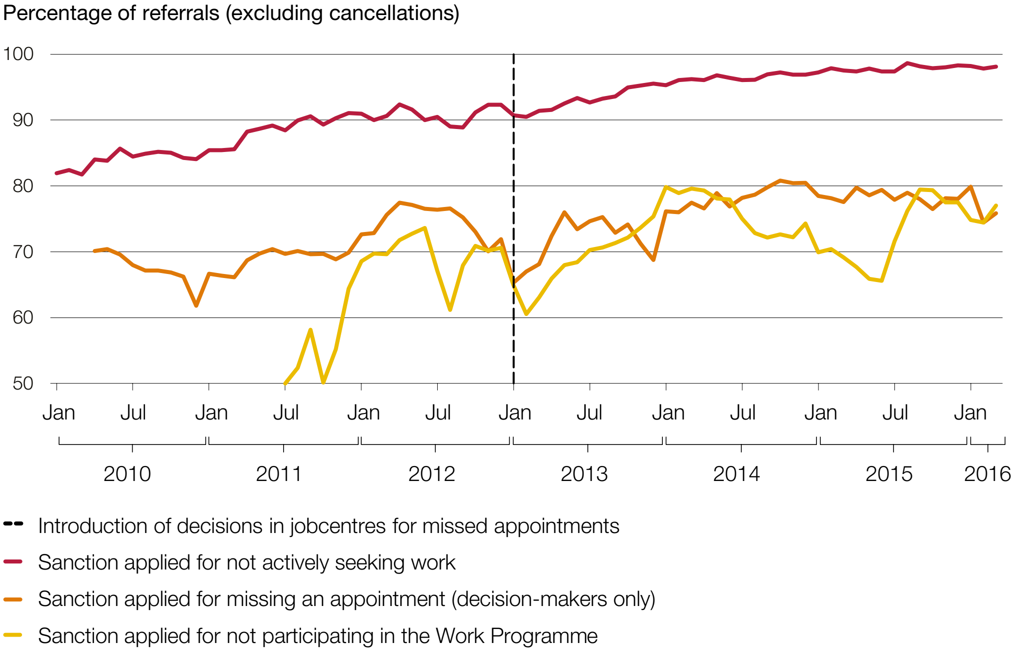
More referrals upheld

2.18 Specialist decision-makers apply sanctions to a greater proportion of Jobseeker's Allowance referrals than they used to. The upheld rate – the proportion of referrals each month that they apply sanctions to, after cancellations are removed – has increased for each of three main reasons why Jobseeker's Allowance claimants are referred (**Figure 15** overleaf).

2.19 It is not clear that the increase in the rate represents an improvement in the quality or accuracy of decisions. For example increases in management focus on accuracy could lead decision-makers to target the upheld rate as a proxy for accuracy, and lead to less good decisions. The Department told us it has no expectation for the proportion of decisions that should be upheld, as decisions are taken on a case-by-case basis. But in our visits to jobcentres and decision makers we found that they consider 80% to be a good balance between referring potential cases of non-compliance and reducing unnecessary referrals.

Figure 15
Sanctions applied to Jobseeker's Allowance referrals

Upheld rates have increased for each of the three most common reasons for sanctions



Source: National Audit Office analysis of Department for Work & Pensions data

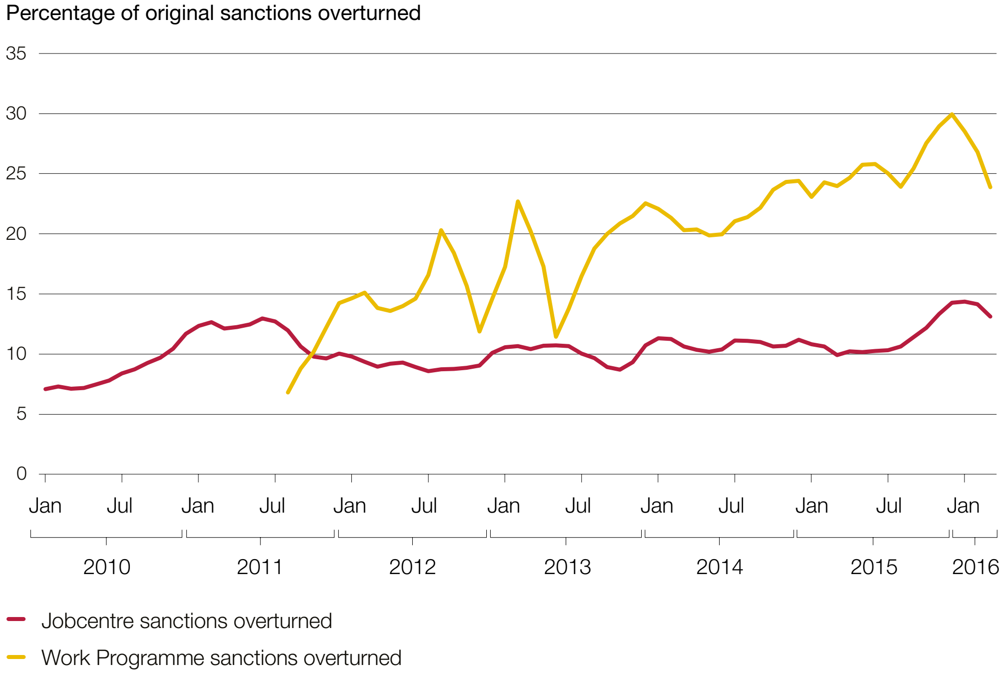
Many decisions overturned after challenge

2.20 Claimants can challenge sanction decisions. While challenging decisions people receive less money, but are reimbursed if successful. The proportion of Jobseeker's Allowance sanctions challenged by claimants has stayed broadly the same over the last five years.

2.21 The Department overturns many of the sanctions challenged by claimants. High overturn rates mean many sanctions are wrongly imposed on claimants, could indicate weaknesses in the decision-making process, and represent wasted effort. Trends in overturn rates are largely determined by overturn rates in the Work Programme. In 2015, 26% of all Work Programme sanctions were overturned, compared with 11% of jobcentres sanctions (**Figure 16**).

Figure 16
Sanctions overturned by the Department

The Department is overturning more of its Work Programme sanction decisions



Source: National Audit Office analysis of Department for Work & Pensions data

2.22 The Department overturns many Work Programme sanctions because its evidence gathering process is weaker than for claimants referred by jobcentres. When making referrals jobcentres gather evidence from the claimant and send this with the referral. Providers do not include evidence with referrals. The Department contacts participants to ask for relevant evidence and sanctions people who do not respond within 14 working days. Although the Department records data on who it writes to and who responds, it has not used the data to see how often its approach yields evidence before it makes sanction decisions.[7]

7 Decisions can also be overturned if the original decision contained errors. The Department's quality assurance team assessed how many decisions in 2015 were wrong or had errors that meant they could be wrong. It found 16% contained errors. Some of these were administrative errors – such as using the wrong date – which do not necessarily mean the sanction was wrongly imposed. Decisions that turn out to have been incorrect due to incomplete evidence are not decision-maker errors and do not fail assurance reviews.

2.23 The Department is trying to improve how it gathers evidence:

- **Before it applies sanctions**

  It is testing writing to claimants to get more evidence following jobcentre referrals. This process is similar to the one it already uses for Work Programme participants. Initial results of the trial will be available in late 2016.

- **After it applies sanctions**

  The Department has improved how it gathers evidence from claimants who challenge their sanction. In October 2013, the Department started calling claimants to seek more information about their challenge. This process yields more relevant evidence so it now identifies and overturns more of the sanctions it applies without relevant evidence. The Department does not know how many people challenge the sanctions it applies without relevant evidence.

2.24 If the Department does not overturn their sanction after review, claimants can appeal to a tribunal. In October 2013 it added a second stage of internal review, known as a mandatory reconsideration. Adding mandatory reconsiderations has helped the Department reduce the number of appeals to tribunals, reducing the burden on claimants, the Department and the courts (**Figure 17**).

Time targets met overall

2.25 Timely decisions improve incentives and reduce stress for claimants. Claimants should know they have been referred, but continue to receive benefits until a decision is made. The Department started tracking decision times for Jobseeker's Allowance and Employment and Support Allowance referrals in 2015-16. It aims to make 90% of decisions within five working days for jobcentre referrals and 14 working days for provider referrals. The Department has achieved these targets since introducing them.

