### Main Messages:

- Research shows that claimants who face sanction are often unable to comply with conditions rather than unwilling. The reasons why claimants receive sanctions are complex and include: lack of awareness, knowledge and understanding of the sanction process; practical barriers and personal barriers.
- The literature suggests that those who are particularly vulnerable to sanctions are also the most disadvantaged. This includes people that lack work experience; those with health problems and lone parents.
- Young people tend to receive a higher proportion of sanctions compared to older age groups.
- The evidence around the potential impacts of sanctions is mixed. In the short-term, sanctioned claimants can experience positive outcomes in terms of looking for work; leaving unemployment and entering employment.
- However, individuals do not tend to enter ‘sustainable employment’ and they tend to have low earnings. Further negative outcomes over the long-term include: debt and hardship; poor physical and mental health; negative impacts on children; a potential increase in crime; and sanctioned claimants entering informal work.
- Commentators raise concerns around the ability of sanctions to operate as intended. Recommendations in the literature are focused around: clear communication; and fairness and flexibility. Clear communication, such as providing claimants with specific monetary examples of how much they would lose, is highlighted as essential in successfully using sanctions as a deterrent.

### Introduction

Universal Credit (UC) is a new single benefit payment for people who are looking for work or are in work but on a low income. Introduced by the UK Government, it will replace six current benefits: income related Jobseeker’s Allowance; income related Employment and Support Allowance; Income Support (including Support for Mortgage Interest); Working Tax Credit; Child Tax Credit; and Housing Benefit. Under Universal Credit there will be a reformed sanctions regime and the amount sanctioned will be fixed in duration and value. Failure to comply will lead to sanctions being imposed for at least three months, rising to six months and subsequently three years.

### Paper outline

The purpose of this paper is to review what the literature says about the potential impacts of benefit sanctions on individuals and households. It looks at who is affected by benefit sanctions, the ways in which they are affected and the potential policy implications of this. It is structured around the following research questions:

- What are the characteristics of those who face benefit sanctions?
- What does the literature identify as the potential impacts of sanctions on individuals and households?
- What are the potential policy implications of the evidence on sanctions?

The methodology used to search, review and analyse the literature is detailed at Annex A. Both UK and international literature is reviewed. It should be noted that what is applicable in an international context may not be true in Scotland and that none of the literature refers to the impact of Universal Credit sanctions specifically.

### Definitions

Sanctions are financial penalties for “not complying with welfare-to-work requirements” or “violating welfare’s rules” (Shaw and Moreno, 2009; Lens, 2008). DWP (2010) defines a sanction as “a penalty imposed… it is the removal of a proportion of benefit payment due to: loss of previous employment through the action of the benefit applicant, refusal to take up a reasonable opportunity of employment, or non-compliance by the customer with conditions placed on benefit receipt”.
**The sanctions regime under Universal Credit**

DWP (2012: 48) believe that sanctions play “a vital role in driving engagement with the labour market”. DWP is rolling out its new claimant commitment in advance of Universal Credit. This puts the onus on the claimant to put more effort into looking for work – the equivalent of 35 hours a week. New claimants to Jobseeker’s Allowance will need to sign a Claimant Commitment which sets out more fully what they need to do in order to receive their benefit. DWP state that “the new commitment is an important part of the cultural transformation that Universal Credit will bring and will place a strong focus on the responsibilities that claimants must fulfil” (DWP, 2013b).

The conditions that apply to those claiming Universal Credit is broadly similar to the current system. Individuals will be placed in one of four conditionality groups: all work-related requirements; work-focused interview and work preparation requirement only; work-focused interview requirement only; and a no work-related requirement. Under Universal Credit, sanctions for non-compliance include: failure to prepare for work; failure to actively seek work or be available to start work; failure to apply for a job, accept a reasonable job offer, or attend the new mandatory work activity (Tarr and Finn, 2012; Pennycook and Whittaker, 2012). It is expected that Universal Credit will bring new people into conditionality agreements, for example those currently in receipt of tax credits.

Claimants will be subject to four levels of sanction depending on the conditionality group they fall into (see Table 1). Claimants subject to high, medium and low level sanctions will be sanctioned an amount equivalent to 100 per cent of their standard allowance amount. Claimants subject to lowest level sanctions will be sanctioned an amount equivalent to 40 per cent of their standard allowance (DWP, 2012). The duration of sanctions under Universal Credit will be as set out in the table below, including sanctions of up to three years.

<table>
<thead>
<tr>
<th>Table 1: Sanctions Under Universal Credit</th>
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<tbody>
<tr>
<td><strong>Sanction</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>High Level</td>
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<tr>
<td>Medium Level</td>
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<tr>
<td>Low Level</td>
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<tr>
<td>Lowest Level</td>
</tr>
</tbody>
</table>

Source: DWP (2012: 57)

The rest of this paper explores the characteristics of those who are affected by benefit sanctions and looks at the potential implications of this identified in the literature.
Section 1: What are the characteristics of those who face benefit sanctions?

Summary:
- The literature suggests that those who are particularly vulnerable to sanctions are also the most disadvantaged. This includes people that lack work experience or who face practical barriers to work, such as not having access to a car. Those with health problems, including mental health difficulties, are also vulnerable to sanction.
- Young people receive a higher proportion of sanctions compared to older age groups.
- Some evidence suggests that men are more likely than women to be sanctioned. Research shows that women who have experienced domestic abuse are also disproportionately more likely to receive sanctions.
- The evidence on education and sanctions is mixed. While some studies find a relationship between low education attainment and receiving a sanction, one study found that sanctioned respondents were no more or less likely to have qualifications than their non-sanctioned counterparts.

