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BRIEFING

Falling through the cracks

The widening gap between unemployment and benefit statistics

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Summary

The UK's welfare system is on the cusp of a new era, with Universal Credit (UC) beginning its final stages of implementation. Repeated delays mean it is likely to be the early-2020s before roll-out is completed, but the system is already close to being fully in place for relatively straightforward claims for unemployment support. This change arrives during a period in which the labour market too is altering: employment is at a record high and the unemployment rate hasn't been lower for four decades. Yet wage growth is weak and there are question marks over the quality of some of the jobs being created.

Given this context, it is worth re-examining the 'claimant gap' that exists between the number of people reporting they are unemployed on the official measure (which follows an International Labour Organisation (ILO) definition) and the number claiming unemployment benefits. It's a gap that has been growing since the late-1990s – there are now twice as many unemployed people as claimants – but in recent years it has started to narrow.

If you take the gap at face value, there are at least three potential interpretations. Most positively, it might be a function of people's ability to quickly move back into work – before any interaction with the state becomes necessary. More benignly, it might reflect the fact that some members of the unemployed population judge themselves not to need help. A final, more worrying, take is that the claimant gap implies that some people are missing out on much needed financial and practical support.

Historical trends suggest all three explanations have applied at different times, with the nature of the gap likely to have shifted in recent years. In part that's thanks to a change in the profile of ILO unemployment. Two-fifths of ILO unemployed people have other avenues of support today (including living with a working partner or living at home with parents), up from around one-quarter in 1996. The number of people flowing directly into employment from inactivity has also been increasing: the traditional transition from inactivity to work via a period of unemployment appears to have accelerated, if indeed it remains in place at all. Changes in government policy are also at play, with more intensive work search requirements and sanctioning discouraging unemployment benefit claims. The arrival of UC also spreads interaction with the state beyond the out-of-work to lower earners as well.

Taken together, the changing nature of both unemployment and government support mean changes in the claimant gap are increasingly difficult to interpret. The metric has lost power as an indicator of the health of the labour market or how effectively the government is targeting support. A third (35 per cent) of self-reported unemployment benefit claimants are either inactive or working.

With the claimant gap no longer providing an especially useful indication of unmet need, new metrics are needed. We looked at those most likely to require financial or practical support among job seekers or people on very low pay and found that almost one-in-three (30 per cent) currently receive no help from the state. These outcomes are concentrated among people aged 55 to 64 and, increasingly, younger (under-35) men.

With UC roll-out continuing, both the DWP and the ONS must ensure they provide an appropriate suite of measures to monitor the effectiveness of the state at targeting support on those who need it. Improving the ability to identify families eligible for support with household survey data to compare to numbers in receipt of support is key. That means improvements in survey data collection and in the information collected by the DWP about UC recipients.

The UK has twice as many unemployed people as it does claimants of unemployment benefit, but interpreting what the 'claimant gap' signifies is difficult

A large part of any welfare system is designed around unemployment: helping people to find employment alongside supporting them financially while they are out of work. But 'unemployment' can be measured in different ways, with two main alternatives. The first is the International Labour Organisation (ILO) unemployment measure – a count from household survey data^[1] of people who are 'actively seeking work' in the last four weeks, or available to work if a job become available in the next two. The second is the claimant count – the number of people claiming unemployment benefit at a given moment (previously Jobseekers Allowance (JSA) but increasingly part of Universal Credit (UC)).

There is understandable interest in the relationship between these two counts of unemployment, with the latter often assumed to be a sub-set of the former.^[2] Determining quite what a given divergence – the 'claimant gap' – means is difficult however, with three possible interpretations.

One possibility is that it identifies those unemployed people who are 'passing through' at pace: that is, they move into work too quickly to need or qualify for support from the state. Alternatively, the claimant gap may reflect the fact that some members of the unemployed population have access to other financial resources which mean they again don't need or qualify for state assistance. A final, and more worrying, interpretation is that there is unmet need: that is, some people might be missing out on the financial and practical support they need from the state.

In practice, all three potential explanations are likely to be at play to some extent in different periods. Given that the first two are relatively benign, the claimant gap is not necessarily the red flag it is sometimes assumed to be. Indeed, we might even conclude that 'too small' a difference would be indicative of a state that is doing more than it should – after all, surely not *every* job-seeker needs financial support? Clearly however, 'too large' a gap would imply that the welfare system is failing to support a significant portion of the unemployed population.

Unpicking precisely what a country's claimant gap is telling us is therefore very important. But measuring the size of the claimant gap and monitoring trends over time should at least provide us with a useful early warning of any issues related to the interaction of the labour market and the welfare state.

Yet the nature of the claimant gap in the UK, and therefore its usefulness as a measure, has shifted significantly in recent years. The scale of the gap is large – around 1.5 million people were ILO unemployed in June 2017, almost double the claimant count number of roughly 800,000^[3] – but interpreting precisely what this means is even harder than usual. That's in part because of significant changes over the last two decades both in the nature of the groups captured within traditional measures of activity in the labour market and the role of state support. We look in some detail at these drivers of change in this briefing note, and make the case for improving the way in which we measure unemployment and need in the UK.

[1] Primarily the *Labour Force Survey*, the main employment focused household survey conducted by the ONS.