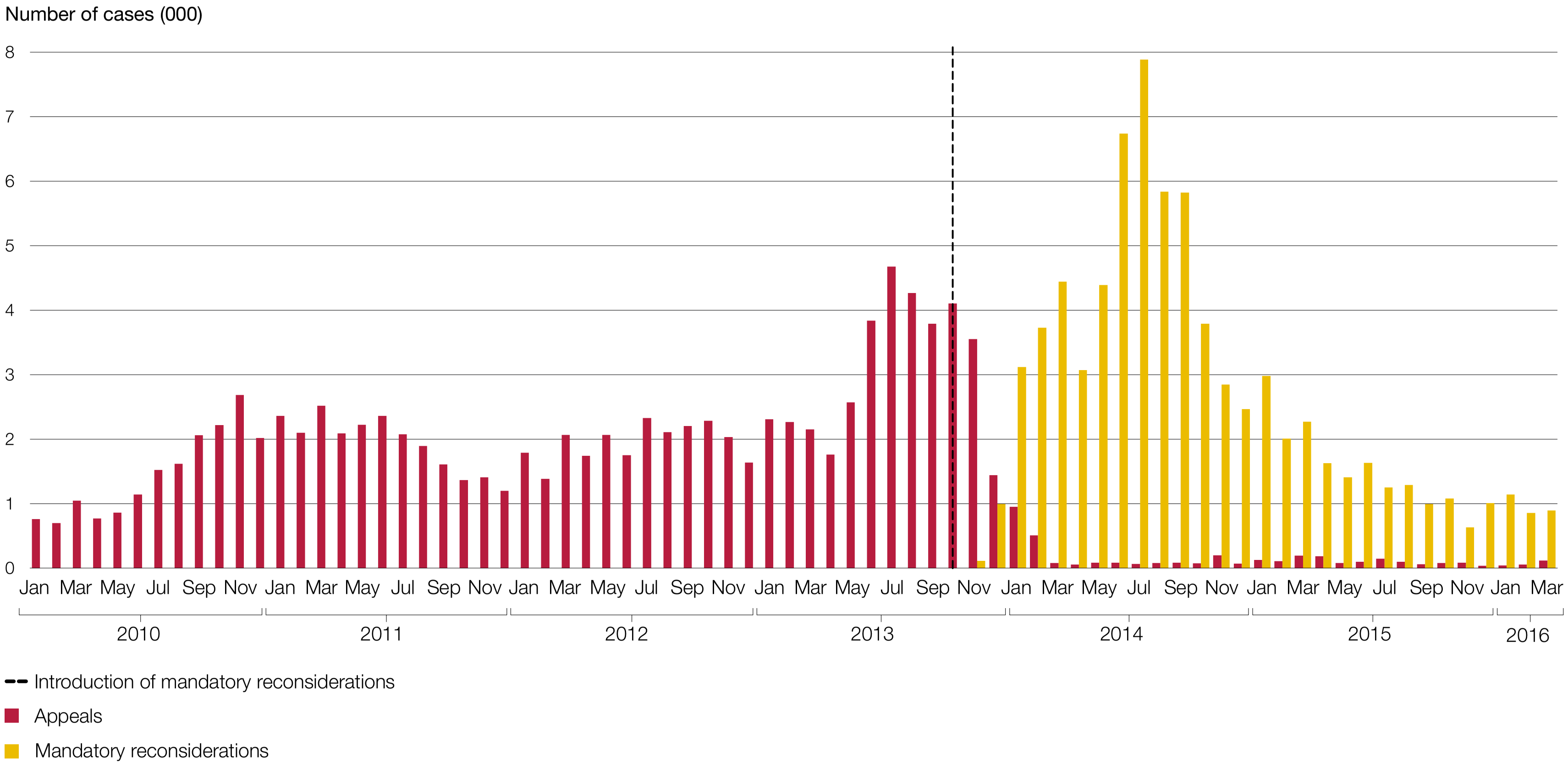
2.26 Universal Credit claimants experience long delays for a decision. The Department aims to decide within three working days. In August 2016, 42% of decisions took longer than 28 working days. A backlog of referrals awaiting decisions has grown during 2016. The number of decision-makers has not kept up with the number of claimants the Department has moved to Universal Credit (**Figure 18** on page 36).

2.27 By introducing more decision-makers, the Department expects to reduce the Universal Credit decision backlog to an acceptable level by December 2016. Based on its past experience clearing outstanding Jobseeker's Allowance decisions in 2013, the Department requires more decision-makers as it cannot rely on fewer referrals or productivity improvements (**Figure 19** on page 37).

Figure 17

Appeals against Jobseeker's Allowance sanctions

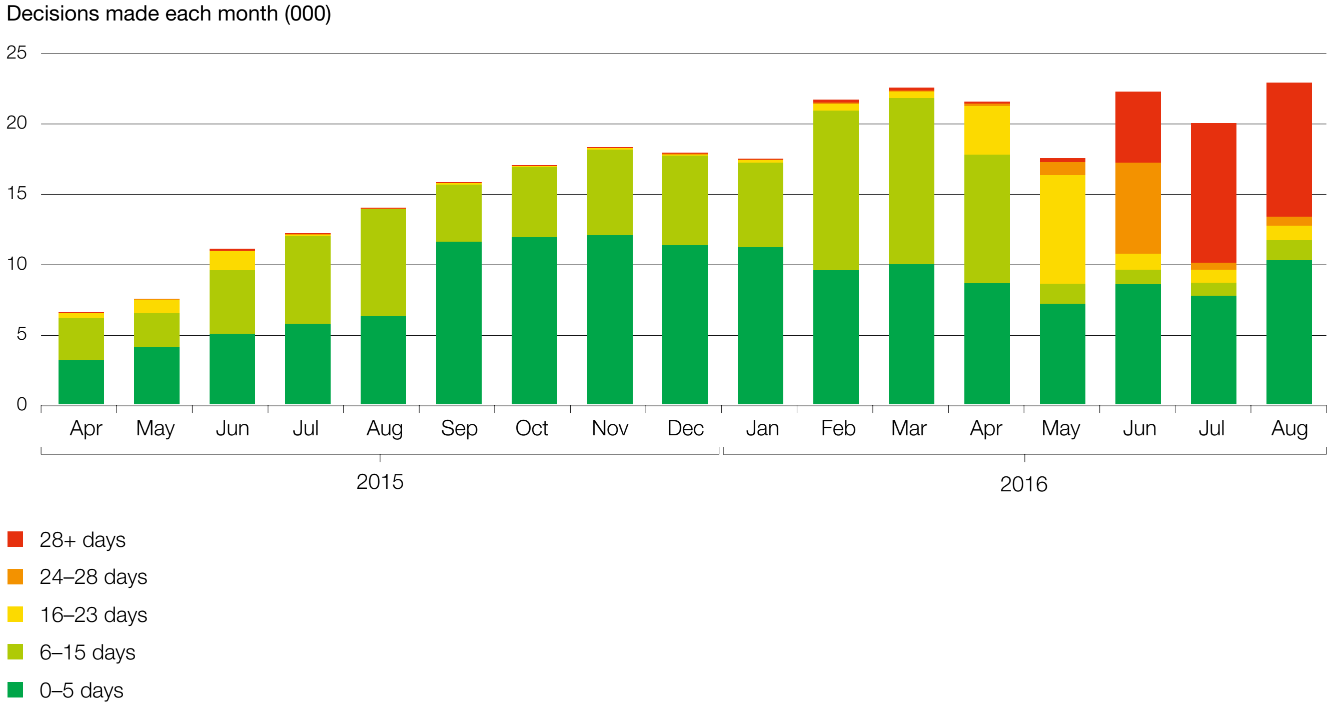
Mandatory reconsiderations have helped reduce appeals against sanctions to tribunals



Source: National Audit Office analysis of Department for Work & Pensions data

Figure 18
Waiting times for Universal Credit decisions[1]

In August 2016, 42% of decisions about Universal Credit sanctions took longer than 28 working days



Note

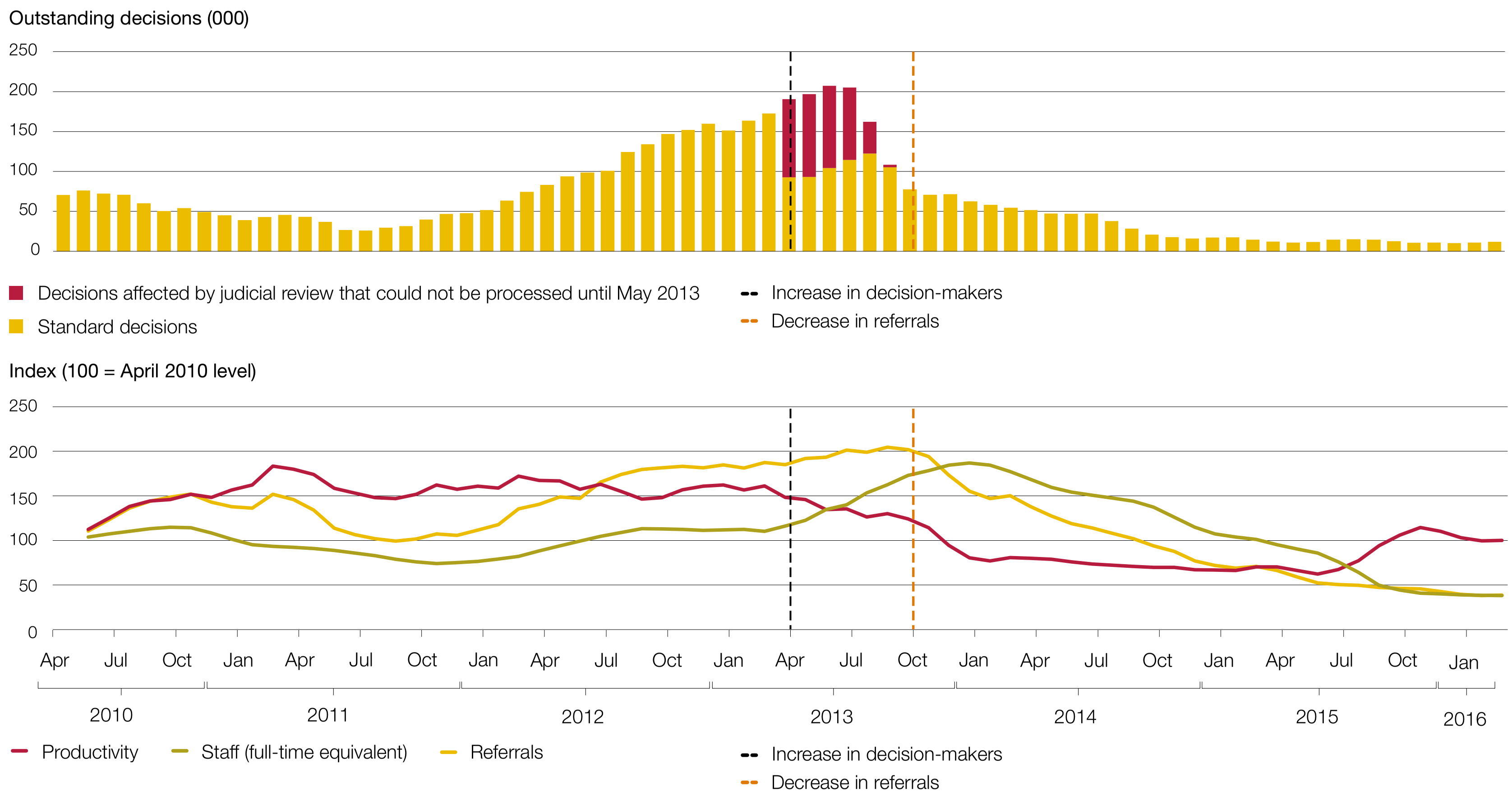
1 Universal Credit decision-makers decide on a range of referrals not just sanction referrals. Sanction referrals made up 74% of their work in this period. From September 2016, the Department is collecting data to allow separate analysis of sanction decisions.