This section looks at the characteristics of those who face benefit sanctions, identifying:
- How many currently face benefit sanctions?
- What are the socio-demographic characteristics of those particularly vulnerable to sanctions?

How many currently face benefit sanctions?
The roll out of Universal Credit is still in the early stages and statistics covering Universal Credit sanctions are not available. Therefore, the following looks at how many currently face benefit sanctions using available Jobseeker’s Allowance (JSA) data, at both Scotland and Great Britain level.

Table 2: JSA sanctions (Scotland and Great Britain)

<table>
<thead>
<tr>
<th>Year</th>
<th>Scotland</th>
<th></th>
<th>England</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of referrals with an adverse JSA sanction applied</td>
<td>Proportion of adverse referrals by total claimant count</td>
<td>Number of referrals with an adverse JSA sanction applied</td>
<td>Proportion of adverse referrals by total claimant count</td>
</tr>
<tr>
<td>Oct-07</td>
<td>3,350</td>
<td>4.9%</td>
<td>29,390</td>
<td>3.8%</td>
</tr>
<tr>
<td>Oct-08</td>
<td>3,250</td>
<td>3.9%</td>
<td>32,930</td>
<td>3.5%</td>
</tr>
<tr>
<td>Oct-09</td>
<td>4,870</td>
<td>3.8%</td>
<td>44,540</td>
<td>2.9%</td>
</tr>
<tr>
<td>Oct-10</td>
<td>8,540</td>
<td>6.6%</td>
<td>70,080</td>
<td>5.2%</td>
</tr>
<tr>
<td>Oct-11</td>
<td>5,000</td>
<td>3.6%</td>
<td>48,170</td>
<td>3.2%</td>
</tr>
<tr>
<td>Oct-12</td>
<td>6,240</td>
<td>4.6%</td>
<td>61,990</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Source: DWP Tabtool
Notes:
- The number of referrals / total claimant count, is based on the number adverse referrals shown in columns 2 and 5 divided by total claimant count stock in that month.
- October has been used as this enables the use of the most recent figures for October 2012.

As Table 2 shows, the number of adverse referrals as a proportion of the total claimant count is slightly higher in Scotland than Great Britain in the single month of October covering 2007 to 2012. This stood at 4.6 per cent in Scotland in October 2012 compared with 4.2 per cent in Great Britain in the same month.

When looking at all referrals between April 2000 and October 2012:
- Just over 30 per cent have been women (30.5 per cent in Scotland and 31.3 per cent in Great Britain).
• Young people make up the largest proportion of referrals of all age groups, showing similar patterns across Scotland and Great Britain.
• Almost a quarter of all referrals for sanctions are given to people with a disability (23.9 per cent in Scotland and 20.7 per cent in Great Britain).

A new sanctions regime was introduced on 22 October 2012. DWP have released initial statistics on JSA sanctions under the new regime. These show that:
• Broadly speaking across Great Britain the level of sanctions has remained broadly stable.
• Under the new regime, sanctions are classified as ‘low’, ‘intermediate’ and ‘high’, with different levels of sanctions applied for the different groups. Within Scotland between 22 October 2012 to 30 June 2013, the proportion of all decisions which were adverse was similar in Scotland to across Great Britain (43.0 per cent v 43.1 per cent).

Table 3 shows the proportion of all adverse JSA sanction decisions by type between 22 October 2012 to 30 June 2013.

<table>
<thead>
<tr>
<th></th>
<th>Scotland</th>
<th>Great Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>55.1%</td>
<td>53.1%</td>
</tr>
<tr>
<td>Intermediate</td>
<td>34.9%</td>
<td>37.8%</td>
</tr>
<tr>
<td>High</td>
<td>10.0%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

Notes: for a small number of sanctions the level was either not applicable or not recorded.

Of adverse JSA sanction decisions across Scotland between 22 October 2012 to 30 June 2013, 29,340 sanctions were at a low level, 18,600 at an intermediate level and 5,310 a high level. The distribution of adverse decisions by type were similar across Scotland and Great Britain.

Across Great Britain the most common reasons for adverse sanction decisions were: failed to participate in an employment programme (including Work Programme) or training schemes and not actively seeking employment. These two reasons alone account for two thirds of adverse sanctions on the new regime.

**What are the socio-demographic characteristics of those particularly vulnerable to sanctions?**

The literature suggests that those who are particularly vulnerable to sanctions are also the most disadvantaged. This includes people that lack of work experience or who face practical barriers to work, such as not having access to a car; or those with health problems, including drug and alcohol dependencies; and those with mental health difficulties (Griggs and Evans, 2010; Lee et al, 2004; Lens, 2006; DWP, 2012). Looking at the socio-demographic characteristics of those who are affected by sanction highlights differences by age, gender, ethnicity and education.

**Age**

There is a relationship between being sanctioned and age, with young claimants at increased risk of being sanctioned. Statistics from DWP on Jobseekers Allowance (JSA) sanctions by age show that claimants aged 18-24 receive a higher proportion of sanctions compared to their representation in the JSA population as a whole (DWP, 2011). This is also true for claimants of Employment and Support Allowance (ESA), with a higher proportion of young claimants receiving sanctions compared to the overall proportion of young claimants in the ESA caseload (DWP, 2012).

Literature from the United States suggests that sanctioned claimants are, on average, two years younger than the non-sanctioned, with those aged under 24 being at particular risk. This effect has also been seen in the UK, with advisors in one study suggesting that this is because younger
claimants have a more “relaxed” attitude to sanctioning, perhaps because they have financial support from parents (Griggs and Evans, 2010; Peters and Joyce, 2006).

In research commissioned by DWP to investigate the process and impact of the Jobseekers Allowance sanctions regime, young people were found to be vulnerable to sanctions, with around 46 per cent of sanctioned respondents in the survey aged 16-24. A study by Finn et al (2008) also found that 18 to 24 year olds experienced proportionately more Jobseekers Allowance and New Deal sanctions than older age groups.