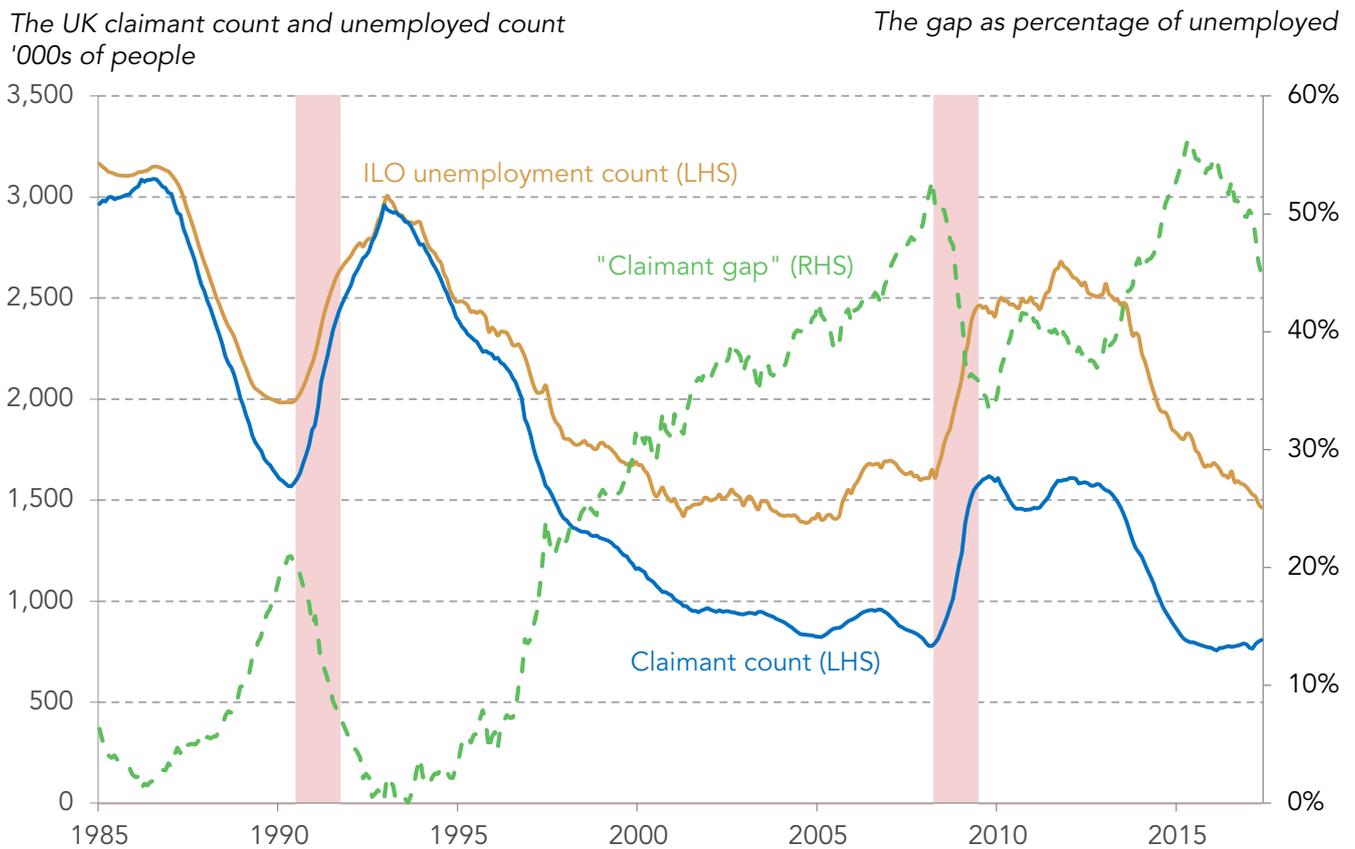
[2] This is not the case because of differences in the precise definition of whether someone is unemployed for the purposes of the ILO measure or eligible for unemployment benefit, though historically it has been assumed these differences are minor. A further minor discrepancy arises due to the time period of measurement, the ILO measure relates to calendar quarters, the claimant count a snapshot taken each month.

[3] ONS, *UK labour market statistics 2017*

The claimant gap has grown markedly in recent years, but has been shrinking since 2015

Over a longer period, Figure 1 shows that the two counts of unemployment have broadly moved in tandem following the macro-economic cycles of the nation (for example, high unemployment meant both increased during the financial crisis). Nevertheless, a gap between the two measures is apparent, and it is one that has shifted in size over time.

Figure 1: The claimant count follows the same macro-trend as ILO unemployment



Source: Resolution Foundation analysis using ONS, Labour Force Survey, Claimant count

As unemployment spiked following the early-1990s recession, so the ILO unemployment and claimant count figures reached broadly similar levels. As unemployment started to fall from around 1993 however, the two measures began to diverge. The introduction of Jobseekers Allowance and increasingly intensive forms of job-seeking activity for claimants from the mid-1990s (see Box 1) provoked a period in which the claimant count fell more sharply than the ILO number.

It is also important to note how the absolute gap between the number of ILO unemployed and the claimant count compares with the claimant gap measured as a share of ILO unemployed. For example, following the financial crisis an increase in both the ILO unemployed and claimant count numbers meant that the absolute gap remained broadly stable. However the proportional gap narrowed, suggesting that a far greater share of the newly unemployed on the ILO measure made a claim for unemployment benefit.

The proportional gap has subsequently increased again, rising back to the pre-financial crisis rate. That's probably to have been expected, given the strong employment growth of recent years. Less clear or expected is the more recent narrowing of the gap, produced by a combination of a fall in ILO unemployment but a levelling off of the claimant count. As we discuss below, the shifting pattern is a product of a number of simultaneously-acting factors.

i Box 1: UK unemployment policy reforms

Since the introduction of Jobseekers Allowance in 1996 a series of reforms to the out-of-work benefit system has produced a gradual increase in 'activation' policy – that is, greater requirements on individuals to prepare or look for work combined with support to do so. Claimants are expected to undertake job-search or preparation activities in return for their entitlements. Ultimately support can be suspended or reduced (*sanctioned*) if claimants fail to meet these requirements.

Job preparation and search activity has also been extended to groups beyond the unemployed, into inactive groups such as primary carers of young children or people with disability. The introduction of such action since the mid-2000s has helped drive the large gains in single parent employment recorded over the period,^[1] though less so among disabled people and the long term sick.^[2]

At the same time, there has been a gradual move towards greater alignment of the system of financial support for groups of people that are out of work (such as primary carers of young children or people with disability).

