

Glossary of Terms

Welfare to work is changing. The establishment of a coalition government means radical changes to both employment services provision and the benefits system. Here at Indus Delta, we have compiled a helpful at-a-glance glossary, which details the key issues, publications and vocabulary of this new era. This document will be updated frequently and is an essential resource – ensuring you will always know your Big Society from your Work Programme!

[21st Century Welfare](#)

A July 2010 government strategy and consultation paper which outlines the coalition government's plans for welfare reform. The document consults on proposals to amend the benefits system, including measures to make it simpler and more efficient, with fewer benefits, fewer layers of bureaucracy and a firm focus on making work pay.

Benefit simplification

The coalition government has proposed radically simplifying the benefits system and integrating it with the Tax Credits system. It has been suggested that this will make the system easier to understand, simpler to administer and will improve work incentives by introducing a standard withdrawal rate which will mean it always pays to take a job.

Benefit simplification is intended to ensure that households and families see the gains from increasing the amount of paid work they do because they will keep more of their earnings. The coalition government have suggested that their “simpler and fairer” system will assess and pay benefits faster and could reduce the scope for error and fraud.

However, reform will be costly and the coalition government will need to balance the benefits of reform with the potential increase in costs and the creation of a group of people who will lose out because of these changes.

Better Off Calculation / Better Off in Work Calculation

A Better Off calculation produces accurate estimates of how much better off a benefit claimant could be in work. Based on information supplied by the customer, of potential in-work benefits and Tax Credits, it can be a powerful and valuable tool in influencing a customer to leave the benefits system and enter paid employment.

[Big Society](#)

The coalition government are proposing that more power and opportunity should be put into people's hands – “to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want”. The Big Society programme is based on a number of central policies, which include giving communities more authority, encouraging people to take more of an active role in society, the transference of power from central to local government and more support for co-ops, mutuals, social enterprises and charities.

Big Society Bank

Funds from dormant bank accounts will be used to establish a Big Society Bank, which will provide new finance for neighbourhood groups, charities, social enterprises and other non-governmental bodies.

Black-box approach

The coalition government has committed to taking a “black box approach” to commissioning employment programmes. This means it will avoid over-specified contracts and will seek to identify outcomes, not design specific initiatives, in order to drive competition and creativity, via its Framework Agreement. The coalition government maintains that this approach will strip out any unnecessary costs and risks and will draw more effectively on the expertise of providers.

Conditionality

Conditionality is the principle that entitlement to benefits should be dependent on satisfying certain conditions. The over-arching objective of conditionality is to influence the behaviour of as many working age benefit recipients as possible in order to move them into work, avoid long-term benefit receipt and protect the taxpayer.

Council Tax Benefit

Council Tax Benefit is intended for people who need financial help to pay their Council Tax bill. Claimants can be out of work, or in work but earning a low wage.

Customer

An individual of working age who uses Jobcentre Plus services for the purposes of returning to work or claiming benefits.

Decentralisation and democratic engagement

The coalition government has proposed a shift of power from Westminster to local communities. In a bid to scrap a top-down approach to government, it is anticipated that new powers will be given to local councils, neighbourhoods and individuals.

Default retirement age

The coalition government will phase out the default retirement age and hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women. In addition, the rules requiring compulsory annuitisation at 75 will be scrapped.

Differential pricing structure

The coalition government have proposed the inclusion of a differential pricing structure for employment programmes which recognises that it costs more to support some individuals into work and reflects this in the level of outcome payment available.

Earnings disregards

The amount of money claimants can earn without it affecting their benefits.

Employment and Support Allowance

Employment and Support Allowance was introduced as a replacement for Incapacity Benefits for new claimants from October 2008. It is paid to eligible individuals in return for undertaking work related interviews, agreeing an action plan and participating in work-related activity.

Housing Benefit

Housing Benefit is intended for people who need financial help to pay all or part of their rent. Claimants can be out of work, or in work but earning a low wage.

