

Do sanctions increase welfare exit and employment? A cross-area analysis of UK sanctioning reforms

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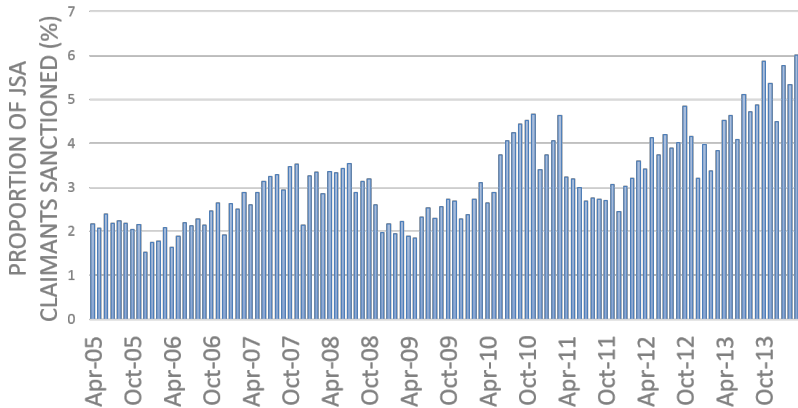
Thanks to...

Rachel Loopstra, Oxford University

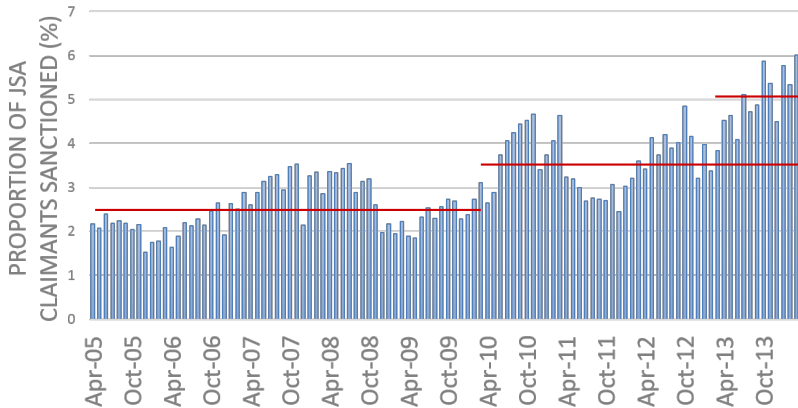
Martin McKee, LSHTM

David Stuckler, Oxford University

Increasing use of adverse sanctions

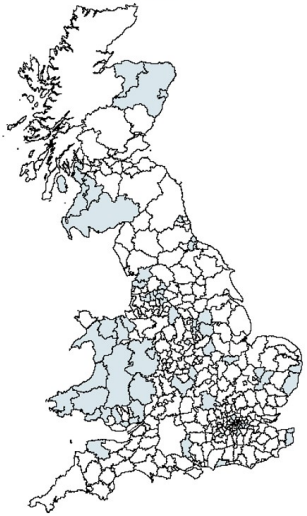


Increasing use of adverse sanctions



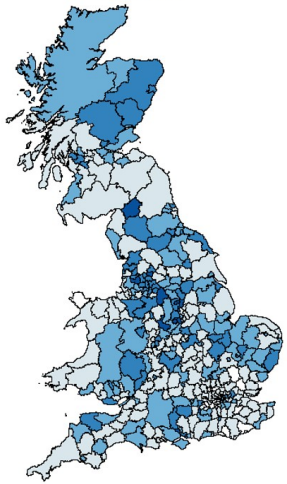
Increasing use of adverse sanctions

2009



Percent of Claimants Sanctioned
□ > 3%
□ 3- <4.5%

2013



Percent of Claimants Sanctioned
□ > 3%
□ 3- <4.5%
□ 4.5- <6%
□ 6%+

Conditionality and JSA

Conditionality in welfare benefits long-standing part of unemployment benefits

- i.e. Eligibility conditional on involuntarily unemployed and available for work

Shift to greater emphasis on 'behavioural conditionality' since 1996

- Job search activity begins to be monitored; failure to comply can result in sanctioning of benefits

Increased conditionality

January - August 2011: Introduction of 'Back to Work' schemes

New sanction regime, October 2012

Roll-out of 'Claimant Commitment' in 2013

Sanctioning targets?

'Many benefit recipients welcome the jolt that a sanction can give them. Indeed, I have evidence of some very positive outcomes from just those kinds of tough conversations.'

(Neil Couling)



Do sanctions work?

Studies from US following implementation of welfare reforms/TANF

- Limited evidence showing impact on employment
- Associated with lower welfare caseloads

Do sanctions work?

Negative impact on health and economic hardship

UK Parliamentary Inquiry

- Disproportionately impact learning difficulties, mental health issues, language barriers, young care leavers.
- Miscommunication and poor understanding are cause for sanctions rather than intentional failure to meet conditions.

