

Commission on Poverty (CoP)

Welfare-to-Work: Overseas Experience

PURPOSE

To facilitate the discussion on welfare-to-work (CoP Paper 19/2005), this paper sets out for Members' reference some overseas experience in the United Kingdom (U.K.), Republic of Ireland (Ireland), United States (U.S.) and Singapore in handling unemployment and social assistance¹. Observations are set out at the end of the paper.

U.K.

General Approach

2. The U.K. Government has embarked on major welfare reform in the direction of welfare-to-work in the last decade, which includes the following elements -

- (a) "Making work possible" – New Deal Programmes;
- (b) "Making work pay" – national minimum wage and working families' tax credit, child tax credit;
- (c) "Making work skilled" – training, Skills for Life programme;
- (d) a social protection system conducive to participation in employment.

The following highlights some of the key elements in the system.

Unemployment Benefits

3. The U.K. reformed its unemployment insurance programme in 1995, which introduced a Jobseeker's Allowance (JSA) to replace unemployment benefits and modified income support. JSA has two components – contribution based (as a matter of right) and income based (means-tested). Unemployed able-bodied of working age may claim JSA after entering into a Job Seeker's Agreement indicating availability for work and the person's action plan to search for employment. Additional allowance may be granted to meet family needs and certain housing costs.

¹ References have been drawn from various sources, including the research prepared by the Research and Library Services Division of the Legislative Council Secretariat on "Poverty Combating Strategies in Selected Places" on 18 May 2005, which has been sent to Members for reference.

New Deal Programmes

4. A variety of New Deal Programmes dealing with the diverse circumstances of unemployed people are available to help the unemployed find jobs. The first of the New Deal Programmes implemented nationwide was the New Deal for Young People (NDYP) in 1998 to tackle rising youth unemployment and related social problems. NDYP is mandatory for young people aged 18 – 24 who have been claiming JSA for six months or more. NDYP participants will get the same benefits as JSA and in some cases there will be a top up. They are required to join a four-month “Gateway” programme, during which a personal advisor will assist in job search, career advice and guidance, and in addressing basic skills gap. At the end of the Gateway, participants who have not found employment will be required to enter one of the four options for 6 – 12 months (a) subsidized job/self-employment, (b) full-time education and training, (c) environmental work, or (d) a place with a voluntary sector employer. Another four months’ support known as “Follow-Through” may be provided to help the participants to secure a job. Participants may claim Job Seeker’s Allowance again.

5. NDYP has brought about beneficial impact including lowered youth unemployment, reduced welfare expenditure and increased tax revenue. The programme has been expanded and modified for other groups - the long-term unemployed; and as a voluntary option for lone parents, disabled people, people aged 50 and above, and partners of unemployed people (mandatory for the partners aged 18 to 25).

“Joining-up” Government

6. Jobcentre Plus² was established in 2001 under the Department for Work and Pensions to promote integrated services of finding jobs and paying various benefits to the unemployed and low-income group of working age. It will take until 2006 to integrate the entire local office network of Jobcentres and social security offices fully.

Work-oriented Safety Net

7. Besides national minimum wage and tax credits, there are other financial incentives which encourage work e.g. one-off Job Grant which provides cash payments (£100 for single people) to help recipients meet immediate costs associated with starting work. Unemployed or low-income people (working on average less than 16 hours a week) may also apply for a range of allowance, grants and loans through Jobcentre Plus, including income support.

Dealing with Benefit Fraud

² For more details, please see <http://www.jobcentreplus.gov.uk/>

8. The U.K. Government estimates that benefit cheats cost around £2 billion a year and are diverting resources from people who are in need. The Social Security Fraud Act was passed in 2001 to provide powers to improve the investigation of fraud and enable more severe punishment for repeat offenders. Most of the new powers came into effect in April 2002.

Institutional Arrangement

9. The Department for Work and Pensions, merged from the former Department of Social Security and Department for Education and Employment, provides financial assistance and integrated training and employment assistance to people of working age, low-income families, disabled people and other disadvantaged groups. HM Treasury oversees the incentive element in the tax and benefit system. The Social Exclusion Unit was set up in 1999 under the Office of the Deputy Prime Minister to co-ordinate policy making on specified topics of poverty and social exclusion. The UK Government also has a national strategy to encourage formation of Local Strategic Partnerships involving local authorities, business and the community sector to deliver the social inclusion agenda.

IRELAND

General Approach

10. The welfare-to-work strategies of Ireland are as follows -
- (a) “Making work possible” – this includes a number of active labour market programmes e.g. Early Intervention Process, Pathways Programme and High Support Process; Community Employment Scheme, Social Economy Programme;
 - (b) “Making work pay”
 - (c) “Making work skilled”

Unemployment Benefits

11. Unemployment benefit in Ireland is made to the unemployed based on insurance contributions. Unemployment Assistance is means tested and may be paid if one is not qualified for Unemployment Benefit or if entitlement to Unemployment Benefit has been used up.