Incapacity Benefit

Incapacity Benefit is a weekly payment for people under State Pension age who cannot work because of illness or disability. In October 2008, Incapacity Benefit was replaced by Employment and Support Allowance for new claimants.

Income Support

Income Support is extra money to help people on a low income. It is for people who work less than 16 hours a week and don't claim Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA).

Invitation to Tender (ITT)

A package of documentation issued to bidders at the second stage of a two-stage procurement exercise.

Jobcentre Plus

Part of the Department for Work and Pensions (DWP), Jobcentre Plus provides an integrated service to people of working age. It offers help to people looking to move into work and support for people who cannot. Jobcentre Plus also provides a range of services to help employers fill their vacancies quickly.

Jobseeker's Allowance

Jobseeker's Allowance is the main benefit for people of working age who are out of work or work less than 16 hours a week on average. Jobseeker's Allowance claimants must be available for, capable of and actively seeking, work.

Localisation

Localisation refers to the devolution of discretion, decision making powers and funding to a local level. Currently, the UK has a highly centralised system of benefit design and delivery and commissioning. However, a number of other countries, including Switzerland, the Netherlands and the United States, operate more devolved welfare systems, which can stimulate innovation and ensure that systems are more aligned to local circumstances.

Making work pay

Making work worthwhile and cost-effective is a central welfare to work issue. According to the coalition government, the current benefits system often provides claimants with incentives to stay on benefits rather than take on a job. New rules on how much of their earnings people can keep without losing their benefits and proposals to withdraw benefits as earnings rise at a single, reasonable rate, are currently being put into place as new measures to make work pay.

Marginal Deduction Rate

The proportion of an additional £1 in income lost in increased Income Tax and National Insurance contributions and in reduced benefit and Tax Credit payments.

Mirrlees model

The Mirrlees model, proposed by the Institute for Fiscal Studies, and referenced in the government consultation paper *21st Century Welfare*, uses optimal tax theory to design an efficient system of household tax and transfer programmes. This model would replace Child Tax Credit, Working Tax Credit, Income Support/Jobseeker's Allowance, Housing Benefit, Council Tax Benefit and Child Benefit with an integrated 'family allowance,' paid directly into bank accounts and withdrawn using the withholding system for Income Tax.

National Citizen Service

An initial flagship project of the coalition government and part of the over-arching Big Society programme, this initiative will provide a programme for 16 year olds to give them a chance to develop the skills needed to be active and responsible citizens, mix with people from different backgrounds, and start getting involved in their communities.

Pre-qualification questionnaire (PQQ)

The first stage of a procurement exercise, in which a shortlist of suppliers is selected to move onto the second stage (the Invitation to Tender).

Primary supplier

A single organisation that does not deliver provision directly but is contracted to appoint and manage the performance of other organisations as subcontractors to deliver all aspects of the provision specification.

Prime contractor

If an organisation chooses to deliver a service via a network of subcontractors, the prime contractor is the main or lead contract holder with the buying organisation.

Procurement

The process of purchasing goods and/or services, from identification of need to payment.

Reform of Access to Work

The coalition government have proposed a reform of the already existing Access to Work programme, an initiative designed to help those whose health or disability affects the way they do their job. The reforms will mean that disabled people can apply for jobs with funding already secured for any adaptations and equipment they will need.

Reform of funding mechanism

The coalition government are proposing a reform of the system used to finance welfare to work programmes, to reflect the fact that initial investment delivers later savings through lower benefit expenditure. The funding mechanism overhaul will include the implementation of the integrated Work Programme, which will feature outcome funding based upon the DEL/AME switch.

Sanction

A sanction is a measure that reduces or cancels benefits, even when there is underlying entitlement. Sanctions can be imposed by a Department for Work and Pensions (DWP) Decision Maker for a fixed period and are imposed as a result of misconduct.