UK unemployment rate steady as claimant count falls fastest in 16 years

Jobless rate remains at 7.7pc and squeeze on households intensifies but sharp drop in those claiming jobseekers allowance boosts recovery hopes



Wednesday's data showed the number of people claiming jobless benefits - a narrower and timelier measure of unemployment - fell by a much bigger-than-expected 41,700 in September.

ARE SANCTIONS 1) LOWERING THE CLAIMANT COUNT (DID THIS RELATIONSHIP CHANGE OVER TIME?), 2) MOVING PEOPLE INTO WORK, AND 3) INCREASING EMPLOYMENT RATES?

Data

Monthly data across 375 local authorities in England, Scotland, Wales, 2005/06-2013/14
Jobseeker's Allowance claimants.

- Off-flow/on-flow counts
- Reasons for off-flow
- Number of claimants referred for sanction
 - Outcomes of sanction referrals: adverse sanction applied; non-adverse decision; cancelled/reserved decision

Unemployment rates from Annual Population Survey

- 12-month rate provided every quarter

Statistical analysis

Regression model: fixed effects and robust SE to examine relationship between sanction decisions, claimant counts, on/off flow.

Finite distributed lag models using joint F -tests.

$$\Delta JSA_{i,t} = \alpha + \beta_1 Sanctions_{i,t} + \beta_2 Sanctions_{i,t-1} + \beta_3 Sanctions_{i,t-2} + \mu_i + \eta_t + \epsilon_{i,t} \quad (1)$$

μ_i = Local authority dummies

η_t = Time dummies

Sanction rates and JSA claimants

Change in jobseeker allowance claimants per working-age adult			
Sanction referrals	Entire period Apr 05-Mar 14	Pre-reform Apr 05-Jun 11	Post-reform Jul 11-March 14
Cumulative linear effect for each 100 additional sanctions	-15.41*** (0.79)	-11.84*** (1.60)	-20.62*** (1.43)
Joint <i>F</i> -test	146.05***	23.07***	82.41***
Number of local authority months	39,699	27,375	12,334
<i>R</i> ²	0.584	0.598	0.526

Notes: Cumulative linear effect is additive association between adverse decisions in the current month, one month prior, and two months prior. All models control for local authority fixed-effects and a linear time trend. Standard errors in parentheses.

* $p < 0.05$, ** $p < 0.01$; *** $p < 0.001$

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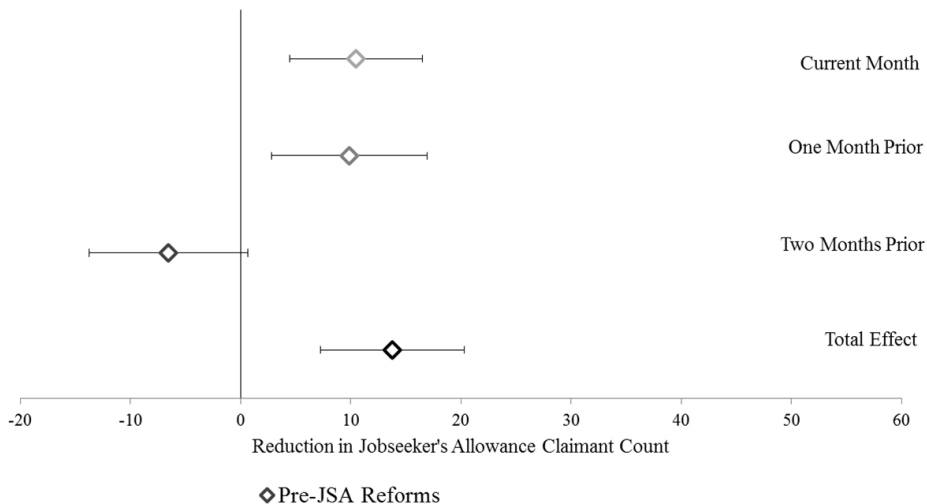
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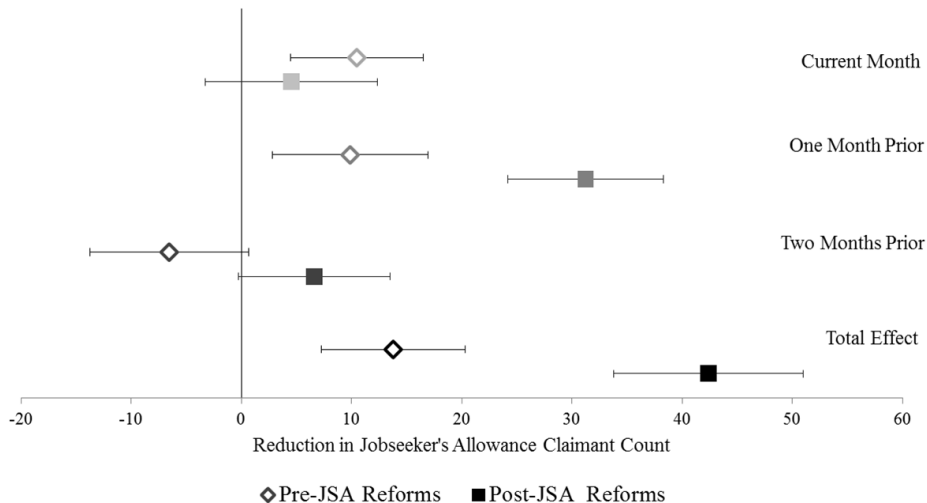
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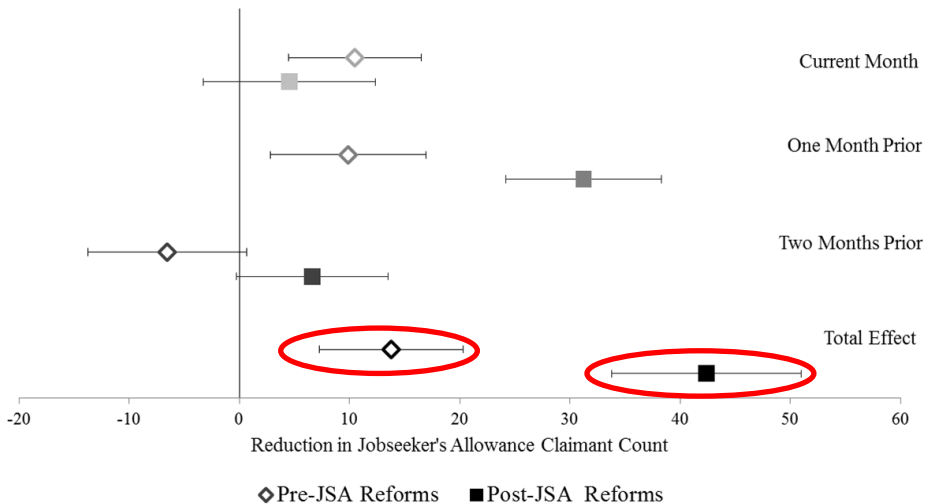
Pre-JSA reform: Adverse sanctions reduce claimant count