**Gender**

Statistics from DWP (based on 2010/11 Jobseeker’s Allowance data) show that, compared to their representation in the Jobseeker’s Allowance population, male claimants receive a higher proportion of sanctions, whereas female claimants receive a slightly lower proportion (DWP, 2011).

Some research studies also indicate that men are more likely than women to be sanctioned (Griggs and Evans, 2010). The impacts of sanction on men is a gap in the literature. However, qualitative research commissioned by DWP to explore the effect of sanctions on lone parents (primarily women) found that those experiencing sanctions often had complex and challenging home lives, including caring responsibilities and ill health. Lone parents in the study also experienced debt, with participants having multiple loans and debts (Goodwin, 2008).

In a study of U.S. welfare, Chandler et al (2005) found that women with mental health problems were vulnerable to sanctions (Larson et al, 2011). Larson et al (2011: 182) also suggest that women who have histories of domestic violence are also disproportionately more likely to receive sanctions. This finding is reiterated by Lee et al (2004), who found that sanctioned recipients were more likely to have been in an abusive relationship during the year of their survey than those who did not report receiving a sanction.

**Ethnicity**

The UK literature on sanctions and ethnicity is limited. There may be a relationship between language barriers and sanctions for ethnic minority groups. Peter and Joyce (2006) found that white claimants in the UK had a greater awareness of the benefits system than other ethnic groups. For example, around half (47 per cent) of non-white survey respondents with literacy difficulties said they had little or no understanding of the rules they had to follow when claiming Jobseekers Allowance, compared to 18 per cent of all survey respondents.

For studies originating in the United States, there appears to be differences for sanctioned claimants by ethnic group. Research in the United States has identified a positive association between being African American and being sanctioned, with one study showing that African Americans have sanction rates that are 25 per cent higher than their white counterparts (Meyers et al, 2006 in Griggs and Evans, 2010). Schram et al (2009) also found that ethnic minority groups were more likely to receive a sanction than those from non-ethnic minority groups, suggesting that “racial minorities, especially African Americans, are more likely to be punished for deviant behaviour in the new world of disciplinary welfare provision” (Schram et al, 2009: 398).

**Education**

Lee et al (2004) found that recipients who reported being sanctioned were, on average, less educated than recipients who did not report receiving a sanction. Pavetti et al (2003) also found that sanctioned claimants were less likely to have completed high school than non-sanctioned clients.

Conversely, in their survey of Jobseekers Allowance claimants, Peters and Joyce (2006) found that sanctioned respondents were no more or less likely to have qualifications than their non-sanctioned counterparts. However, they were slightly more likely to have learning difficulties than non-sanctioned claimants (15 per cent compared with 11 per cent).
Section 2: What does the literature identify as the potential impacts of sanctions on individuals and households?

Summary:
- Research shows that claimants who face sanction are often unable to comply with conditions rather than unwilling. The reasons why claimants receive sanctions are complex and include: lack of awareness, knowledge and understanding of sanctions; practical barriers and personal barriers.
- The evidence around the potential impacts of sanctions is mixed. In the short-term, sanctioned claimants can experience positive outcomes in terms of looking for work; leaving unemployment and entering employment. However, individuals do not usually enter ‘sustainable employment’ and they tend to have low earnings. Further negative outcomes over the long-term term include: debt and hardship; poor physical and mental health; negative impacts on children; potential impacts on crime; and entering informal work.

This section explores the potential impacts of sanctions on individuals and households as identified in the literature. It is focussed around the following themes:
- The theoretical approach to sanctions
- Sanctions process
- Perceptions of sanctions
- Reasons for receiving sanctions
- State of the evidence base
- Positive outcomes (for claimants)
- Negative outcomes (for claimants)

The theoretical approach to sanctions
Sanctions can affect claimants in different ways. Theory points to there being four different types of sanction effect. These are grouped under: type of sanction; type of effect; the timing of effect; and the type of outcome.
- The type of sanction relates to whether the sanction results from an administrative failure or from a behavioural ‘misdemeanour’ (such as not ‘actively looking’ for work).
- Type of effect is about whether the sanction results in lower levels of spending on benefit entitlement or a change in the behaviour of claimants.
- The timing of effect is whether the impact is created before the claim (that is benefit conditions with sanctions attached may deter potential claimants, i.e. “take-up effects”), by the threat of a sanction (‘threat effects’) or by the sanction itself (as a reaction to being sanctioned – ‘imposition effects’).
- Type of outcome relates to whether the impact is short-lived and limited, or is sustained over the longer term (Griggs and Evans, 2010).

Related to this theoretical approach, the literature also discusses the justification that is given for imposing sanctions, which focuses around: equality; efficiency and effectiveness. As Griggs and Evans (2010) explain, equality-based justifications are based on the notion that sanctions ensure that claimants cannot ‘opt out’ of programmes that are designed to benefit them. Efficiency-based arguments suggest that sanctions are efficient because job search is ‘optimised’ and they encourage a greater level of compliance. Justifications around effectiveness are centred around the idea that sanctions will be effective in moving claimants from unemployment to work.

Sanctions process
One way in which sanctions can affect individuals is through the sanctions process itself. The main issue with the sanctions process identified in the literature is discretion of advisers and the input of staff.

Through in-depth interviews with sanctioned recipients, Lens (2008) found that the discretion of staff has an important role in how sanctions are applied. She suggested that staff may help those who they think will succeed, while treating harshly clients who they deem to be “troublesome”.
This might mean, for example, that staff ignore a violation, such as a missed meeting, if the client is perceived as generally cooperative (Lens, 2008).