Source: National Audit Office analysis of Department for Work & Pensions data

Figure 19

Outstanding sanction decisions for Jobseeker's Allowance and Employment and Support Allowance in 2013

Outstanding decisions fell after the Department increased the number of decision-makers and referrals fell



Notes

1 We calculated productivity by dividing the number of decisions each month by the number of full-time equivalent decision-makers each month.

2 'Outstanding decisions' include decisions on challenges by claimants as well as original decisions on referrals.

3 Referrals, productivity and staff are shown as rolling averages of three months.

4 The Department could not make decisions affected by judicial review. The Department was able to start processing these cases from May 2013. The Department identified how many cases were affected in April 2013. It does not have data on the cases affected before that date.

Source: National Audit Office analysis of Department for Work & Pensions data

Part Three

Outcomes of using sanctions

3.1 The Department expects the possibility of sanctions to encourage people to comply more with conditions, and lead to faster entry into employment for those able to work. On the other hand people who receive sanctions can experience hardship and may be discouraged from looking for work. To show that its use of sanctions represents value for money the Department needs to build a strong evidence base about the effects of sanctions and the trade-offs involved. In this part we assess how the Department has evaluated outcomes for claimants and public spending. **Figure 20** summarises our assessment.

Figure 20

Assessment of the Department's evaluation of outcomes

Criteria	National Audit Office assessment	Rating
Use of existing evidence and data	**Evidence of mixed impacts.** The Department has cited international research on the mixed impacts of sanctions. The Department publishes data on sanctions but they lack detail on important measures of use and outcomes. The UK Statistics Authority recommended changes in 2015.	
Support for wider reviews	**Investigation of outcomes not supported.** The Department has rejected calls for wider reviews of the current approach and restricted external research into outcomes. It has not used its data to evaluate impacts. Our analysis of the available data suggests sanctions have unintended effects that the Department needs to do more to understand.	
Assessment of costs and benefits	**No overall assessment of costs and benefits.** The Department has estimated aspects of sanction costs and benefits but has made no overall assessment. The Department's evaluations have identified negative impacts on claimants that may lead to extra public spending.	

Source: National Audit Office

Evidence of mixed impacts

3.2 The Department has cited international evidence that people who receive sanctions see an increased chance of employment. However, these studies also show the effect can be short-lived and lead to lower wages (**Figure 21** overleaf). This may mean sanctions prompt people to move into work more quickly, by accepting less well-paid and sustainable work than they otherwise would have done.

3.3 While some people move into work, studies also suggest that other people respond less well to sanctions. Sanctions encourage some claimants to become 'inactive' – stopping their claim without finding work. Reasons for inactivity vary. Some people may experience hardship. Others may rely on unreported income or support from local authorities, charities, or friends and family.

3.4 Few studies research whether the possibility of sanctions encourage people who do not receive them into work. International studies suggest the deterrence effects of sanctions are similar to the direct effects. No studies provide evidence of the impact of sanctions on Employment and Support Allowance claimants.

Need for improvements in published data

3.5 Published data on sanctions is incomplete and needs improvement. The Department publishes data on Jobseeker's Allowance, Employment and Support Allowance and Income Support sanctions. It does not yet publish data on Universal Credit sanctions. The data the Department publishes lack important detail on sanction use and outcomes. In 2015 the UK Statistics Authority made five recommendations to the Department on its sanctions data. It recommended the Department should:

- provide users with benefit sanction statistics based on the actual number of sanctions imposed, making clear the numbers of reviews, reconsiderations and appeals;
- make clear the limitations associated with the statistics;
- include in the quarterly benefit statistics bulletin a statement of the proportion of Jobseeker's Allowance claims subject to a sanction, as well as the proportions of claimants who have been sanctioned during the most recent one-year and five-year periods, and the numbers on which these proportions are based;
- ensure all statements made using the official statistics are objective and impartial and appropriately apply the definitions of the variables underpinning the data, including 'actively seeking work'; and
- extend the range of benefit sanction data available by addressing the gaps in information on repeat sanctions and hardship payments, alongside the development of sanction data from the Universal Credit system.[8]

8 Hardship payments are reduced benefit payments. Claimants may get 60% or 80% of benefit lost depending on circumstances. Hardship payments are repayable on Universal Credit but not other benefits.

Figure 21
Evidence for the impact of sanctions

International studies suggest sanctions increase employment, but the effect can be short-lived, lead to lower wages, and increase inactivity[1]

	International		Great Britain	
Impact of sanctions on people who receive sanctions	**Studies**	**Effect**	**Studies**	**Effect**
Probability of leaving benefits for work	12	Increase	1	No effect
Earnings	4	Decrease	0	–
Hours worked	1	Decrease	0	–
Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	2	Increase	0	–
Impact of the possibility of sanctions on people who do not receive sanctions				
Probability of leaving benefits for work	2	Increase	1	No effect
Earnings	1	Decrease	0	–
Hours worked	0	–	0	–
Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	1	No effect	1	Decrease

Note

1 Thirteen publications covering Denmark, Germany, Great Britain, the Netherlands, Sweden, Switzerland and the United States. See separate technical appendix at www.nao.org.uk for full references.

Source: National Audit Office

3.6 The Department issued a sanctions publication strategy in April 2016. It identified that data on sanctions and appeals are published but are subject to certain limitations. The Department is considering how to publish benefit duration analysis. It also plans to publish Universal Credit sanctions statistics once more data are available and have been quality assured.

Investigation of outcomes not supported

3.7 The Department has commissioned independent reviews of aspects of sanctions and taken steps to improve processes. It has rejected calls for a wider independent review, for example from the Work & Pensions Select Committee in 2015. The Department has also resisted working with academic researchers and third-party organisations to explore the effect of sanctions.

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

3.8 The government, via the Economic and Social Research Council, has funded a £2 million research project from 2013 to 2018 to understand the role and impact of welfare conditionality. In 2015, the Department advised its Work Programme providers not to take part in focus groups for this project, citing concerns about the scope.

Opportunities for new analysis of Department data

3.9 The Department has data to track how sanctions affect people's behaviour and employment outcomes. It has not analysed these data, citing limits in data quality and methodological concerns. To see how the Department could use its data, we used Work Programme data to examine how receiving a sanction affected Jobseeker's Allowance and Employment and Support Allowance claimants' employment, earnings and time off benefits without work.

Preliminary analysis of how sanctions affect those who receive them

3.10 Our analysis of the effects of sanctions is preliminary and needs further investigation but shows that the Department should do more to understand sanction outcomes and the effects of changes in the way sanctions are used:

- For Jobseeker's Allowance claimants we found that sanctions had a large and significant impact on claimants who got them. People spent less time claiming after getting a sanction. They were as likely to find work as they were to stop claiming without finding work.[9] This is consistent with the mixed findings of international studies.
- Although employment increased, we did not find a similar increase in earnings. This could reflect data limitations, but is consistent with evidence in other countries that sanctions encourage people to enter less well-paid jobs, which reduce their long-term earnings.
- For Employment and Support Allowance claimants we found sanctions had less effect. However, sanctions reduced claimants' time in employment, particularly part-time employment. Most of the reduction meant people spent more time claiming, suggesting sanctions may have discouraged some claimants from working.

3.11 The Department has expressed caution about the analysis we undertook in this area on the grounds that these results are preliminary and not extensively peer reviewed. Although the Department has not identified significant flaws in the approach or calculations, any complex analysis of this kind is subject to technical and methodological judgements. In particular the impact of sanctions on Employment and Support Allowance claimants is previously unexamined in the literature and we agree that further work is required in this area. We explain our approach in more detail in a separate appendix.[10]

9 The data we analysed did not include information on self-employment. Around 15% of the jobs found by Work Programme participants were in self-employment.

10 More details on our analysis can be found in a separate technical appendix at www.nao.org.uk.

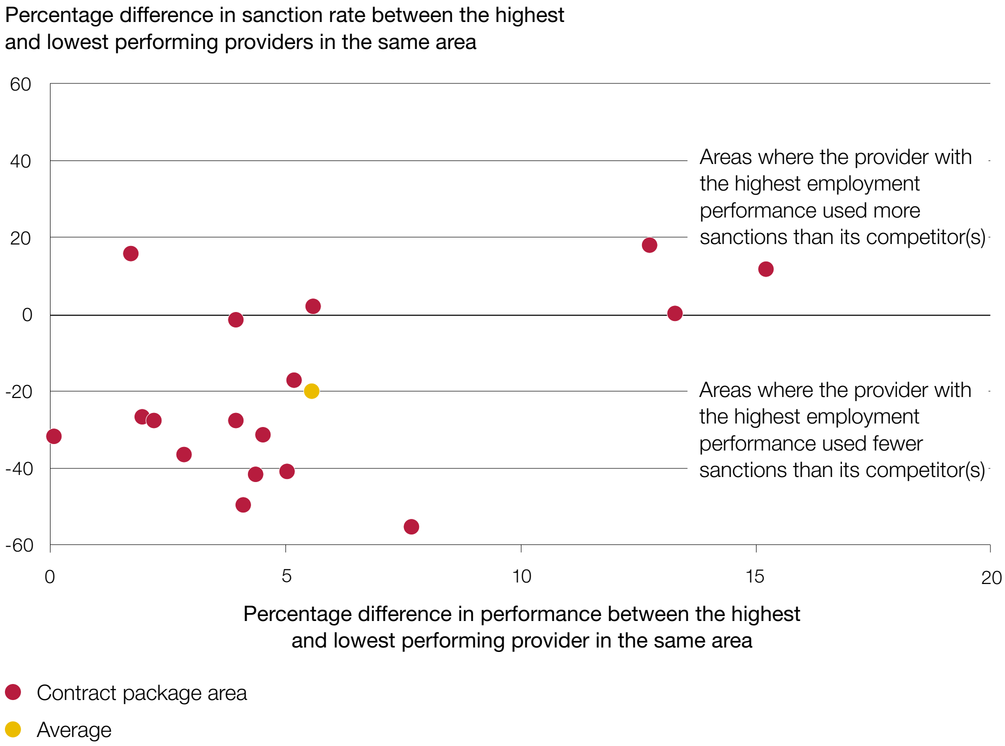
Future work needed on the role of deterrence effects

3.12 Our analysis looked at the direct impact of sanctions rather than deterrence effects for people who are not sanctioned. It is also an analysis of differences in sanctions rates between providers. Our results can therefore tell us something about the impact of marginal changes in sanctions; they will not be good estimates of the effects of very large changes in sanction rates or removing sanctions altogether.