[1] P Gregg & D Finch, *Employing New Tactics*, Resolution Foundation, 2016

[2] L Gardiner & D Gaffney, *Retention Deficit*, Resolution Foundation, 2016

Payments like Employment Support Allowance and Income Support were introduced and modified to effectively mirror the JSA award structure with additional payments to provide support for children or the costs of disability

This gradual consolidation has culminated in the introduction of Universal Credit (UC). UC effectively brings these benefits under a single means-tested umbrella (alongside support for children and working families from tax credits) and is now the primary benefit for new claims by out-of-work families. It also, importantly, extends support to people in low-paying work.

In addition to a new benefit payment structure, UC also extends the conditionality and support received by out-of-work groups to low earners and the self-employed through "in-work conditionality". There is an expectation that individuals should earn up to the equivalent of a full-time minimum wage; if they do not, they are expected to be looking for more work.

Today, JSA or UC (for now the schemes run in tandem) provide up to the equivalent of £73 per week for a single person. An individual's entitlement to income-related JSA ends once their income reaches £78 a week. In UC that point is £116, higher if they also receive support for their rent (equivalent of Housing Benefit in UC).

ILO unemployment numbers have been affected by a changing composition

Looking first at the ILO unemployment figures, it's worth considering whether the nature of the population identifying as unemployed has altered over time. As discussed above, unemployed people are less likely to also feature in the claimant count if they cycle quickly back into work or if they have access to other sources of finance.

Looking at the second of these considerations, we find that relatively few people were in such a situation two decades ago: if someone was unemployed their whole household was frequently left with no income other than state support. Today the picture is different however. Changing household dynamics have increased both the number of double-income households^[4] and the

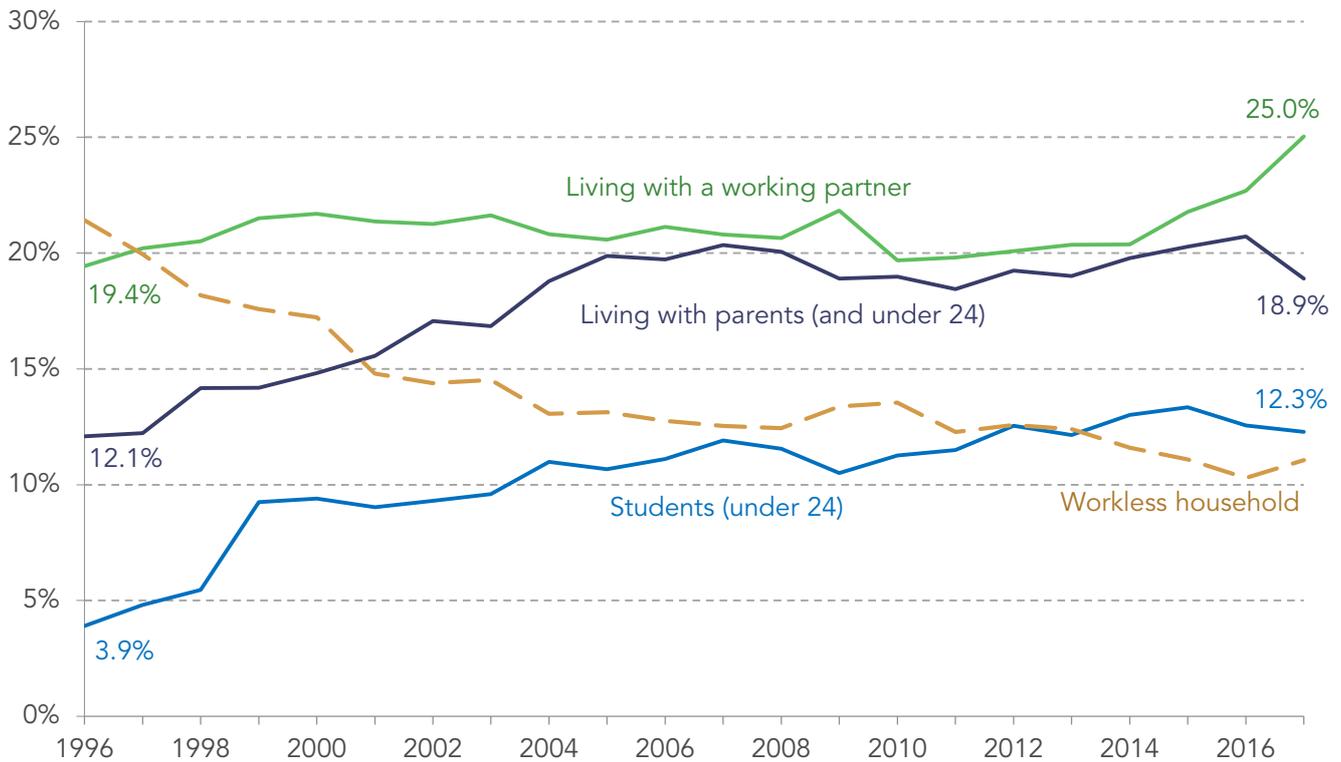
[4] K Smith, Women As Economic Providers: Dual-Earner Families Thrive As Women's Earnings Rise. *The Carsey School of Public Policy*, Paper no. 245, 2015

number of young adults living with parents. Younger people also appear more likely to cycle directly through inactivity and into employment.^[5]

Figure 2 highlights these trends by showing how the share of the unemployed population with access to other forms of support – we establish three groups to act as a proxy for “people that have avenues of support other than JSA” – has shifted over time.^[6] Taken together, the three groups now account for over 40 per cent of all ILO unemployed people, 13 percentage points higher than in 1996.

Figure 2: ILO unemployed people are increasingly likely to have other means of support

Percent of ILO unemployed people



Notes: The three groups in this chart are not mutually exclusive. Data on household groups is missing (and interpolated) for part of 2003 and 2016.