Grant (2013) also found that staff use discretion when applying sanctions. The main finding from their qualitative (interview and observational) research was that there was not an equal power relationship between benefit claimants and staff. They found considerable difference in the amount of sanctions reported in two Welsh study areas. In area one, staff said that they used sanctions at least once a month. In area two, sanctions were very rarely used. Advisers here would attempt to contact claimants informally before beginning the “official response” to non-compliance. They were seen to be “sympathetic” to the reality of living on benefits and were reluctant to use sanctions. Grant (2013) concluded that discretion at either the adviser level, or the local managerial level, led to the difference in sanctions practices. Lens (2006), through a U.S. based study, also finds that the “culture of welfare offices” is important and can have an impact on the sanctions process.

This finding is reiterated from interviews and focus groups by Finn et al (2008), who found that different advisers had different interpretations of what warranted a sanction. For example, while one level of activity was considered acceptable by one adviser, it was seen to be deserving of sanction by another.

In qualitative research commissioned by DWP, staff also highlighted the important role of the adviser in the sanctions process. They suggested that the input of the adviser should be taken into greater account when reviewing the reasons as to why a claimant had failed to comply. Staff suggested that there is a lack of flexibility around the sanctions process and in terms of acknowledging reasons why claimants may face sanction (Rotik and Perry, 2012). Recognising that the sanctions process has an impact on claimants is important when thinking about impacts.

**Perceptions of sanctions**

How staff and benefit recipients perceive sanctions is also helpful in understanding their impact. There are both positive and negative perceptions of sanctions in the literature.

In order to understand perceptions of Universal Credit, DWP funded a programme of qualitative research, which included focus groups and interviews with claimants, the public, employers and DWP/HMRC staff. Participants felt that sanctions were needed to help ensure commitment to obligations, with some suggesting that sanctions could show that Universal Credit is a new system and that it is not “business as usual”. Overall, sanctions were perceived as being positive, as long as they targeted those who were intentionally “flouting” the system in some way. It was also seen important that sanctions strike the right balance between toughness and fairness (Rotik and Perry, 2012).

Peters and Joyce (2006) also found some positive perceptions of the sanctions regime, this time with reference to sanctions under Jobseeker’s Allowance. Through a combination of quantitative and qualitative research they found that around three quarters of customers thought that sanctions was a fair concept and, even amongst those sanctioned, around two fifths thought that their own sanction was fair.

DWP (2013d) have reported on their first phase of their longitudinal evaluation of the Universal Credit pathfinder. This research finds that ‘the vast majority of Universal Credit claimants were able to identify conditions that may lead to Universal Credit being reduced or stopped’.

Despite these positive perceptions of sanctions, research also indicates that there exists negative perceptions of the sanctions regime. Such negative perceptions are focused around the complexity of the sanctions process (Finn et al, 2008). For example, an evidence review by the Joseph Rowntree Foundation (JRF) found that the use of sanctions in the benefits system is complex and that requirements and regulations are often too difficult for both staff and claimants to understand (Tarr and Finn, 2012).
Qualitative research by Peters and Joyce (2006) found that customers were often confused about their own experience of the sanctioning process, including why they had been referred for sanction in the first place and the decisions that had been made as part of the process. Jobcentre Staff also said that although they try to ensure that rules around sanctions are clearly explained to customers, the complexities and level of detail in the system makes it difficult to do this comprehensively.

Reasons for receiving sanctions
Research shows that claimants who face sanction are often unable to comply with conditions, rather than unwilling (Lens, 2006). The reasons why claimants receive sanctions are complex and can be grouped around: (1) awareness, knowledge and understanding of sanctions; (2) practical barriers; and (3) personal barriers.

Awareness, knowledge and understanding
While non-intentional behaviour, such as forgetfulness, is highlighted in the literature as a reason why claimants might not attend mandatory appointments and hence face sanction (Griggs and Evans, 2010), awareness, knowledge and understanding of the sanctions process itself acts as a barrier to complying with the conditions of benefit receipt.

Benefit claimants often demonstrate low levels of awareness of sanctions, with qualitative evidence suggesting that claimants only have a limited understanding of the sanctions system (Griggs and Evans, 2010). Some individuals are not aware of the threat of sanction, with some reporting that they did not receive their sanction or appointment letters (Abriring et al, 2005; Lens, 2006). Even where claimants are aware that sanction may be possible, they do not understand the conditions of their benefit, when a sanction could be imposed or how a sanction decision could be reversed. They also do not understand how the penalty could have been avoided (Peters and Joyce, 2006).

For example, Peters and Joyce (2006) found that while around 76 per cent of respondents to their survey were aware that sanctioning would apply if a claimant did not agree to certain conditions, they were unaware of the specific details of the regime, such as the length of the sanction or the amount or type of benefit to be affected. They also found that when sanctioned customers were asked how they could have avoided their sanction, around 23 per cent said that it could not have been avoided and around 21 per cent were unsure how avoiding a sanction would have been possible. Qualitative findings from interviews with Jobseeker’s Allowance and New Deal customers confirmed that participants felt that they did not know about the sanction in advance in order to avoid it. Furthermore, around six per cent of sanctioned survey respondents said that they did not know why they had been sanctioned and a further 18 per cent gave reasons that could not be classified into the main list of sanctionable offences.

Using the Illinois Families Study, a longitudinal U.S. study designed to assess the outcomes of families affected by welfare reform in the United States, Lens et al (2004) found that greater knowledge of the rules of welfare is associated with a greater likelihood of being off welfare, being employed and having higher earnings.

Barnes et al (2010) undertook a survey to explore the experiences of Employment and Support Allowance customers. They found that awareness of sanctions was widespread, but knowledge of how they applied was not always accurate. For example, customers thought that their benefit would be stopped rather than reduced if they failed to attend a Work Focussed Interview.