Active Labour Market Programmes

12. Ireland has a number of active labour market programmes in place. Early Intervention Process is a preventive strategy to intervene in the early stage

of unemployment (first six months) and to prevent drift into long-term unemployment. It involves engaging people systematically and assisting them through counseling, career guidance, referral to education/employment opportunities, and other training/labour market programmes. The Pathways Programme helps identify the development pathway for programme participants. The High Support Process was introduced in 2003 to provide supportive measures for people experiencing personal barriers to move from unemployment to work.

13. The Community Employment Scheme provides part-time and temporary placements in jobs. The Social Economy Programme was introduced in September 2000 to support the development of social economy enterprises by providing technical support and financial grants (start-up capital) to enterprises with social and community objectives (e.g. providing sustainable employment opportunities to the long-term unemployed).

Making Work Pay

14. Besides the national minimum wage and other tax reforms, the Irish Government provides work-related incentives including Family Income Supplement. For welfare recipients taking up employment, they can retain a reducing proportion of their social welfare payment as Back-to-work Allowance, which is paid on a diminishing scale over the first three years of re-entering the job market. 40% of the earnings from part-time work can also be disregarded in the calculation of total income when assessing unemployment assistance. A Revenue Job Assist Scheme provides incentives for longer-term unemployed (after 12 months of unemployment) by additional tax allowance for three years after taking a qualifying employment.

Institutional Arrangement

15. The Department of Social and Family Affairs formulates the relevant social protection policies, and administers the delivery of social insurance and social assistance schemes. The FAS (National Training and Employment Authority) is responsible for the Active Labour Market Policies, and the Department of Finance on the design of an efficient tax and benefit system.

16. Besides, the Combat Poverty Agency is a statutory public body working on prevention and elimination of poverty and social exclusion, and work with Cabinet Committee on Social Inclusion chaired by the Irish Prime Minister, Senior Officials Group, Office for Social Exclusion within the Department of Social and Family Affairs and Social Inclusion Units established in key government departments.

U.S.

General Approach

17. The reforms stemming from the Personal Responsibility and Work Opportunity Act (PRWORA) of 1996 aim to enhance personal responsibility by promoting work and break risking welfare dependency. The reforms include strong “push” measures imposing work requirements backed by sanctions. A five-year time limit of cash welfare over the lifetime of most able-bodied adults is imposed, making clear that welfare was temporary.

18. Implemented during a period of robust economic growth, the reforms have brought about significant decline in welfare caseloads (by 54% from 1996 to 2001).

Unemployment Benefits

19. In general, the Federal-State Unemployment Insurance (UI) Program provides unemployment benefits to eligible workers who are unemployed. Each State administers a separate unemployment insurance program within guidelines established by Federal law.

20. Announced in January 2003 and implemented in seven States as pilot in early 2005, Personal Reemployment Accounts (PRAs) will serve as additional resources provided to eligible UI recipients. PRAs are personally managed funds that eligible unemployed workers use to purchase job training and supportive services and products needed to help find and retain a good job. Individuals who find employment within 13 weeks will receive a reemployment bonus. The bonus will be paid in two installments - 60% at employment and 40% after working six months.

Welfare-to-work Programmes

21. Temporary Assistance to Needy Families (TANF) provides block grant to States for welfare-to-work programmes and post-employment support. States are given flexibility to design and conduct programmes, but there are some universal requirements, including requiring certain percentage of families to participate in constructive activities averaging 40 hours per week, with 24 hours work-related requirement. State may seek waivers from the universal requirements, and there are exemptions of up to 20 percent of their caseload from the 5-year time limit to cater for hardship cases.

Work-oriented Safety Net

22. The US welfare reform also involves building support around work for low-income families (working poor) by providing work incentives and facilitating transition to work. These include Medicaid (health insurance for low-income people), childcare, child tax credit, Earned Income Tax Credit (EITC) and food stamps.

Institutional Arrangement

23. A number of agencies operate at the federal level, including the Employment and Training Administration (ETA) in the Department of Labor (employment, and administering unemployment insurance benefits), Department of Health and Human Services (Medicaid and financial assistance and services for low-income families) and Department of Agriculture (food stamps). Services and programmes are delivered either by their local agencies or by the States, and administrative practices and programme rules differ across States.

SINGAPORE

General Approach

24. The Singapore approach to helping the needy, often referred to as the “many helping hands” approach, is based on personal responsibility, self-reliance and community support. The state fosters family and community resources that people can draw on in times of difficulties, and provides a safety net as a last resort which focuses on the minority who need help the most and have no other resources to rely on.