Source: Resolution Foundation analysis using ONS, *Labour Force Survey*

The chart shows that many more young people are living at home, increasing from 12.1 per cent in 1997 to 18.9 per cent in 2017. And this is not just a symptom of greater youth unemployment: the share of all unemployed people represented by under-24 year olds has barely changed. It is instead likely to reflect changes in the housing market. Over the same period, the brown line in Figure 2 shows a dramatic decline in the proportion of workless households (that is: more households have

[5] T Scharz & K O'Brien, *Intergenerational support during the transition to adulthood. Routledge Handbook of Youth and Young Adulthood*, 2016, p205

[6] We specifically define three groups as: full-time students aged 24 years or younger; people living with an ILO-employed partner or spouse; people aged 24 or younger who live with an ILO-employed parent, step-parent, guardian, or parent-in-law. These precise definitions apply across the rest of this briefing note.

at least one person in work) – a trend that has continued to improve in recent years.^[7] For couples, this has translated to a growing share of unemployed people living with a working partner.

Claimant count numbers have simultaneously been affected by an increasingly active state

Alongside a change in the potential *need* for financial assistance associated with the presence of other earners in the household, the share of ILO unemployed people who claim unemployment support is also likely to have been affected by changes in *access* to such assistance.

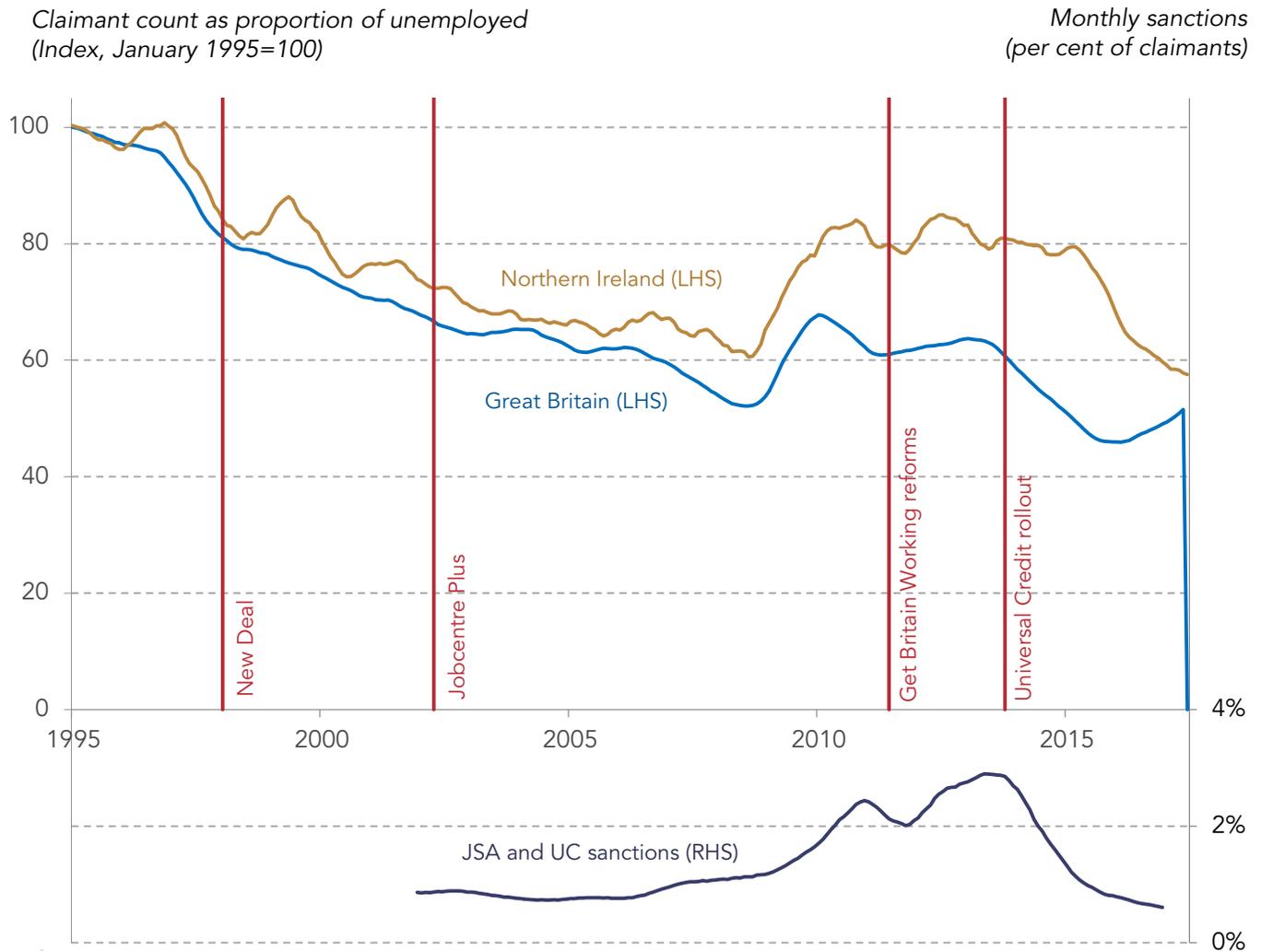
Since the late-1990s, governments of various stripes have gradually increased the extent to which the state plays an active role in encouraging and supporting people to find work. In large part this entails expecting increased levels of job preparation or job search activities to set out a path to find work. For some, who may have access to other resources, the requirement of such activity may also put them off claiming benefits in the first place. Of course, too much “hassle” factor risks deterring those in need of support whether it is financial or practical.