3.13 To see if we could detect deterrence effects we also looked at whether the most successful Work Programme provider in an area used sanctions more or less often than the least successful provider in the same area. On average higher use of sanctions is associated with lower performance (**Figure 22**). This does not necessarily mean sanctions have a negative effect on performance. For example, use of sanctions may reflect underlying weaknesses in provider support. But it may suggest that differences in deterrence effects of sanctions are weaker than other factors explaining performance.

Figure 22
Work Programme sanctions and employment

On average the best provider in an area achieved 6% more employment outcomes and its participants received 20% fewer sanctions



Source: National Audit Office analysis of Department for Work & Pensions data

No overall assessment of costs and benefits

3.14 The Department estimates it spends over £240 million a year administering conditions and sanctions (**Figure 23**). It has limited data on costs but estimates the majority is spent on administering conditions (around £200 million).

3.15 Potential benefits include increased and faster entry into employment leading to lower benefit spending and higher tax revenues. It is possible that increased employment has social benefits that are hard to quantify such as reducing ill health. The Department estimated costs and benefits for its recent changes to lone parent conditions.[11] It has not assessed costs and benefits for sanctions as a whole.

Figure 23
Costs and benefits to government of sanctions

The total costs and benefits to government of sanctions are unknown[1]

	Amount (£m)
Costs	
Total administrative cost to the Department[2]	244
Of which:	
Administering conditions	204
Administering sanctions[3]	40
Hardship payments paid by the Department to sanctioned claimants[4]	35
Extra public spending on support for people who get sanctions	Unknown
Benefits	
Benefits not paid due to sanctions imposed[4]	132
Benefits not paid and tax received through increased employment	Unknown
Lower public spending from increased employment	Unknown
Net cost or benefit to government	Unknown

Notes
1 See Appendix Two for more details on our analysis.
2 Department for Work & Pensions estimates of the cost of administering conditions and sanctions prepared for this report. Some estimates are for 2015-16. Others are forecasts for 2016-17. We have not audited these numbers. The total is a minimum. It does not include the cost of appeals beyond the first tribunal, and excludes management and support costs within jobcentres and the Department.
3 The Department estimated a range from £30 million to £50 million which we report in the Key information on pages 4 and 5. We report the mid-point in this figure.
4 National Audit Office estimates for 2015.

Source: National Audit Office and Department for Work & Pensions estimates

11 Department for Work & Pensions, *Impact assessment for the conditionality measures in the Welfare Reform Bill*, October 2011.

3.16 When the Department made its 2012 changes to sanction rules it could not quantify the financial impact of the changes. It said it could not predict whether the changes would create savings from it imposing more sanctions or moving people off benefits more quickly.[12] The Department has not tracked the actual costs and benefits of the changes.

3.17 Potential costs of sanctions include direct impacts on people sanctioned. These sometimes include hunger and depression.[13] Supporting people the Department sanctions may lead to extra public spending in areas such as local authority funded welfare support.[14] The Department does not know these costs. Departmental evaluations have identified: negative impacts on mental health, including depression and anxiety; financial and emotional impacts such as falling into arrears with rent and bill payments; and worsening relationships with jobcentre staff. Several organisations have reported that much use of food banks is because of sanctions but the Department does not collect national data.[15]

3.18 Sanctions cause financial losses for individuals but hardship payments are available on application. Jobseeker's Allowance hardship payments represent 60% or 80% of benefit and are usually paid from day 14 of a sanction. Sanctioned Income Support claimants experience reductions in benefit rather than applying for hardship payments. Claimants who receive Universal Credit hardship payments must repay them. A typical sanction – a first, four week intermediate Jobseeker's Allowance sanction – means that a claimant aged 25 or over loses around £300 of benefits; a typical hardship payment would replace around £90 of this.

3.19 The Department made around 130,000 hardship payments to claimants of Jobseeker's Allowance and Employment and Support Allowance who received sanctions or disallowances in 2015; these were equal to 46% of sanctions for these benefits. It does not know the total cost of those payments. We estimate it spent around £35 million on hardship payments in 2015.[16]

3.20 These kinds of wider impacts were reflected in correspondence we received from members of the public and organisations during our work. The correspondence helped us understand the wider effects of sanctions and risks arising from the way the Department applies sanction rules. Together with our analysis, which suggests many people leave benefits after a sanction and that jobcentres and providers do not use sanctions consistently, there is a need for the Department to undertake a broader assessment of costs and benefits.

12 Department for Work & Pensions, Impact Assessment for the conditionality measures in the Welfare Reform Bill, October 2011.

13 Department for Work & Pensions, *Lone Parent Obligations: A review of recent evidence on the work-related requirements within the benefit systems of different countries*, July 2010; Department for Work & Pensions, *Evaluation of Support for the Very Long-Term Unemployed Trailblazer*, December 2012; Department for Work & Pensions, *Review of the JSA sanctions regime*, 2006.

14 Our January 2016 report, Local welfare provision, found a substantial proportion of the applications councils received for local welfare provision were from people facing hardship as they switched between different benefits, moved from benefits to work, or experienced benefit delays or sanctions. Local authorities have also reported they incur costs through casework to support claimants who challenge sanctions.

15 Rachel Loopstra, et al., *The impact of benefit sanctioning on food insecurity: a dynamic cross-area study of food bank usage in the UK*, Sociology working paper 2016-03, Department of Sociology, University of Oxford, 2016.

16 See Appendix Two for details on our analysis.

Appendix One

Our audit approach

1 This report examined the Department for Work & Pensions' (the Department) administration of benefit sanctions in Great Britain. To assess value for money, we considered how far the Department has:

- designed sanctions based on evidence and understanding of possible effects on claimants' behaviour;
- implemented sanctions fairly and in a way that ensures decisions are consistent, accurate and timely; and
- evaluated outcomes for claimants and public spending to help inform the future design and administration of sanctions.

2 All people claiming Jobseeker's Allowance and certain people claiming Employment and Support Allowance, Universal Credit and Income Support can get sanctions. This report focuses mainly on people claiming Jobseeker's Allowance but considers sanctions for people claiming all four benefits.

3 Our audit approach is summarised in **Figure 24** overleaf. Our evidence base is described in Appendix Two.

Figure 24
Our audit approach

The objective of government

The Department for Work & Pensions aims to increase employment. It provides financial support and services to help people prepare or look for work. To encourage doing this, it uses conditions. For example, it has made actively seeking work a condition of receiving Jobseeker's Allowance.

How this will be achieved

A sanction is a decrease or loss of a benefit imposed by the Department when someone does not meet conditions. The Department considers that the possibility of a sanction encourages more people to comply with its conditions. It also uses them to penalise claimants for not meeting their responsibilities.

Our study

Our study examined the Department for Work & Pensions' administration of benefit sanctions.

Our evaluative criteria

Has the Department set clear aims for its use of sanctions; made design choices based on evidence; and considered risks for consistency and outcomes?	Has the Department used sanctions in a way that ensures its decisions are consistent, accurate and timely?	Has the Department evaluated outcomes for claimants and public spending to help inform the future design and administration of sanctions?

Our evidence

(see Appendix Two for details)

• **Review** of the Department's research and analysis. • **Review** of Departmental guidance. • **Consulting with stakeholders.**	• **Interviewing staff responsible** for sanctions. • **Analysis** of Departmental data. • **Visits and telephone interviews with jobcentres and other department offices.** • **Review of** internal guidance on sanctions.	• **Review** of the Department's research and analysis. • **Analysis** of Departmental data. • **Consulting with stakeholders.** • **Review** of published research on sanction outcomes.

Our conclusions

The Department has not applied sanctions consistently. Referral rates vary substantially across jobcentres and providers, and have risen and fallen over time in ways that cannot be explained by changes in claimant compliance. While the Department is correcting errors earlier it needs to do more to show that the quality of referrals and sanction decisions has improved. Our review of the available evidence suggests the Department's application of sanctions is linked as much to management priorities and local staff discretion as it is to claimant behaviour. It is encouraging the Department has taken steps to improve its approach to sanctions in response to identified problems like high error rates. However, it needs to do more than react to problems. Sanctions have costs, for people who receive sanctions and for government. With little evidence for its specific design choices the Department must use its data to assure itself sanctions work as it intends. It cannot simply rely on international evidence suggesting that broadly some form of sanction has an effect. Until the Department can show greater consistency in its use of sanctions and demonstrate their effectiveness is proportionate to their costs we cannot conclude the Department is achieving value for money.