Overall, although claimants may be aware that sanction is possible, they do not have the knowledge or understanding of how the sanctions regime could affect them. Griggs and Evans (2010) argue that this is important because claimants who do not know what is expected of them and what will happen if they fail to meet expectations are effectively being punished for a lack of understanding rather than deliberate non-compliance.
Practical Barriers
A further reason why claimants may receive sanction is because of practical barriers to engagement with the sanction process. The research identifies three main practical barriers that claimants may face: limited or no access to transportation; not having access to a telephone or the internet; and childcare (Griggs and Evans, 2010; Peters and Joyce, 2006; Lens, 2006).

Personal Barriers
In addition, personal barriers, such as family challenges and chaotic lifestyles can make it difficult for people to engage with the benefit system. Personal barriers have been associated with higher sanction likelihood, in particular where substance misuse and domestic violence is present (Griggs and Evans, 2010).

In a study of sanction recipients in the U.S., Shaw et al (2009) found that poor health and medical problems were common amongst focus group participants and was an important reason for noncompliance with benefit conditions and the consequential sanctions. Mental health difficulties were also highlighted in research by Barbing et al (2005), where Jobcentre Plus staff reported that challenges around mental health meant that sanction letters could be left unopen.

The empirical evidence base
As noted above, the theory suggests that there are four different types of effect that sanctions can potentially have on claimants, according to type of sanction, type of effect, timing of effect and type of outcome. Despite this, empirical studies tend to focus on the post-claim impacts of sanctions. The effects of sanctions on the behaviour of the claimant population in general is a gap in the evidence base (Griggs and Evans, 2010; DWP, 2010).

Empirical evidence also finds mixed findings around the impact of sanctions on the individual over time. Sanctioned claimants experience different outcomes in the short- and long-term. As Tarr and Finn (2012) note, evidence on sanctions is mixed and sanctions do not necessarily lead to positive behavioural change. While short-term impacts tend to be positive, evidence on the longer-term outcomes for sanctioned claimants suggest that these are poor. For example, findings from evaluations in the U.S. suggest that while sanctions increase exit from benefit in the short-term, over the long-term they have negative effects on earnings, job quality, wellbeing and crime rates (Griggs and Evans, 2010).

Positive and negative outcomes for sanctioned claimants are discussed further in the sections that follow.

Positive outcomes (for claimants)
In the short-term, evidence suggests that sanctions can contribute to positive outcomes in terms of looking for work; leaving unemployment and entering employment.

Looking for work
Peters and Joyce (2006) found some evidence that claimants increase job search efforts in order to avoid a sanction. Around two-fifths of survey respondents said they were more likely to look for work as a result of a benefit sanction. Through qualitative research, Peters and Joyce (2006) also found that sanctions encouraged some customers to find work.

Leaving unemployment
Evidence from the US suggests that the most severe sanctions result in reductions in benefit caseload, hence contribute to recipients leaving unemployment (for example, Lee et al, 2004). Looking across five studies, Griggs and Evans (2010) find that the most severe sanctions produce the largest decline in caseload – an average decline of 25 per cent on benefit caseload.

Entering employment
Some short-term studies also find that sanctions can reduce unemployment duration, that is the period on benefits, and increase employment entry rates (Griggs and Evans, 2010). Through analysis of an administrative dataset of individuals on unemployment benefit in the Netherlands,
Abbring et al (2005) find that when a sanction is imposed, the transition rate from unemployment to employment increases, concluding that sanctions raise individual re-employment rates. For example, they found that sanctions increased individual re-employment rates by around 58 per cent for males and 67 per cent for females. They suggest that this may be because of a decrease in unemployment benefit levels and the increase in job search activity.

**Negative outcomes (for claimants)**

Despite positive outcomes for sanctioned claimants identified in the literature in the short-term, over the longer-term, negative outcomes exist. These include: individuals do not tend to enter ‘sustainable employment’; they have low earnings; experience debt and hardship; poor physical and mental health; there are negative impacts on children; potential impacts on crime; and an increase in informal work.

Do not enter ‘sustainable employment’:
An important finding from the literature is that where people enter employment having experienced sanction, they do not tend to enter sustainable employment. Employment is likely to be temporary, with individuals experiencing job instability.

Arni et al (2009) explore the longer-term impact of sanctions on job stability and subsequent earnings. By analysing Swiss administrative data, they find that sanctions lower the quality of post-unemployment jobs in terms of job duration. They also investigate ‘good’ jobs (full-time permanent positions) and ‘bad’ jobs (part-time / temporary positions) and suggest that receiving a sanction warning letter will push claimants into looking for ‘bad’ jobs rather than no job. Actual benefit reduction led to faster exit from unemployment benefit but also tended to reduce the duration of employment. Individuals who accepted a ‘bad job’ were more likely to leave this job and return to unemployment in the future.

There are also potentially negative impacts for employers. Qualitative research undertaken on behalf of DWP found that some employers reported concern around taking poor quality candidates if they are ‘forced’ to apply for and take jobs they do not want.

**Lower earnings:**
The analysis by Arni et al (2009) also found that sanctioned claimants experience lower earnings than non-sanctioned claimants. They found that sanctions have a negative effect on earnings in the first month after leaving unemployment and that these negative effects persist over two years. Arni et al (2009) conclude that the “net effect of a benefit sanction on post-unemployment income is negative”.

Lens (2006) and Lee et al (2004) also found an association between being sanctioned and lower earnings. Using the Illinois Families Study (a longitudinal study with around 1,123 respondents), Lee et al (2004) found that those who were sanctioned earned, on average, around $1,320 less in the last two quarters of the study period than those who were not sanctioned. The study ran from January 1999 to March 2001.