Pre-JSA reform: Adverse sanctions reduce claimant count



Pre-JSA reform: Adverse sanctions reduce claimant count



Adverse sanctions increase people leaving JSA, July 2011-March 2014

Sanction referrals	JSA Claimants	
	Moving on	Moving off
Cumulative linear effect for each 100 adverse decisions	2.18 (3.38)	43.1*** (3.09)
Joint <i>F</i> -test	2.01	85.52***

Notes: Cumulative linear effect is additive association between adverse decisions in the current month, one month prior, and two months prior. All models control for local authority fixed-effects and a linear time trend. Standard errors in parentheses.

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Adverse sanctions increase people leaving to 'unknown destination', July 2011-March 2014

Claimants moving off JSA by destination, July 2011-March 2014

Sanction referrals	Finding work	Unknown	Other reason
Cumulative linear effect for each 100 additional sanctions	7.36*** (1.99)	35.9*** (1.88)	-0.32 (1.01)
Joint <i>F</i> -test	28.33***	142.37***	2.25***

Notes: Cumulative linear effect is additive association between adverse decisions in the current month, one month prior, and two months prior. All models control for local authority fixed-effects and a linear time trend. Standard errors in parentheses.

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Sanction rates and employment

Change from Previous Quarter: 12-month Employment Rate			
Each 100 Adverse Decisions	Entire period Apr 05-Mar 14	Pre-reform Apr 05-Jun 11	Post-reform Jul 11-March 14
Concurrent 12 months	5.88 (20.5)	-20.4 (33.9)	4.77 (35.0)
12 months beg in previous qtr	-12.0 (21.8)	9.09 (34.5)	9.97 (39.3)
Number of local authority months	11,441	8,552	2,889
<i>R</i> ²	0.013	0.013	0.004

Notes: N=370 local authorities. Models include local-area fixed effects. Robust standard errors shown in parentheses. All models include constant and time-dummies for quarter, but not shown.

* p<0.05, ** p<0.01; *** p<0.001

Sanction rates and JSA claimants

Change from Previous Quarter: 12-month JSA Claimant Rate			
Each 100 Adverse Decisions	Entire period Apr 05-Mar 14	Pre-reform Apr 05-Jun 11	Post-reform Jul 11-March 14
Concurrent 12 months	-93.5*** (12.1)	-59.7** (22.9)	124.6*** (16.8)
12 months beg in previous qtr	63.8*** (11.9)	69.5** (21.5)	7.27 (18.7)
Number of local authority months	11,441	8,552	2,889
<i>R</i> ²	0.865	0.860	0.823

Notes: N=370 local authorities. Models include local-area fixed effects. Robust standard errors shown in parentheses. All models include constant and time-dummies for quarter, but not shown.

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Limitations

Ecological fallacy

Same individuals sanctioned more than once

Relationship between sanctions and employment uncertain

Unknown destination may include employed



WHAT HAPPENS TO PEOPLE WHO
'DISAPPEAR' FROM THE CLAIMANT COUNT?



FOODBANKS



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