Appendix Two

Our evidence base

1 We reached our conclusions based on work between March 2016 and November 2016. In order to assess evidence on the design, use and outcomes of sanctions we **reviewed published research** and **reviewed the Department's documents** including guidance, training materials, process charts and internal reviews. We reviewed surveys of different groups of claimants carried out for Departmental evaluations.[17]

2 We **visited three jobcentres** to observe staff working with people claiming benefits, and interviewed staff about their use of sanctions. We **interviewed managers in five other jobcentres** by telephone and **visited department offices** to observe and interview staff responsible for decision-making, dispute resolution and quality control. We visited one Work Programme provider and interviewed staff from three others. We i**nterviewed Department officials** responsible for policy, statistics and operations.

3 We **analysed published and unpublished Department data** on claimants, referrals, sanctions, hardship payments, the Work Programme, staffing, quality checks, performance and costs. We analysed unpublished data from the Work and Pensions Longitudinal Study and published data from gov.uk, the Stat-Xplore website and from the Office for National Statistics website Nomis. From the Department we received unpublished data on Universal Credit referrals, which had not been quality assured to the same standard as published data. We used this to estimate the number of Universal Credit sanctions in 2015. We also estimated the number of Income Support referrals in 2015, in the absence of Department data.

4 We **reviewed correspondence** we received from 23 local and national organisations, and 46 members of the public, including: current and former benefit claimants, their friends and family members; academic researchers; and welfare rights advisers. We used this correspondence to inform our understanding of how sanctions affect people claiming benefits, and how sanctions work in practice.

17 Department for Work & Pensions: *Work Programme Evaluation: the participant experience report*, December 2014; *The Jobcentre Plus Offer: Findings from the first year of the evaluation,* November 2012; *Customers' experiences of the Youth Contract*, February 2014; *Evaluation of Support for the Very Long-Term Unemployed Trailblazer*, December 2012.

5 We **met with academics and organisations** including: the Child Poverty Action Group, Citizens Advice, Crisis, the Employment Related Services Association, Gingerbread, the Joseph Rowntree Foundation, Mind, the Public and Commercial Services union, Dr David Webster, Professor Nick Bailey, Dr Rachel Loopstra, and Professor Gerard van den Berg. We are also grateful to Professor Peter Dwyer and the work of the Welfare Conditionality project for helping us to understand how sanctions can affect people on benefits. We also interviewed representatives of the London Borough of Lambeth, Thanet District Council and Doncaster City Council.

Estimating benefit not paid due to sanctions

6 We estimated the amount of benefit not paid to claimants by the Department due to sanctions in 2015. The Department does not know the actual amount. Our estimate was based on partial data and is sensitive to the assumptions we used to calculate it (**Figure 25**). For each sanctionable benefit we multiplied together: the weekly amount paid in benefit; the number of sanctions; and the number of weeks sanctions last.

Estimating hardship payments

7 We estimated the amount paid in hardship payments due to sanctions in 2015, as the Department does not record the actual amount. Our estimate was based on partial data and is sensitive to the assumptions we used to calculate it (**Figure 26** on page 50). For each sanctionable benefit we multiplied together: the weekly amount paid in benefit; the number of hardship payments; and the number of weeks sanctions last. We did not include Universal Credit because claimants who receive Universal Credit hardship payments must repay them.

8 We do not include any estimate of Income Support hardship payments. Sanctioned Income Support claimants experience reductions in benefit rather than applying for hardship payments. In effect, hardship payments are paid automatically to them, representing 80% of benefit for a first sanction. We include 20% benefit losses in our estimate of benefit withheld from Income Support claimants.

Figure 25
Estimating benefit not paid due to sanctions

Assumption	Details	Effect on estimate
Off-flow from benefit	Some people will leave benefit before the end of a sanction. We assumed the amount of benefit withheld falls by 2.5% for each week of a sanction, for Jobseeker's Allowance and Universal Credit. 2.5% was the average weekly rate at which claimants left Jobseeker's Allowance in 2015, weighted for the fact that more people are subject to the possibility of a sanction earlier in claims.	Unknown[1]
Indeterminate sanction length	We assume that all indeterminate sanctions, which continue until claimants re-comply with conditions, last for two weeks.	Unknown
Universal Credit	We estimated the number of Universal Credit sanctions based on assumptions about the proportion of referrals that relate to sanctions, and the proportion of sanction referrals that lead to sanctions. We assumed the level and escalation of Universal Credit sanctions in 2015 matched data provided by the Department for the first half of 2016.	Unknown
Jobseeker's Allowance escalation	The Department records how many sanctions people receive but not whether they receive escalated sanctions. When a Jobseeker's Allowance claimant receives a second or third sanction less than two weeks or more than a year after their earlier sanction, the later sanction is the same length as before, rather than longer. We assume all these second and third sanctions are longer.	Overstates
Inclusion of some overturned sanctions	Due to lack of data, we include Universal Credit and Income Support sanctions later overturned after a challenge, meaning the Department reimburses claimants.	Overstates
Behaviour of different claimants	We took account of differences among claimants in terms of age (over or under 25) and partnership status (single or joint claim) for entitlement levels, but not whether these groups were more or less like likely to receive sanctions.	Unknown

Note

1 If we assumed that no claimants left benefit during the course of a sanction, our estimate would be around £170 million.

Source: National Audit Office

Figure 26

Estimating the value of hardship payments

Assumption[1]	Details	Effect on estimate
Whether hardship payment represents 60% or 80% of benefit[2]	Jobseeker's Allowance hardship payments can represent either 60% or 80% of benefit. They are paid at the higher rate to claimants who are pregnant or seriously ill, so we assumed this applied to 5% of payments.	Unknown
Whether hardship payment starts on day 1 or day 14 of a sanction	The main reason why some people get hardship payments from day 1 is because they are responsible for children. So we assumed hardship payments were paid sooner to the 20% of claimants with children.	Unknown
Off-flow from benefit	Some people will not receive a full hardship payment because they find a job or leave benefit for other reasons before the end of a sanction. We took account of this for Jobseeker's Allowance using the same approach described in Figure 25.	Unknown

Notes

1 If we instead assumed that all Jobseeker's Allowance and Employment and Support Allowance hardship payments were paid at 80% of benefit from day 1, our estimate would be around £50 million. If we assumed all of these hardship payments were paid at 60% of benefit from day 14, our estimate would be around £30 million.

2 Universal Credit and Employment and Support Allowance hardship payments represent 60% of benefit.

Source: National Audit Office

9 We **analysed data on the administrative cost to the Department of imposing conditions and sanctions**. This data included assumptions, for example, about the proportion of jobcentre appointments spent on discussion between staff and claimants on conditions and sanctions. The Department's estimates were prepared for this report. Some estimates relate to 2015-16. Others are forecasts for 2016-17. We have not audited these numbers. The total we calculated, £244 million, is a minimum. It does not include the cost of appeals beyond the first-tier tribunal and excludes management and support costs within jobcentres, providers and the Department.

Referral and sanction rates

10 Sanction and referral rates can be calculated in different ways:

- In Figure 2 and Figure 3 we calculated rates by dividing the number of sanctions or referrals a month by the number of relevant claimants at a point in the month.
- However, in Figure 5 we divided the number of Jobseeker's Allowance sanctions between 2010 and 2015 by the number of people who claimed Jobseeker's Allowance for at least one day in the same period.

Our calculations drew on a range of data sources and differed for each benefit (**Figure 27**).

Figure 27

Claimants included in calculation of sanction and referral rates

Benefit	Claimants included	Claimants excluded
Jobseeker's Allowance	All claimants.[1]	None
Universal Credit	Unemployed claimants and some working claimants[2]	Claimants with no work requirements and some working claimants[3]
Employment and Support Allowance	Members of the work-related activity group	Members of the support group, assessment group and claimants receiving credits not payments
Income Support	Lone parent claimants with a youngest child aged three or older[4]	Claimants who are not lone parents and lone parents with a youngest child aged under three

Notes

1 This means our rate is understated as some people are excused from conditions for a time, but data does not allow them to be separated.

2 Members of the 'searching for work', 'planning for work', 'preparing for work', and 'working with requirements' conditionality regimes.

3 Members of the 'working – no requirements' and 'no work requirements' conditionality regimes.

4 Estimate. Lone parents of younger children claiming Income Support are not subject to the possibility of a sanction.

Source: National Audit Office

Data limitations

11 The data we used had a number of limitations (**Figure 28** overleaf).

Figure 28
Data limitations

Limitation	Details	Our treatment in the report	Reference
Consistency Incomplete matching between data sources	Differences in some jobcentre names between Stat-Xplore and Nomis mean claimants cannot be matched to sanctions.	We excluded the 14% of unmatched data from our analysis.	Figure 11
Availability Data covers decision date not referral date	Published Stat-Xplore data reports that sanctions occur in the month of decision, not the month when the referral was made or when non-compliance occurred.	There is a delay in the way we report trends, especially at times of decision-making backlogs.[1]	Figure 2, Figure 3, Figure 10, Figure 11, Figure 14, Figure 15, Figure 29, Figure 30 and Figure 31
Availability Sanction data unavailable for some benefits	No data are available on Universal Credit sanctions or on Income Support referrals.	We estimated the total number of sanctions and referrals in 2015. We include an estimated 72,000 Universal Credit sanctions and 57,000 Income Support referrals, as data are not available on these.	Key information and Figure 2
Completeness Overturned sanctions excluded from data	Published statistics show the Department's most recent decision. This means statistics do not show the number of sanctions originally imposed.	Our analysis of Jobseeker's Allowance and Employment and Support Allowance sanctions uses the latest decision available. This does not affect our analysis of referral rates. We had to estimate the number of sanctions originally imposed to analyse upheld and overturn rates.	Figure 2, Figure 3, Figure 10, Figure 11, Figure 15 and Figure 16
Completeness Some sanction decisions excluded	Jobcentres take sanction decisions in straightforward cases. Published data on sanctions from Stat-Xplore includes decisions to impose sanctions by jobcentres but excludes decisions by jobcentres to not impose sanctions. In 2016, this meant 42% of decisions were excluded from statistics.	On average, we found these excluded decisions affect 0.5% of Jobseeker's Allowance claimants each month for the limited period for which internal data is available.	Figure 2, Figure 3, Figure 10, Figure 11, Figure 14, Figure 15, Figure 29, Figure 30 and Figure 31
Quality concerns Management information	We analysed unpublished jobcentre and Work Programme sanction data, which had not been quality assured to the same standard as published data. Both overstate statistics by around 10–15%. The Department does not know why. No data is available on active Work Programme participants per month.	This overstatement does not affect analysis of trends. Where possible we have used published statistics but had to use management information to analyse Work Programme providers.	Figure 12, Figure 13, and Figure 22
Quality concerns Universal Credit	We analysed Universal credit management information, which had not been quality assured to the same standard as published data. For some periods, information does not show cancellations or separate sanctions from other types of decisions.	We used data on sanctions between April and December 2015 to estimate sanctions from January to March 2015.	Key information, Figure 2 and Figure 18

Note

1 The Department has internal management information on referrals which is not subject to the same quality checks. We have reviewed this data on referrals and confirmed it shows the same trends as data on decisions.