**Debt and hardship:**
Debt and hardship are further negative outcomes identified in the literature with regards to the impact of sanctions (see for example, Goodwin, 2008; Tarr and Finn, 2012; Griggs and Evans, 2010; Manchester CAB Services, 2013). Sanctioned participants in research by Peters and Joyce (2006) reported hardship, which made it difficult for them to meet household expenses, such as housing costs and utility bills.

Lee et al (2004) and Pavetti et al (2003) found that around 21 per cent of sanctioned claimants had their utilities disconnected compared to 9 per cent of non-sanctioned claimants; and around 50 per cent of sanctioned claimants said they were more likely to experience hardship in the future compared with 25 per cent of non-sanctioned claimants (Griggs and Evans, 2010). Through interviews and deliberative research with tax and benefit claimants, Finn et al (2008) also found
that sanctioned participants struggled to manage on a reduced income, again they found the payment of utility bills difficult.

In their quantitative analysis of the Illinois Families Study, Lee et al (2004) found that sanctions have a strong relationship to increased food hardship. Those who were sanctioned were three times more likely to report food hardship than those who were not. Using panel data from the U.S. Women’s Employment Survey, Kalil et al (2002) found that being sanctioned is associated with an increased likelihood of encountering hardship and expecting to encounter hardship in the near future.

Participants in DWP’s qualitative research also suggested that a risk of sanction has a possible knock-on effect on increased demand for crisis loans (Rotik and Perry, 2012). Increased demand on food banks is also highlighted as a possibility in the literature (Citizens Advice Scotland, 2012).

**Physical and mental health:**
The impact of sanctions on people’s physical, and to a greater extent, mental health is discussed in the literature. Qualitative research suggests that stress caused by a sanction could result in physical health difficulties, such as aggravating existing health conditions, as well as causing new problems such as disturbed sleep patterns and weight loss (Peter and Joyce, 2006; Finn et al, 2008; Manchester CAB Services, 2013).

Qualitative research also indicates that sanctions can impact on a claimant’s emotional health. Feelings of anger, humiliation, fear, depression, and anxiety were experienced on the imposition of a sanction, impacting negatively on a claimant’s self-esteem (Griggs and Evans, 2010). In their qualitative research Finn et al (2008) found that lone parents were particularly affected by the emotional impacts of sanction and suggest that this is because of the result of coping with a sanction alongside caring for children.

**Family and impacts on children:**
The literature does highlight the potential impact of sanctions on children and families (see for example, Manchester CAB Services, 2013). Moore et al (2012) analysed data from a longitudinal study of New Jersey welfare recipients who began receiving benefits in the 1990s and followed them through to the early 2000s. Five annual surveys were conducted with a cohort of around 2,000 benefit recipients. They found evidence of sanctioned families becoming “disconnected” from employment and welfare: sanctions were found to triple the risk of becoming disconnected from the labour market, welfare and other financial support. Acs and Loprest (2007) (in DWP, 2010) found that around 20 per cent of U.S. welfare leavers were ‘disconnected’, that is they were not working, were without a working spouse and had no cash assistance.

In their UK-based research, Peters and Joyce (2006) found that sanctions placed a strain on some relationships and children were thought to pick up on the emotional anxiety of parents. The negative impact of sanctions on children has also been identified in US-based research. Lohman et al (2004) studied low income families in three cities in the U.S., examining whether mothers’ experiences of welfare sanctions were related to child wellbeing. They found that the experience of sanctions is particularly problematic for young children’s development and found a negative link between sanctions and young children’s wellbeing. For example, through multivariate analysis, they found that:

- preschoolers in sanctioned welfare families display lower quantitative skills than those in nonsanctioned families;
- preschoolers from sanctioned families have lower reading scores than those from nonsanctioned families; and
- preschoolers of mothers who left benefits and were sanctioned have higher behaviour problems than their nonsanctioned peers.

A further U.S. study, using administrative data from the Minnesota Department of Human Services and Education from January 2005 to December 2006, investigated the relationship between family sanctions and educational outcomes for school-aged children (Larson et al, 2011). Larson et al
(2011) found that children whose families did not experience any sanction in the study period had significantly fewer school disruptions than children from families with at least one sanction. Children from non-sanctioned families also had slightly higher mean attendance ratios for the school year than children from families with at least one sanction. Larson et al (2011: 197) conclude that “the challenges experienced by families that result in sanction may also be highly correlated with negative education outcomes for children”.

Crime (and harmful behaviours):
There is some, though limited, evidence that sanctions may have a potential impact on crime and other harmful behaviours. One Australian survey indicates that sanctions prompted some claimants (13 per cent) to increase potentially harmful behaviours, such as alcohol or drug use (Eardley et al, 2005 in Griggs and Evans, 2010); and, as Lens (2006) explains, another study found that sanctions are associated with illegal activities, such as begging and stealing (Cherlin et al, 2002).

Griggs and Evans (2010) suggest that sanctions have impacted unfavourably on crime rates. They highlight Machin and Marie (2004), who found high property crime rates in areas that had sanctioned individuals. The effects were found to be persistent for two years.

Informal work:
A further potential impact of sanctions on individuals is the increase in informal work. Lee et al (2004) found that sanctions were related to an increased likelihood of informal work – which they defined as work that is absent from official records, such as “cash in hand” or “one-off” jobs. They find that threats to sanction have a stronger association with informal work than imposed sanctions and that sanction are associated with less formal work behaviour.