We can investigate the extent to which such active labour market policy played a role in widening the claimant gap by comparing the experiences of Great Britain and Northern Ireland. The financial assistance offered to unemployed people is identical in both locations, but Belfast did not implement a series of reforms that took place in the rest of the UK: the New Deal (a package of practical support to find work combined with benefit reduction for people who ‘refused reasonable employment’); Jobcentre Plus (the co-location of benefit claims offices with job services) in 2002; and mandatory work activity obligations in 2011 as part of the Get Britain Working reforms. The ability of their separate Social Security agency to vary its policy from the rest of the UK has resulted in Northern Ireland taking a more lenient approach to sanctioning over the last decade.

Figure 3 compares claimant counts in this natural experiment (expressed as a share of the ILO unemployed population, as a crude control for macro-economic differences). If these activation policies had a significant impact on claimant numbers, we would expect the GB count to drop relative to Northern Ireland. Yet there is no obvious divergence in the periods immediately following any of the major policy reforms detailed on the chart. The adjusted-claiming count *level* is consistently higher in Northern Ireland, but the rate of *change* doesn’t vary post-policy implementation.

[7] The growth in “dual-participant” households increases the chances that if one person in a couple becomes unemployed there is still an earner in the household.

Figure 3: Claimant counts (as percent of unemployed) and sanctions history



Notes: One-year rolling smoothed averages.

Source: Resolution Foundation analysis using ONS, Labour Force Survey, Claimant count and DWP, Benefit Sanction statistics.

Where we *do* see a gap opening up is in the period between roughly 2006 and 2016. In part this might reflect the very different nature of the post-financial crisis downturns experienced in the two locations, with Northern Ireland suffering from a much sharper collapse in house prices and associated household debt overhang. However, the timing of the start of the divergence implies that something else is going on. In particular, stricter application of sanctions in GB is likely to be a factor.^[8] The implication is that increasing numbers of unemployed individuals in GB appear to have been discouraged or prevented from joining the claimant count over the course of the last decade or so.

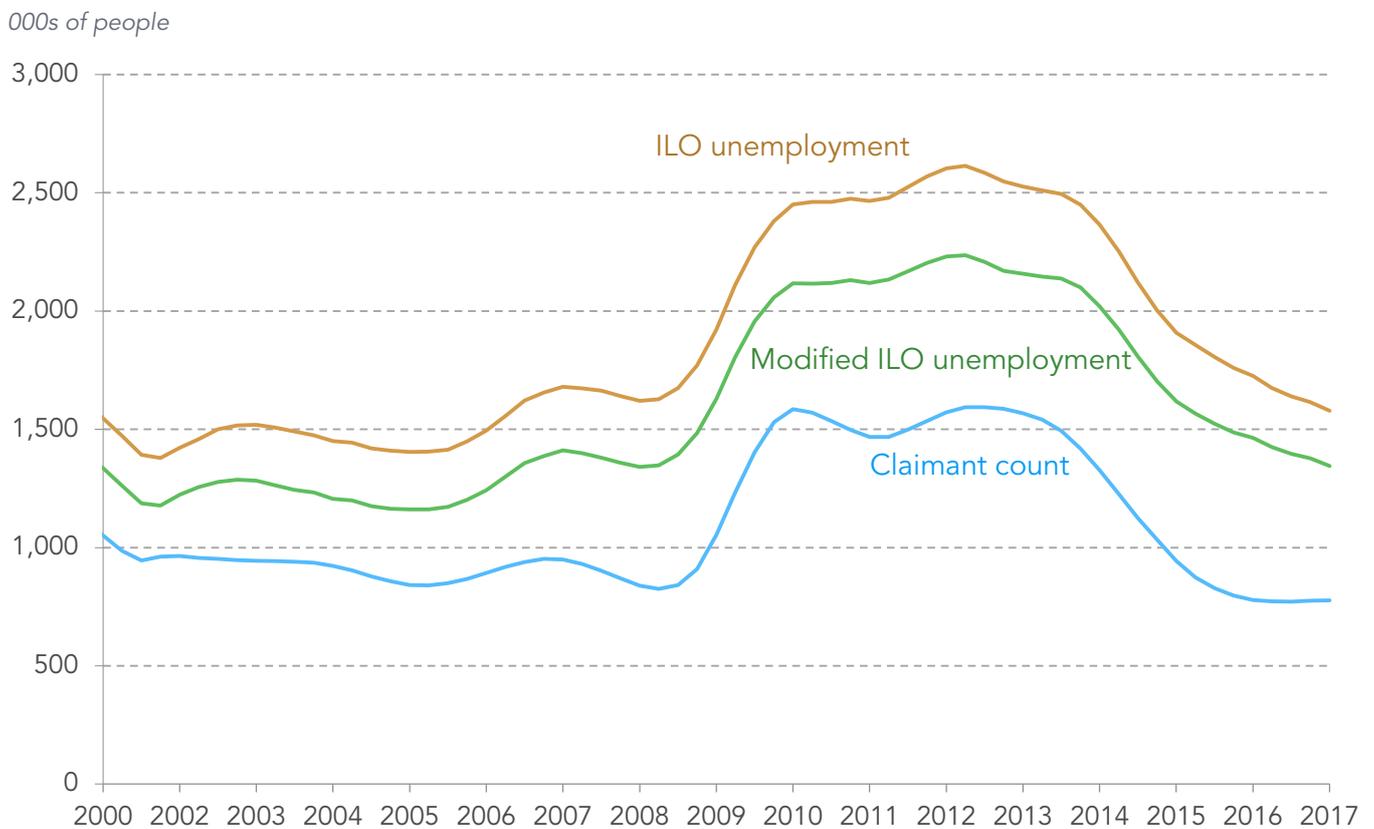
In Figure 1 we saw that the claimant count increased faster than unemployment during the post-crisis period (causing a narrowing of the claimant gap). This new analysis suggests the claimant rise would have been even larger in GB if not for the sanctioning regime.