Source: National Audit Office

Appendix Three

Analysis of varying sanction use over time

1 In Part Two we stated that variation in the rate of sanctions over time could not be fully explained by changes in claimant compliance. In this Appendix we assess reasons for variation in sanctions over time.

Fewer referrals for missed appointments

2 First we look at referrals for missed appointments. Jobcentres refer fewer Jobseeker's Allowance claimants for missing appointments than they did in 2011 (**Figure 29** overleaf). It is not a matter of judgement whether claimants miss appointments or attend them. Jobcentres must refer non-compliant claimants. So, falling referral rates should be the result of claimants complying more and missing fewer appointments.

3 Each month, claimants miss many mandatory appointments without being referred for a sanction. Between July 2015 and December 2015, Jobseeker's Allowance claimants missed 1.0 million appointments compared with only 34,000 sanction referrals.

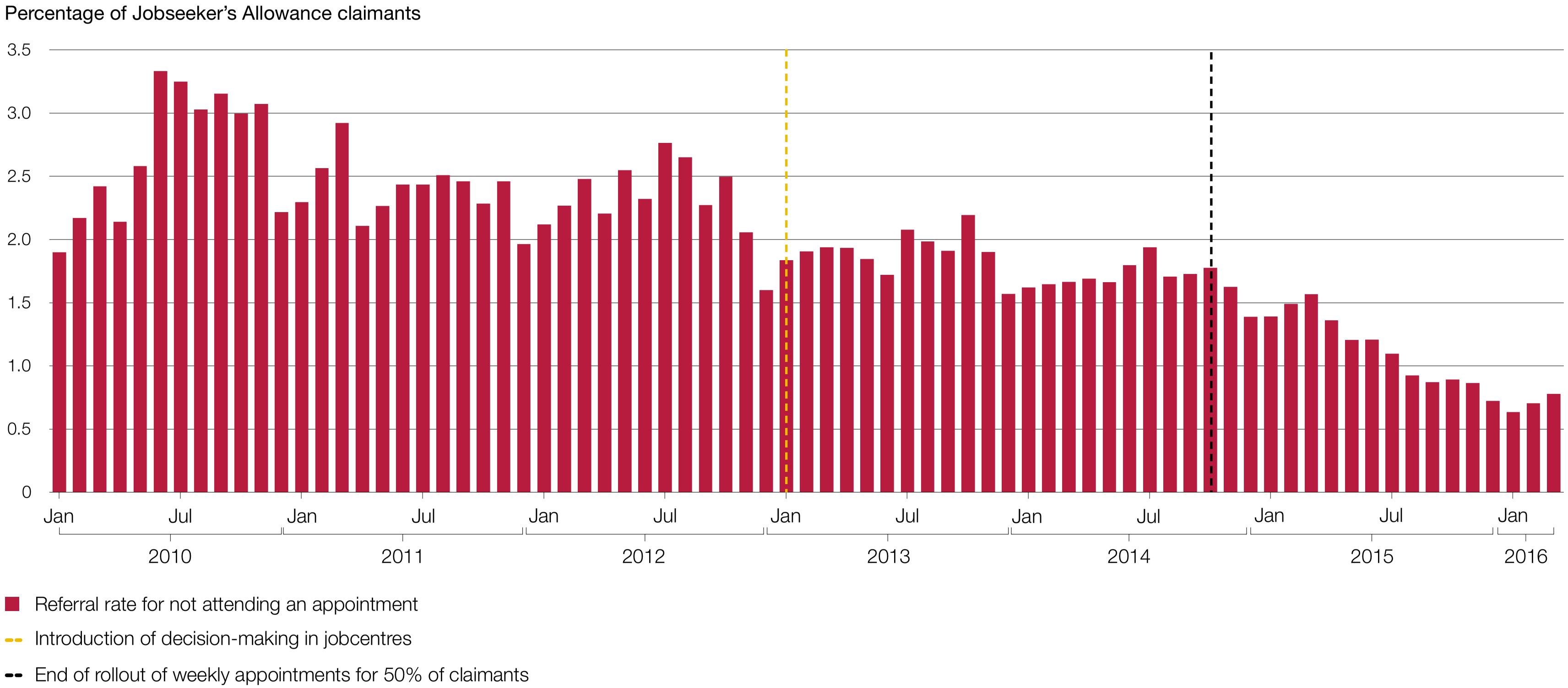
Limited understanding of reasons for missed appointments

4 The Department does not have a clear understanding of why it refers few claimants for missing appointments, when many people do not attend appointments. Understanding this issue is hampered by limitations in the Department's systems and information, which is not complete before June 2015. For instance, available data show claimants missed more work coach appointments per person each month despite falling referral rates. While it is possible that missing data on sign-on appointments offsets the growth in missed appointments with work coaches, it is not clear why the two appointment types would have opposite trends. Below, we explore potential reasons why jobcentres might not refer people who miss appointments.

5 Claimants may have straightforward and justified reason to miss an appointment. Jobcentres should not refer these claimants to decision-makers. The referral rate would fall if claimants had straightforwardly good reasons more often. We found that, each month since April 2014, jobcentres consistently decided to not refer 0.5% of all claimants. Therefore, for the period for which we have data, we can rule out that more people had straightforward and justified reasons for missing appointments as an explanation of reducing referrals.

Figure 29
Referrals for missed appointments

The referral rate for Jobseeker's Allowance claimants missing a jobcentre appointment fell after the introduction of weekly signing in mid-2014



Source: National Audit Office analysis of Department for Work & Pensions data

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

6 Jobcentres only refer people for not attending appointments if claimants contact the Department within five working days of missing an appointment. Fewer people contacting jobcentres would reduce the referral rate. If people do not contact their jobcentre, the Department closes their claim in line with legislation. The Department cannot establish how many claims its closes for this reason, so it is difficult to confirm whether this is happening more or less often.

7 The Department's intention is to close claims when people no longer need its services. Official statistics show 942,000 people stopped claiming Jobseeker's Allowance between July 2015 and December 2015, 413,000 (44%) of whom said they entered work. The Department cannot measure how many of them account for the 1.0 million appointments not attended in the same period.

8 Not all claimants who fail to contact jobcentres within five working days enter work. Official statistics show that 250,000 people 'fail to sign'. These claimants may still need employment support. Jobcentres are not expected to contact claimants and they have limited incentive to, as claim closures contribute to off-flow from benefits, on which they are measured. Between July 2015 and December 2015, for every person jobcentres referred for a missed appointment sanction decision, they closed more than seven claims because people 'failed to sign'.

9 People 'failing to sign' are non-compliant, but if they reclaim, jobcentres cannot refer them for a sanction. We asked the Department how many people who had their claim closed for this reason go on to reclaim within four or 13 weeks – the length of sanction they could have received. The Department said it does not have the data needed to find out.

10 In March 2016, claimants attended 90% of appointments. Due to data limitations we cannot analyse whether this rate is an improvement on earlier periods. However, higher attendance rates would not explain why jobcentres refer claimants less. From April 2014, the Department increased the total number of appointments claimants must attend, particularly for people who need the most support. Rules require work coaches to refer people for any appointment they miss. Work coaches should not consider the claimant's wider attendance record. This may better encourage claimants to engage with services, but is not in line with current sanction rules.

Rise and fall in referrals for not seeking work

11 We examined trends in referrals for people not actively seeking work. The Department expects work coaches to tailor conditions to suit individual claimants and it relies on work coach judgement to monitor compliance. Managers provide guidance and observe a few appointments a month to standardise tailoring. Even so, these referrals are subject to variations in jobcentre practices more than referrals for missed appointments.