Other negative outcomes highlighted in the literature:
Further negative outcomes as a consequence of sanction identified in the literature are:

- motivation: sanctions may encourage participation in work but do little to change claimant motivation (Peters and Joyce, 2006; Griggs and Evans, 2010); and
- hostility towards services: those who felt pressure to work and attend work-focussed interviews, developed negative views about work and were resistant towards support services (Griggs and Evans, 2010).
Section 3: Policy implications of evidence on sanctions

Summary:
- The literature identifies some groups of claimants that might be particularly vulnerable to sanctions and for whom support to cope with a tougher sanctions regime may be required. This includes lone parents and their children. Targeting such groups with early intervention strategies is highlighted as important in the literature.
- Commentators raise concerns around the ability of sanctions to operate as intended. Recommendations in the literature are focused around: clear communication; and fairness and flexibility.
- Clear communication of the sanctions regime was highlighted as essential in successfully using sanctions as a deterrent. Providing claimants with specific and relevant monetary examples of how much they would lose was identified as a helpful way to encouraging compliance with the new regime.
- A sanctions regime that is fair and flexible is also identified as important in the literature, with recommendations that sanctions should be individualised, taking into account the client’s circumstances and previous work behaviour.

This section addresses the policy implications of the evidence on sanctions, as discussed in the literature. It covers the following themes:
- Vulnerable claimants
- Support for claimants
- Support for staff
- Recommendations in the literature

Vulnerable claimants
The literature identifies some groups of claimants that might be particularly vulnerable to sanctions, including lone parents and children, and for whom support to cope with a tougher sanctions regime may be required.

Lohman et al (2004: 68) in their U.S. study on welfare sanctions conclude that “children in disadvantaged families, especially those who have experienced welfare sanction, require national attention”. They propose that this could be achieved through additional support programmes, better access to psychological services and after-school programmes.

Tarr and Finn (2012) define vulnerable groups as including: young people, those with low qualifications, those with practical barriers to employment such as childcare and transport costs, those with health problems. They also highlight that homeless people are vulnerable to sanction, reporting front-line evidence from Citizen’s Advice that found that sanctioning of their homeless clients was common; only 20 per cent reported no sanctions over a 12 month period in 2011.

Lens (2008) undertook in-depth interviews with sanctioned recipients in the U.S. and found that there were two groups of claimants:
- Short-term sanctioned claimants who were job ready and willing to work; and
- Long-term sanctioned claimants who faced multiple disadvantages.
It is the latter group who require the most support to move to a positive outcome.

In their study of Jobseeker’s Allowance customers, Peters and Joyce (2006: 50) concluded that there was “a core group of customers who would benefit from improved communication of the sanctions regime”. These were people with English for Speakers of Other Languages (ESOL) needs, literacy needs and learning difficulties.

The literature also suggests that those with dependents and/or no sources of other income (such as savings or family support) will especially ‘suffer’ as a result of being sanctioned (Griggs and Evans, 2010). Lone parents are identified as one group that are at particular risk at being vulnerable to the impacts of sanctions (DWP, 2010). Goodwin (2008) undertook 40 interviews with
lone parents and conducted focus groups with Jobcentre Plus staff to explore the effect of benefit sanctions on lone parents’ employment decisions. Many reported difficult financial circumstances and did not have a high awareness of the amount of benefit that they should receive. Imposing a sanction only had a negligible effect on lone parents’ employment decisions. Only a very small number of participants said that the risk of, or implementation of, a sanction ‘may’ make a difference to their job-seeking behaviour. There existed a number of domestic challenges for the lone parent group, including caring responsibilities and health issues. Most lone parents in the study said that they wanted to work, at some point in the future. Some of those interviewed experienced health problems, including mental health issues. Focus groups with Jobcentre Plus staff reiterated findings from the interviews, with staff observing that the sanction regime does not encourage lone parents into the jobs market.

In their U.S. study using data from the 2002 National Survey of America’s Families, Lee and Yoon (2008) also conclude that a strict sanctions regime is not “effective policy for vulnerable welfare recipients such as single mothers without child care support.”

**Behavioural responses to sanctions**

Vulnerable groups of claimants use a variety of responses to deal with sanction. In Goodwin’s (2008) qualitative research, claimants reduced spending on basic provisions or borrowed money from family and friends. Griggs and Evans (2010) report that family and friends provide regular practical and financial support, helping to alleviate some of the impact of sanctions. There was low awareness of crisis loan or hardship fund money and sanctioned claimants were more likely to seek loans from informal sources, usually family and friends.

Participants in qualitative research by Peters and Joyce (2006) adopted a range of different mechanisms to cope with sanctions: financial and emotional support from family and friends; financial loans; other benefits and allowances; and spending savings. Finn et al (2008) also found that, where it was possible, groups of sanctioned claimants coped by borrowing money from family and friends, or obtaining bank loans or crisis loans.

Claimants that are particularly vulnerable to sanction will require support to cope with any new sanction regime. Pavetti et al (2003) recommending that administrative and survey data should be used to help identify those ‘at risk’ of being sanctioned and that such groups should be the focus of early intervention strategies.

**Support for claimants**

With reference to Universal Credit, Tarr and Finn (2012: 11) argue that “the move towards a tougher sanctions regime… should be accompanied by sufficient and appropriate support to help people meet the terms of their entitlement”.

Suggestions around support for sanctioned claimants made by respondents in Rotik and Perry’s (2012) qualitative research programme included:

- Job-related commitments should be appropriate and reasonable (for example, appropriate hours to meet caring commitment or reasonable travel distance from home) and focused on jobs appropriate to the claimants’ qualifications and experience.
- First-time failure to meet conditions should be warnings and sanctions should only be implemented for subsequent failures.
- The system should provide opportunity for claimants to explain themselves and legitimate reasons should be taken into account; and
- Food vouchers should be provided to children in disadvantaged families who may suffer as a result of sanctions.