[8] A Tinson, *The rise of sanctioning in Great Britain*. New Policy Institute, 2015

In a changing world, the boundary between being unemployed and claiming unemployment benefit appears to be shifting

The extent to which the ILO unemployment count continues to genuinely capture people who are eligible or need to claim unemployment benefits is a question the ONS is starting to think about. It has developed an experimental dataset to help address the inconsistencies between the ILO’s definition of unemployment and the aims of the welfare system.^[9] To produce its modified ILO unemployment count, the ONS removes people aged under 18, those aged 65 and over, and full time students who are aged 24 or under. Figure 4 shows how doing so lowers the ILO unemployment count, but leaves a large claimant gap still in place.

Figure 4: ILO-based measures of unemployment and the claimant count



Source: Resolution Foundation analysis using ONS, Labour Force Survey

We can go further, by stripping out those living with working parents or a working partner. Following this approach the overall ILO-based count becomes much closer to the claimant count, and in some periods it is lower. However, such household-based measures are not precise flags of eligibility (for instance, some individuals may be eligible due to past National Insurance contributions even if they aren’t ‘low income’). It is also the case that some people eligible for unemployment benefit are actually in employment and so do not meet the ILO definition of unemployment.

[9] Office for National Statistics, X05 Comparison between Unemployment and the Claimant Count, 2017

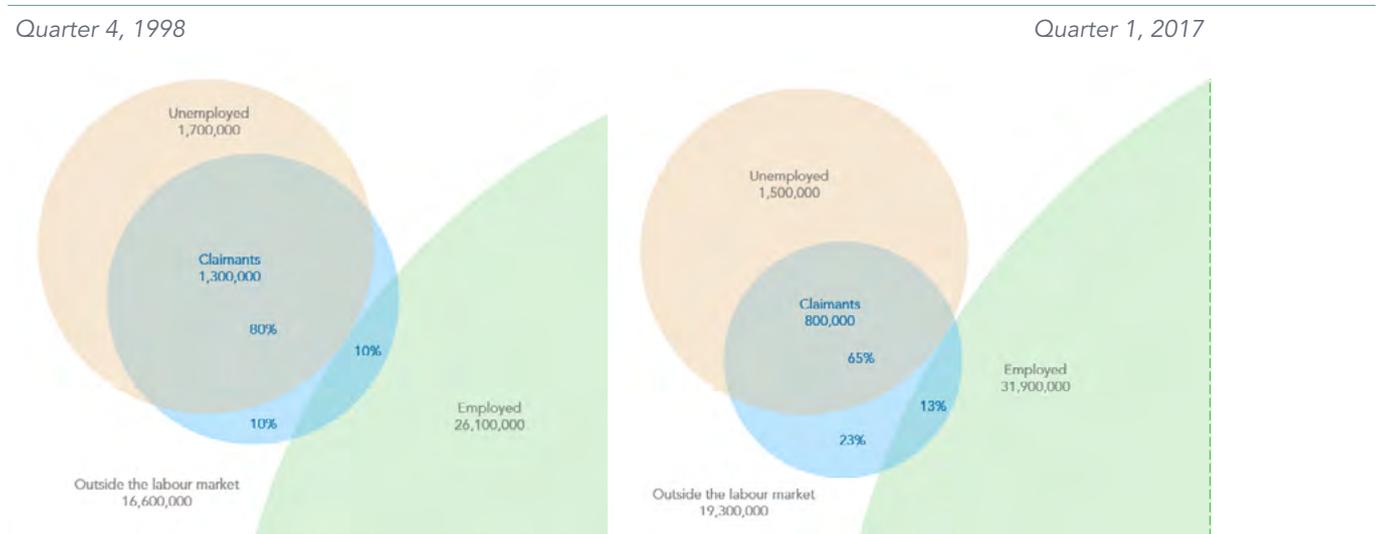
A potentially better approach to modifying the ILO measure involves utilising a self-reported metric in the *Labour Force Survey* which shows whether a person claims unemployment benefit or not. Such an approach allows us to compare the overlap between the unemployed and claimants. That is, we can identify both claimants that have an ILO status other than “unemployed” (they might be “inactive” or “employed”) and unemployed people who do not claim.

This is by no means a perfect approach; surveys tend to undercount benefit receipt and respondents may report their entitlements incorrectly. However, it is the one data source that can provide such information: DWP administrative data provides no such insight and the *Family Resources Survey* is both less reliable and less timely in this regard.^[10]

In order to account for the fact that the *Labour Force Survey* underreports the total number of unemployed claimants relative to administrative data, we gross up the survey numbers to match admin totals in a given period.^[11] This approach of course fails to account for the possibility that underreporting is not shared uniformly across the population.^[12] We are therefore careful to avoid fine-grained conclusions in what follows, while believing it to offer a useful broad way into the issue of what ‘unemployment’ means.

Figure 5 maps the reported claimant count to the standard ILO economic categories in 1998 and 2017. There is a clear drift between the two periods towards a greater share of unemployed benefit claimants no longer reporting themselves as ILO unemployed (the proportion falls from 80 per cent in 1998 to 65 per cent in 2017). Instead, they are more likely to be inactive (up from 10 per cent to 23 per cent) or in employment (up from 10 per cent to 13 per cent). This drift highlights an increasing difficulty in using the direct “claimant gap” measure as a means of capturing unmet need.

Figure 5: The claimant cohort is drifting



Notes: This relies on the grossing up methodology described above.