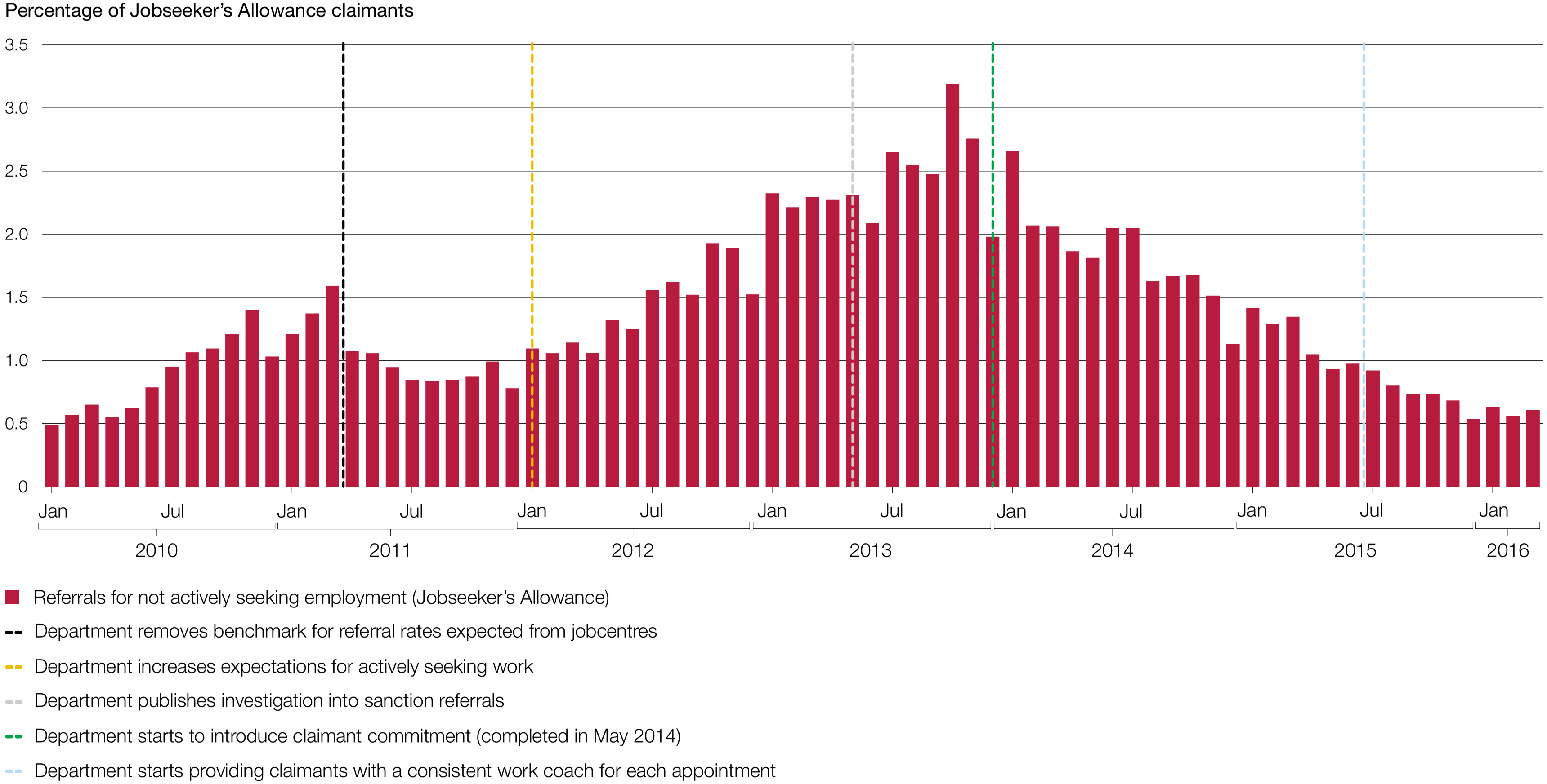
Limited understanding of variation

12 Jobcentres can refer claimants for not actively seeking work. The referral rate of Jobseeker's Allowance claimants for not actively seeking work tripled between January 2012 and October 2013, then fell back to 2010 levels (0.5%) by March 2016 (**Figure 30**).

Figure 30

Referral rates for not actively seeking work

For Jobseeker's Allowance claimants the referral rate peaked in October 2013 and has since fallen



Source: National Audit Office analysis of Department for Work & Pensions data

Fall in referrals from 2013 not well explained by improving compliance

13 Changes in the referral rate do not necessarily reflect increasing and decreasing compliance. From January 2012 the Department required claimants to do more to actively seek work. The referral rate increased, suggesting claimants found tougher conditions harder to meet.

14 In 2014 and 2015, the Department placed greater emphasis on one-to-one relationships and tailoring conditions to suit individual circumstances. These changes should have made conditions more appropriate so probably contributed to falling referrals. However, the referral rate started falling back towards 2010 levels before the Department introduced changes, so they cannot fully explain why jobcentres referred fewer claimants.

15 It is likely that changes in work coach attitudes contributed to reducing referrals from mid-2013. In 2013, the Department recognised that a culture of attention to referral rates existed. It surveyed jobcentre staff in late 2013 and found around half felt pressure to make referrals. In May 2013, it clarified that jobcentres should not use sanctions in this way. On our visits to jobcentres staff told us that managers' focus on referral rates fell substantially from 2013 onwards, which may help explain falling referral rates.

16 Another reason why fewer referrals reflect changes in jobcentres, not claimants' compliance, is that claimants we would expect to behave differently experienced the same rise and fall in how often jobcentres referred them for sanctions. On average, the Jobseeker's Allowance claimants who the Department finds 'fit for work' after work capability assessments face greater challenges in finding work than other claimants. Each month between 2011 and 2015 we found they received 20% fewer referrals than other claimants. However, over the same period, their referral rate also tripled before falling back to 2010 levels.

Falling referrals for actions before a claim

17 We looked at sanctions not affected by changes in jobcentre conditions. The Department can sanction people who are unemployed because they left work voluntarily.

18 Each month between January 2010 and June 2014, jobcentres referred a consistent proportion of new Jobseeker's Allowance claimants for leaving work voluntarily. Since April 2014, jobcentres have reduced the proportion of people they refer each month by over 75%. Jobcentre referrals of people for leaving work due to misconduct follow the same trend (**Figure 31** overleaf).

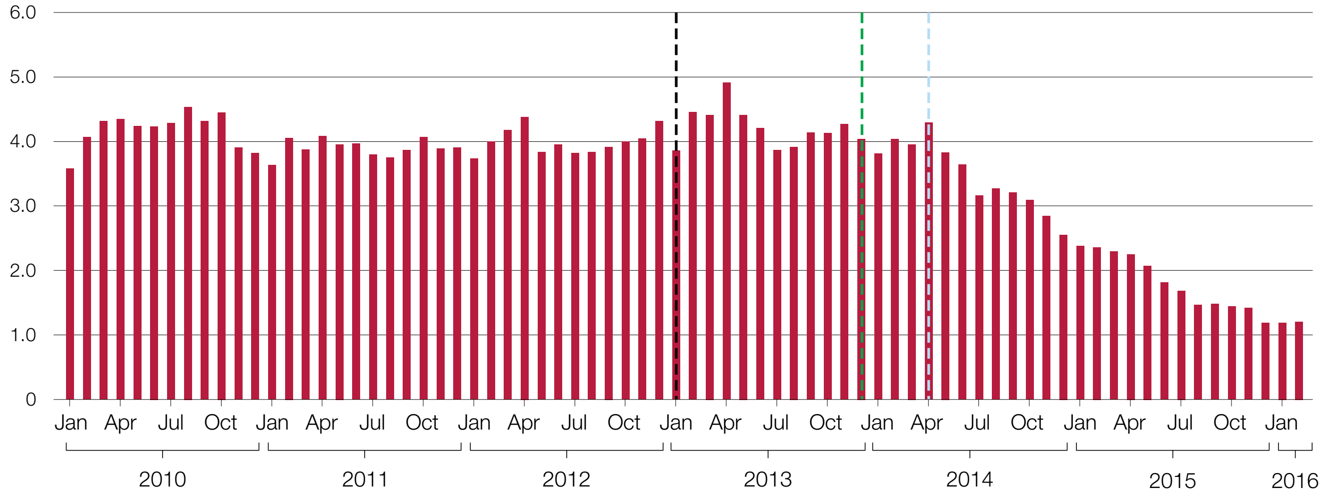
19 We looked at the trend over ten years and ruled out that claimant compliance increased after the job market improved from January 2013. When the number of unemployed people increased sharply fewer people were referred for leaving work as jobs became scarce. We might reasonably expect falling unemployment from 2013 to increase the referral rate as jobs became more available. However, the referral rate fell from 2014.

20 Leaving work happens before people meet work coaches so jobcentres are unlikely to encourage more compliance. However, work coaches are required to check whether new claimants are compliant and refer those who are not. In early 2014, the Department began changing processes for setting and monitoring conditions at the start of a claim. We cannot rule out the possibility that these changes influenced how often jobcentres referred non-compliant claimants.

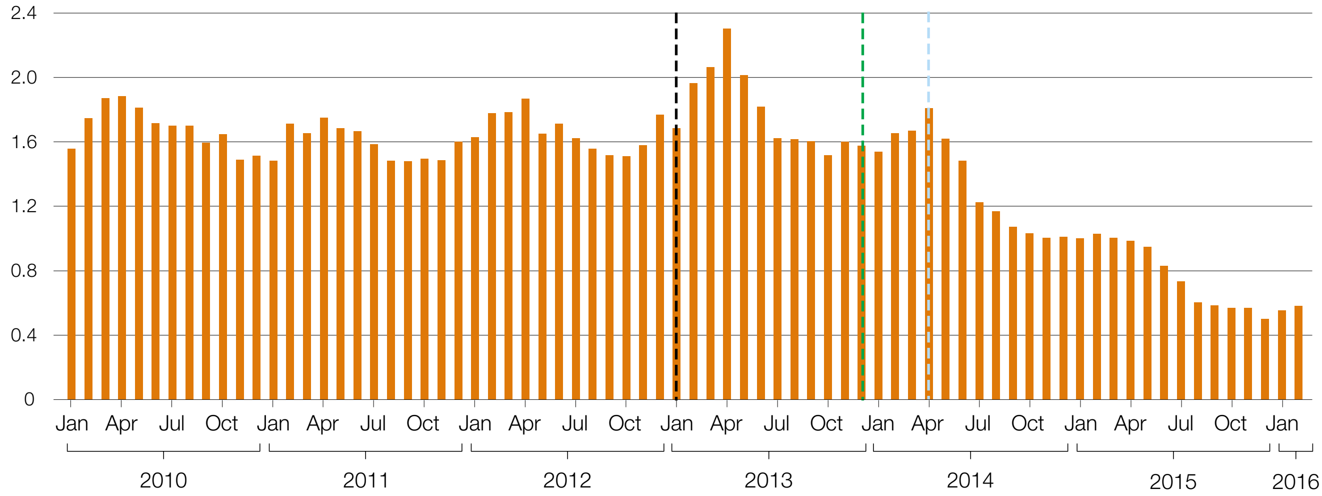
Figure 31
Referrals for leaving work

Jobcentres cannot influence these referral rates. Referrals were steady but have fallen since 2014

Percentage of new Jobseeker's Allowance claims referred for leaving work voluntarily



Percentage of new Jobseeker's Allowance claims referred for leaving work due to misconduct



-- Unemployment starts to fall

-- Department starts to introduce claimant commitment (completed in May 2014)

-- Department starts to introduce Day One conditionality (completed October 2014)

Notes

1 Rates are shown as rolling averages of three months.

2 Day one conditionality requires claimants to show they are taking steps to find work from day one of a claim, such as registering on Universal Jobmatch.