Rotik and Perry (2012) found that respondents would like specific and relevant monetary examples of how much money they would lose if they faced sanction. Both staff and claimants felt that having a clear understanding of how much money they would lose, would be a helpful way of encouraging compliance with the new sanctions regime. Staff believed that both face-to-face and online channels were needed to communicate information about sanctions; with the face-to-face
channel in particular seen as a potentially helpful way to ensure that claimants fully understood the sanctions regime.

A system that supports claimants by providing reminders is also highlighted by participants in Rotik and Perry's (2012) research. Staff in their study reported that one of the most common reasons for sanction is around failing to attend an appointment and were critical of the system’s failure to provide reminders.

**Support for staff**
The support of staff is also highlighted as important in the literature, both in terms of communicating requirements to clients and also through signposting to support services that sanctioned claimants may require (DWP, 2010).

Citizen’s Advice Scotland (2012) recommends that staff have clear guidance and training to ensure that they only impose sanctions in appropriate circumstances, and that they are able to recognise where sanctions may lead to hardship for the claimant. The work load for benefit advisers is also highlighted as an issue in the literature. Pennycook and Whittaker (2012) question the ability of Jobcentre Plus staff to be able to help claimants prepare for work due to work load and resource implications (that are the consequence of the economic downturn and fiscal pressures). They also express concern around the ability of an online system to determine whether a reduction in working hours was the decision of the employee or the employer.

**Recommendations in the literature**
Commentators raise concerns around the ability of sanctions to operate as intended (Griggs and Evans, 2010; Arni et al, 2009). Some provide recommendations for an improved sanctions regime, which are focussed around: clear communication; and fairness and flexibility. The latter being related to personalisation and tailoring support to individual claimants’ circumstances.

**Clear communication**
The sanctions regime must be clearly communicated to clients. For example, communication of the sanctions regime was highlighted as essential in successfully using sanctions as a deterrent in Peter and Joyce’s (2006) research, while Lee et al (2004:  398) concluded that “efforts to enhance recipients understanding of the sanctions regime may increase compliance with the stated goals of the reform.” Rotik and Perry (2012:  18) also conclude their research by stating “the way sanctions are presented and communicated will be vital and a continued focus on getting this aspect right is likely to be required”.

The Cabinet Office Behavioural Insights team (2012) reiterate this message of clear communication. They describe seven steps to reduce fraud, error and debt, based on the evidence from behavioural science. These are:

- make it easy for people (for example, by populating a form with information already held in the system);
- highlight key messages (draw people to important actions required by highlighting these upfront in a letter);
- use personal language (personalise language so that people understand why a process is important to them);
- prompt honesty at key moments (for example, when filling in a form or answering questions);
- tell people what others are doing (highlighting the positive behaviour of others);
- reward desired behaviour (for example, by using incentives if possible); and
- highlight the risk and impact of dishonesty (emphasise risks and consequences).

**Fairness and flexibility:**
A sanctions regime that is flexible and fair is identified as important in the literature. For example, participants in Rotik and Perry's (2012) research expressed a preference for progressive sanctions (that is sanctions that start with minor penalties); and a system that recognises genuine reasons for non-compliance.
Flexibility was another issue highlighted by Rotik and Perry (2012), with respondents pointing to a lack of flexibility in terms of staff acknowledging legitimate reasons for the claimant limiting their job search activity. Lens (2006) also found that sanctions should be not be applied to rigidly and bureaucratically, reiterating the message of flexibility when supporting claimants and proposing that sanctions should be individualised, taking into account the clients circumstances and previous work behaviour.

Welfare Analysis
December 2013
Annex A: Methodology used

The research questions addressed in this paper were:
- What are the characteristics of those who face benefit sanctions?
- What does the literature identify as the potential impacts of sanctions on individuals and households?
- What are the potential policy implications of the evidence on sanctions?

It is based on a review of the literature. The databases used to search for relevant literature were:
- The Knowledge Network;
- Ingenta Connect;
- EBSCO Host;
- Idox;
- ProQuest; and
- Web of Knowledge.

The search was limited to English language texts, although there was no limit set by date or country. Search terms adopted as keywords were: "Universal Credit" AND sanction*; Benefit* Sanction*; Benefit* AND Sanction*; Sanction*; "Sanctions regime"; “Financial Sanction*”; Sanction* AND outcomes; Sanction* AND behaviour; Sanction* AND “behaviour change”; Conditionality; In-work conditionality; Claimant commitment; Compliance OR Non-compliance; “Benefit Obligations”; Benefits AND penalties; “Financial hardship”; “Hardship payments”; Sanctions AND “vulnerable claimants”; “Emergency Financial Support”; “Jobseekers Allowance” AND Sanctions; Sanctions AND typologies; Sanctions AND incentives; “Decision making” AND appeals; Sanctions AND “civil penalties”; (High OR medium OR low) AND level AND sanctions; Sanctions AND employment Sanctions AND “employment outcomes”; Sanctions AND “employment rate”; Sanctions AND “employment quality” OR “job quality”; Sanctions AND crime; Sanctions AND (health OR “mental health”); Sanctions AND (anxiety OR stress OR worry); Sanctions AND “family breakdown”; Sanctions AND worklessness outcomes; Sanctions AND earnings; Sanctions AND hardship; Sanctions AND debt; Sanctions AND “benefit fraud”; Sanctions AND interventions; Sanctions AND (training OR “advisory services” OR “job coaching”); Sanctions AND bureaucracy.

In addition, statistics on sanction rates were analysed by colleagues in the Labour Market Statistics branch.

The evidence was collated and reviewed for relevance. Key messages from the literature were identified and organised in to themes. It is this thematic analysis that forms the basis of this report.


DWP (2013d) *Universal Credit pathfinder evaluation: interim results from the Universal Credit claimant survey, wave 1*. Department for Work and Pensions.