Source: *Labour Force Survey*, Resolution Foundation analysis

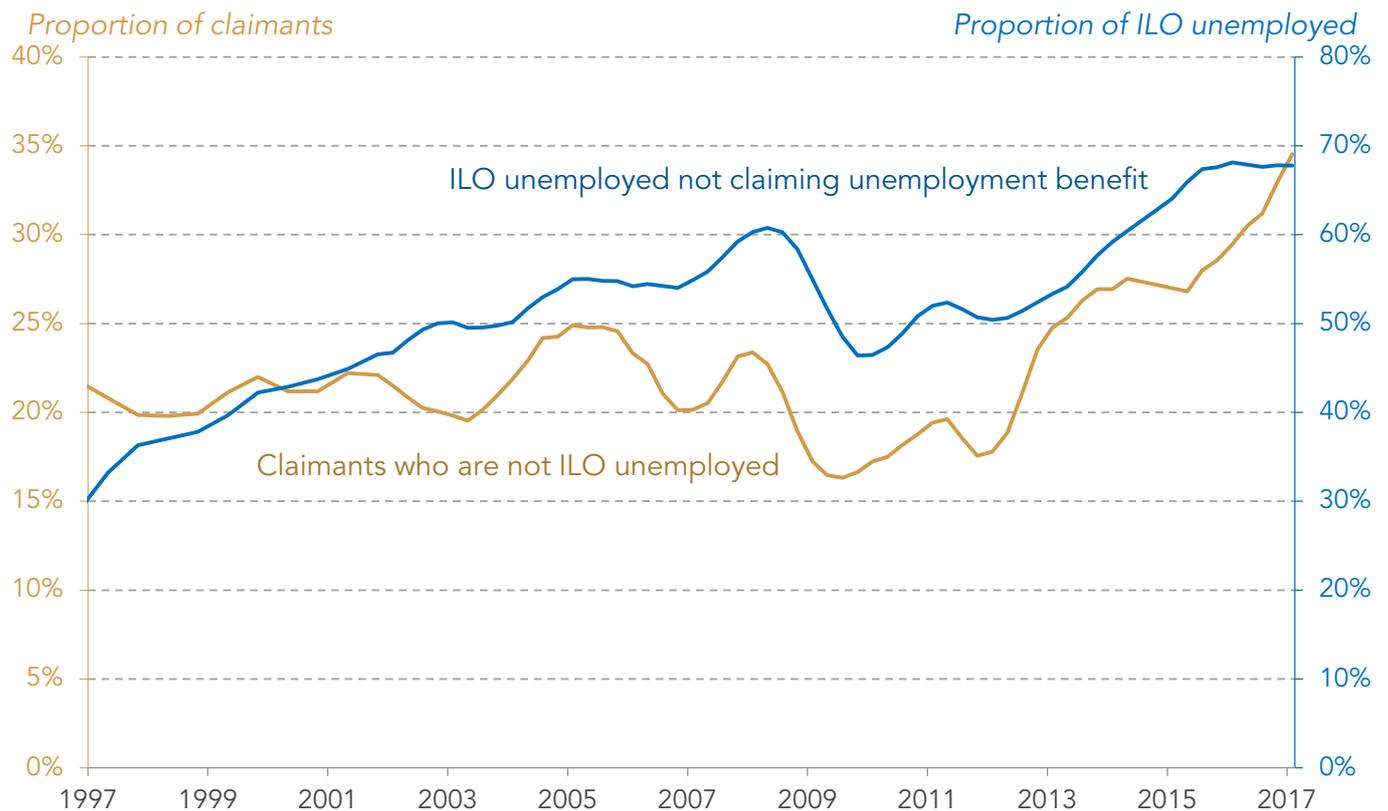
[10] The DWP does publish take-up statistics based on the *Family Resources Survey*, but these come with a lag of approximately three years. The most recent suggested that take-up of JSA had fallen in the period 2015-16.

[11] By taking the age and gender split of reported claimants in each quarter and grossing up the number in those sub-groups to match claimant count totals.

[12] A further limitation is that the *Labour Force Survey* is missing claimant data for three quarters in 2014. Across this note we use simple interpolation to fill the gaps, and this has been noted where it occurs.

Taking this analysis one step further, Figure 6 shows that over one-in-three claimants no longer meet the ILO definition of unemployment today, compared with only one-in-five in 1998 (and a lower proportion still in 2009). The chart also presents a more intuitive version of the claimant gap: showing the actual proportion of ILO unemployed who do not report claiming unemployment benefit. Here the change is very marked, with the proportion more than doubling between 1997 (30 per cent) and 2017 (68 per cent).

Figure 6: Shifting composition of the ILO unemployed and reported claimant population



Notes: One-year rolling smoothed averages. This relies on the grossing up methodology described above. Simple interpolation is used to cover missing LFS data for part of 2014. Claimant and ILO status are both reported from the LFS