Source: National Audit Office analysis of Department for Work & Pensions data

Report by the Comptroller and Auditor General

Benefit sanctions

HC 628 Session 2016-17

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CORRECTION

Footnote 2 to paragraph 1.12 on page 17 was produced in error and should read:

We compared the 17 OECD countries with the highest GDP per capita in 2015.
K Langenbucher, *'How demanding are eligibility criteria for unemployment benefits, quantitative indicators for OECD and EU countries'*, OECD Social, Employment and Migration Working Papers, No. 166, OECD Publishing, 2015.

and not:

K Langenbucher, *'How demanding are eligibility criteria for unemployment benefits, quantitative indicators for OECD and EU countries*', OECD Social, Employment and Migration Working Papers, No. 166, OECD Publishing, 2015.

Figure 21 on page 40 was produced in error and should read:

Figure 21

Evidence for the impact of sanctions

International studies suggest sanctions increase employment, but the effect can be short-lived, lead to lower wages, and increase inactivity[1]

	International		Great Britain	
Impact of sanctions on people who receive sanctions	**Studies**	**Effect**	**Studies**	**Effect**
Probability of leaving benefits for work	12	Increase	1	No effect
Earnings	4	Decrease	0	–
Hours worked	1	Decrease	0	–
Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	2	Increase	0	–
Impact of the possibility of sanctions on people who do not receive sanctions				
Probability of leaving benefits for work	2	Increase	1	No effect
Earnings	1	Decrease	0	–
Hours worked	0	–	0	–
Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	1	No effect	1	Decrease

Note

1 Thirteen publications covering Denmark, Germany, Great Britain, the Netherlands, Sweden, Switzerland and the United States. See separate technical appendix at www.nao.org.uk for full references.

Source: National Audit Office

and not:

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Evidence for the impact of sanctions

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Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	2	Increase	0	–
Impact of the possibility of sanctions on people who do not receive sanctions				
Probability of leaving benefits for work	2	Increase	1	No effect
Earnings	1	Decrease	0	–
Hours worked	0	Decrease	0	–
Length of first job after leaving benefits	1	Decrease	0	–
Probability of leaving benefits for unknown destinations	1	No effect	1	Decrease

Note

1 Thirteen publications covering Denmark, Germany, Great Britain, the Netherlands, Sweden, Switzerland and the United States. See separate technical appendix at www.nao.org.uk for full references.

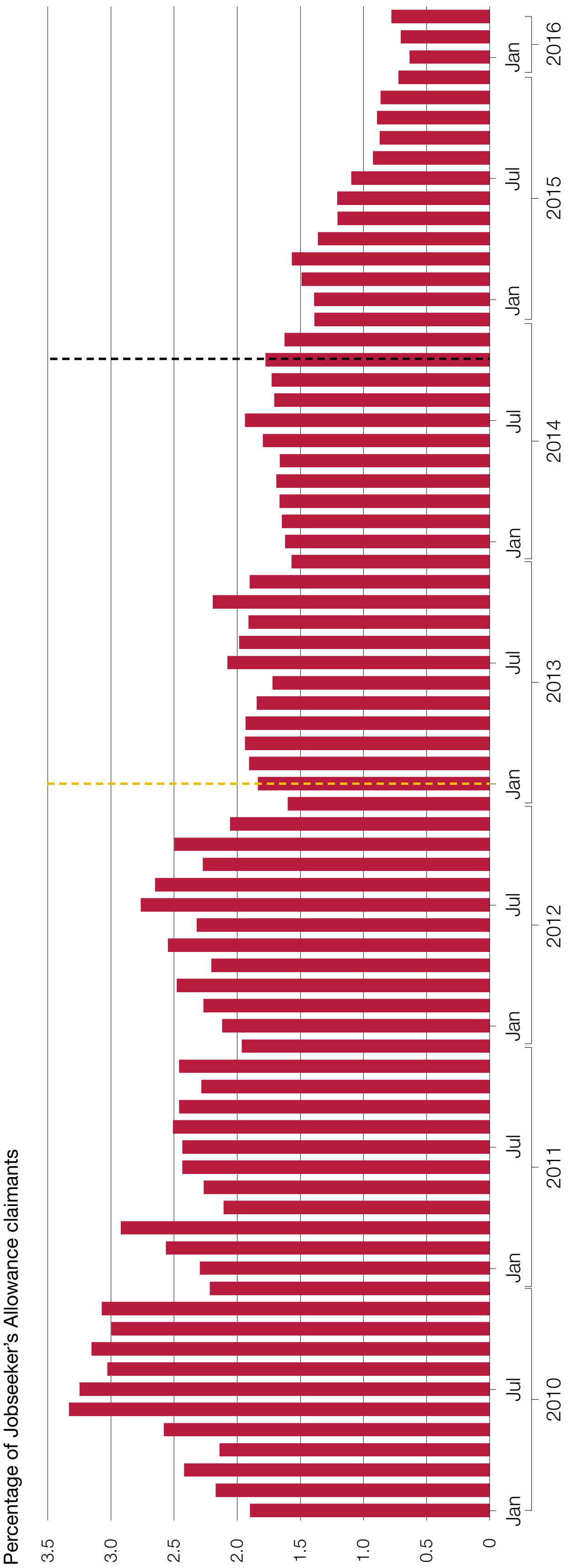
Source: National Audit Office

Figure 29 on page 54 of the report was produced in error and should read:

Figure 29

Referrals for missed appointments

The referral rate for Jobseeker's Allowance claimants missing a jobcentre appointment fell after the introduction of weekly signing in mid-2014



- Referral rate for not attending an appointment
- Introduction of decision-making in jobcentres
- End of rollout of weekly appointments for 50% of claimants

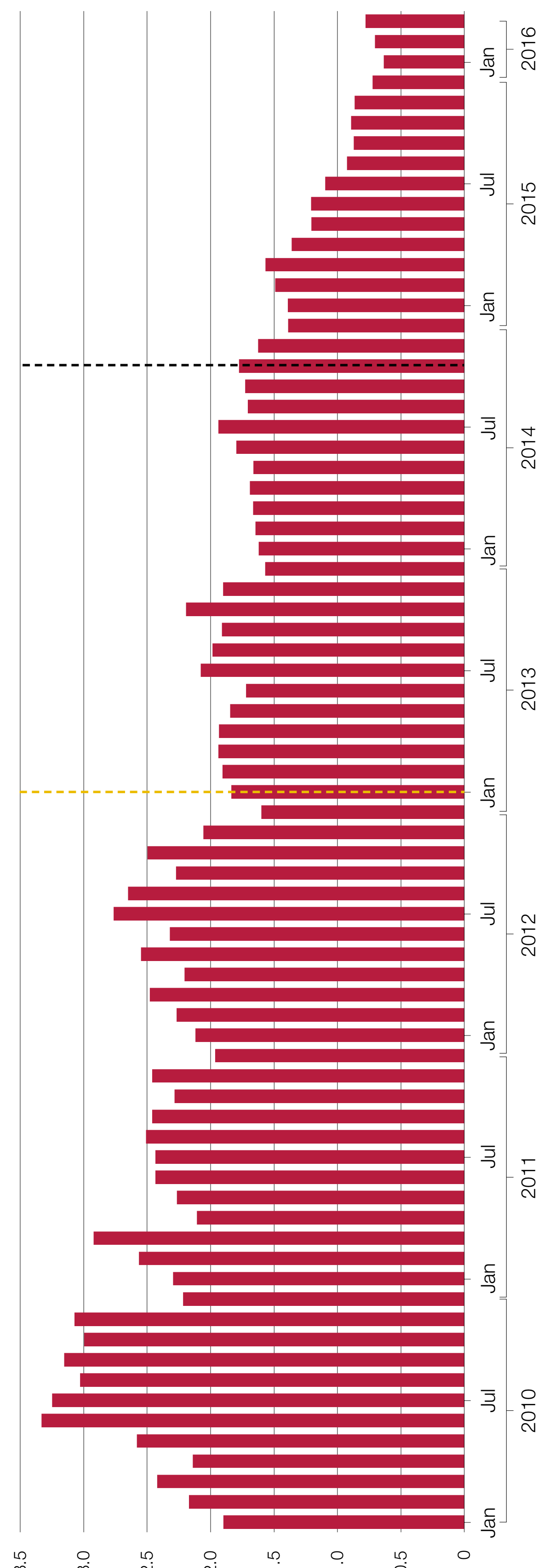
Source: National Audit Office analysis of Department for Work & Pensions data

and not:

Figure 29
Referrals for missed appointments

The referral rate for Jobseeker's Allowance claimants missing a jobcentre appointment fell after the introduction of weekly signing in mid-2014

Percentage of Jobseeker's Allowance claimants



Referral rate for not attending an appointment

Introduction of decision-making in jobcentres

End of rollout of weekly appointments for 50% of claimants

Source: National Audit Office analysis of Department for Work & Pensions data

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