25. Under the approach, family is the first line of support for individuals in need of assistance, and additional support is provided by community-based organisations such as Community Development Councils (CDCs) and other voluntary welfare/community organisations.

Financial Assistance to the Unemployed

26. The Work Assistance Programme (WAP) provides financial assistance and other support to help eligible unemployed Singaporeans from low-income households to find work. Participants are required to actively seek jobs while receiving the assistance. Additional aid, such as schooling assistance and grants for utilities may also be given based on the family's needs. The Self-Reliance Programme (SReP) provides short-term assistance to families needing help (rental, medical assistance) to tide them over a difficult period.

Employment Assistance to the Unemployed

27. Besides developing continuing education and training system, the Government has launched Re-Employment Assistance Programme (REAP) in January 2005 which comprises a Job Re-Creation Programme (through tripartite forum on job redesigning) and a Re-Employment Support Scheme (through job placement assistance and retention incentive grant).

ComCare Fund

28. The Government established the ComCare Fund in early 2005 to consolidate and streamline social assistance schemes to make the social safety net simpler to understand and administer it more efficiently, and to better assist families who have genuine difficulties to tide over difficult times and make a living for themselves.

29. There are three key components of the Fund which distinguish those needing short-term assistance from those requiring long-term assistance -

ComCare SelfReliance – which consolidates and builds closer linkage between social assistance and job assistance programmes;

ComCare Grow – which aims at providing support for children from low-income families;

ComCare EnAble – which focuses on support to needy elderly.

30. A ComCare Supervisory Committee has been set up to initiate, coordinate and monitor the implementation of the programmes in the Fund using a holistic (family-based), flexible, decentralised and partnership approach. A centralized database capturing information of all social assistance beneficiaries will be explored.

Institutional Arrangements

31. Under the “many helping hands” approach, while the Ministry of Community Development, Youth and Sports oversees policies concerning social assistance for low-income families, CDCs have taken over the actual administration of social assistance schemes since 2001. The Ministry of Education and the Ministry of Health provide other education and medical financial assistance schemes. The Ministry of Manpower and under it the Workforce Development Agency oversee training and employment programmes.

OBSERVATIONS

32. The above provides an overview of the experience of four countries with different political agenda, welfare tradition and tax structure. U.K. and Ireland have a relatively stronger welfare tradition; Singapore’s approach is relatively more minimalist; the U.S. approach of welfare-to-work is at times referred to as workfare, and some of the recent welfare reform measures in U.S. like imposition of time limit are not without controversies.

33. Despite the differences, it is noteworthy that -
- (a) countries, in particular those with stronger welfare tradition, have taken painstaking reforms of their welfare system in the past decade in order to keep the system *sustainable* amidst rising welfare expenditure;
 - (b) instead of treating the unemployed as passive welfare recipients like the non-able bodied, public assistance have an *active employment-focus* in an attempt to bring the able-bodied to work and to avoid them from becoming unemployable;
 - (c) the reforms aim to balance the incentives (making work pay) and disincentives (obligations, requirements, time-limits and other restrictions in receiving unemployment assistance) in the system so that there should be more *incentives for people to work* than to go for welfare;
 - (d) complementary to (b) and (c), their safety net system does not lump all categories of welfare assistances together for assessment on a household basis. Rather, *unemployment assistance* is assessed and administered *separately*;
 - (e) in order to facilitate transition to work and to encourage people to remain in work, the *safety net* (public assistance in health, housing, education etc.) should provide support to the low-income group/working poor and *reward work* efforts;
 - (f) unemployment assistance is increasingly people-centred, emphasizing *personal responsibility, early intervention* and prevention, and using a *staged approach* in catering for the different needs of the unemployed at the early stage, and the longer-term unemployed;
 - (g) the people-centred approach calls for increasingly *integrated assistance* in counseling, career guidance, training and work experience programmes, and payment of benefits/financial assistance;
 - (h) *institutionally*, to support (e) – (g), employment/manpower agencies are normally tasked to provide integrated assistance on training (to enhance employability) and job placement; and
 - (i) the approach to implement programmes and deliver assistance is increasingly *decentralized*, emphasizing building partnerships and making use of networks and resources in the community.

ADVICE SOUGHT

34. Experience is inevitably contextualized. While wary of the differences in circumstances between Hong Kong and the countries surveyed, there should be little downside for us to draw reference from overseas experience. Subject to Members' views, consideration of the desirability and applicability of overseas experience will constitute an integral part of our future work in taking forward the issues raised in CoP Paper 19/2005 "Assisting the Unemployed : Welfare-to-Work".

Commission Secretariat
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