Service Academies

Organisations which offer pre-employment training and work placements for unemployed people.

Single Working Age Benefit

The Institute for Public Policy Research have proposed a model for a Single Working Age Benefit, which was referenced in the July 2010 government consultation paper, *21st Century Welfare*. This concept involves a simple flat rate benefit that would give all working age claimants the same level of replacement income, regardless of whether they were jobseekers, lone parents, sick or disabled.

Single Benefit/Negative Income Tax Model

The TaxPayers' Alliance has recommended bringing together a large number of existing benefits. This approach to the benefits system was referenced in the July 2010 government consultation paper, *21st Century Welfare*. Unlike other proposals for reform that introduce a single benefit, it suggests the introduction of a negative income tax. This would replace

current income-replacement benefits and tax credits. Alongside this, the TaxPayers' Alliance suggest the maintenance of a number of the current benefits aimed at supporting those with a limited ability to work or who need extra support.

SME

Small and medium sized enterprises – any business employing under 250 staff members.

State of the Nation: poverty, worklessness and welfare dependency in the UK

A comprehensive assessment of poverty in the UK at the start of the new coalition government, establishing a clear 'state of the nation' overview that will be used to inform policy decisions on tackling poverty and improving life chances.

Tapered withdrawal

The rate at which earnings in excess of a disregard (the amount of money a claimant can earn without it affecting their benefits) are deducted from a claimant's benefit package.

The Coalition: our programme for government

An over-arching policy document released in May 2010, which puts forward a broad programme for a partnership government and discusses immediate measures and future proposals on issues such as jobs and welfare.

Universal Credit

A new approach by the coalition government to support working-age households, the Universal Credit represents a move towards a system that will combine existing income-related out-of-work benefits and Tax Credits into a simpler programme. The Universal Credit will support people both in and out of work. It will supplement household earnings through credit payments, reflecting circumstances (including children, housing and disability) and subsume Tax Credits as the form of income top-up for families on low earnings.

Welfare trap

Welfare dependency, a situation whereby benefit claimants become entrenched in the welfare system because of poor incentives to work and intergenerational poverty, is a significant problem in the UK. Around 1.4 million people have been on an out-of-work benefit for nine or more of the last 10 years, and at least 12 million working-age households receive financial support from the government each week. The June 2010 *State of the Nation* report discusses this issue in detail - and combating this problem has been earmarked as a central issue for the coalition government.

Work Clubs

Local places where unemployed people can gather to exchange skills, find opportunities, make contacts and provide mutual support.

Work for Yourself

A new programme of support for would-be entrepreneurs, which will give the unemployed access to business mentors and start-up loans.

Work Programme

A single unified programme to help all unemployed people get back into work. The Work Programme is intended as a new approach to delivering employment-related support services and will simplify and replace existing employment programmes. It will deliver coherent, integrated support, providing personalised help for people who find themselves out of work, regardless of the benefit they claim.

Work Programme Framework Agreement

A framework has been established by the Department for Work and Pensions (DWP) for the provision of employment related support services - helping people to select, train for, obtain and retain employment suitable for their ages and capacities. There will be a framework competition which will identify organisations (including consortia) that have the capacity and expertise to deliver the Work Programme and other potential employment related support services contracts.

The framework agreement will be divided into 11 lots (North East, North West, Scotland, Wales, South West, South East, Yorkshire and the Humber, East Midlands, West Midlands, East of England, London) and will be for up to four years.

The indicative overall value of contracts to be let through the framework agreement is likely to be between £0.3 billion - £3 billion per year. Individual contract values will vary, but are likely to be between £10-50 million per year.

Successful organisations accepted onto the framework must have the ability and capacity to manage large and diverse supply chains, be willing to take on greater capital and supplier management risk and able to support all claimant groups who are or may be capable of working. Organisations will be encouraged to provide innovative, black box solutions for all services that they are invited to deliver.