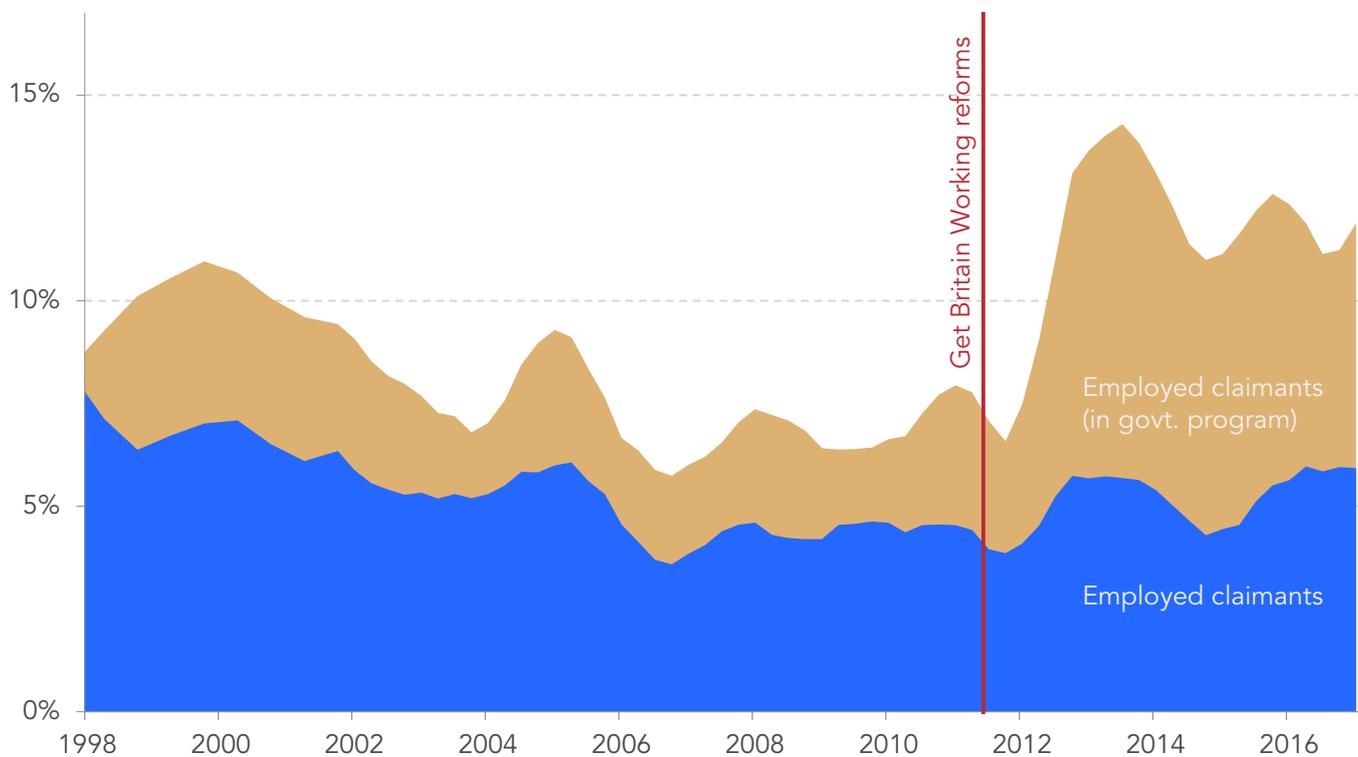
Source: Resolution Foundation analysis using ONS, Labour Force Survey

What’s notable however, is that this proportion – the share of ILO unemployed reporting they claim benefits – has held steady over the past two years. The implication is that the narrowing in the claimant gap we’ve observed in this period (depicted in Figure 1) was driven instead by an increase in claimants coming from outside the ILO unemployed population (that is, “employed” or “inactive” individuals).

In terms of the employed population, it’s perfectly possible for low-paid workers to claim unemployment benefits. JSA is available to those earning less than £78 a week (10 hours at the National Living Wage), while the equivalent threshold for those on UC is £116 a week (15 hours at the National Living Wage). It rises higher still for renters who, in UC, also claim support with their housing costs. But Figure 7 shows that the bulk of growth in employed claimants in recent years comes from those in government training and support schemes. Participating in these programs is classified as “employment” under ILO standards, even though it reflects participation in a government program.

Figure 7: Most growth in employed claimants comes from government program participants

Proportion of all claimants



Notes: One-year rolling smoothed averages. This relies on the grossing up methodology described above. Simple interpolation is used to cover missing LFS data for part of 2014.

Source: Resolution Foundation analysis using ONS, *Labour Force Survey*

There is a large spike in the share of employed claimants that begins from the start of 2012, following the rollout of ‘Get Britain Working’, a suite of policies that included mandatory work experience programs announced in 2011. An extra 70,000 claimants were added to the ‘employment’ numbers between Q4 2011 and Q1 2012. The share participating has since remained higher than in the pre-crisis era.

Explaining the growth in inactive claimants is harder. Sample sizes within the *Labour Force Survey* are relatively small, and there is no clear pattern as to why these groups are increasingly claiming. Changes to government policy could be one explanation. Conditionality rules for single parents mean they will be considered as actively seeking work for benefit purposes when their youngest child reaches a certain age, but they may not consider themselves as unemployed and there could be significant confusion about their precise status if they are on UC. A similar argument can apply to groups being moved into work-related activity under ESA: they may be given one status by the Jobcentre (“you must now undertake work search activity”) but their response to the Labour Force Survey may differ (“no, I haven’t been actively jobhunting”).

Increased claims among the inactive might also reflect changes in the very nature of “inactivity”. The ILO sets international standards for describing an individual’s economic activity: “inactive” (neither working nor seeking work), “unemployed” (actively seeking work) or “employed” (in work). But these broad ILO definitions increasingly appear less useful today. They assume that people remain in one of those states for a given period of time, and tend to follow a progressive flow of moving from inactivity to unemployment to employment. Indeed, this traditional flow is being disrupted, with more people now entering work directly from inactivity rather than from unemployment.

In part these shifts reflect the changing composition of the inactive population. There are more graduates for instance, who we might expect to be more likely to flow straight into work rather than spending time in unemployment. It may also reflect an acceleration of the time taken to find, and then move into, work. But it could also relate to a shift in how people perceive their current economic state.

With this in mind, it's worth remembering that the period under consideration here is one in which unemployed people will have started to claim UC instead of JSA. It may be that respondents confused by a single benefit are increasingly likely to misreport their entitlements when asked in the *Labour Force Survey*. Drawing any clear conclusions from the recent trends is hard when UC is measured differently and has different entitlement periods and rules.

Whatever the truth, these issues and the fact that the claimant gap no longer appears to measure what it has in the past is a problem. If we care about identifying – and then acting on – unmet need, then it's vital that government measures keep pace with changes in the modern labour market. The ONS and DWP in particular should improve their data collections in this area to provide a better comparison between those entitled to support and those claiming their entitlements.

An improved measure of the population in need of support should include the lowest earners

The drift between unemployment measures and claimants means we should think about other ways to identify and count people who need support. While remaining hugely important in their own right, it's clear that neither the ILO unemployment measure nor the claimant count provides the whole picture either in isolation or (increasingly) in tandem. The experimental modified ILO measure developed by the ONS is welcome, but it does not go far enough. Meanwhile, as UC implementation rolls on, different monitoring regimes are likely to further muddy the statistical waters. Yet UC provides an opportunity too, giving us the chance to bring the lowest earners into our statistics on potential unmet need.

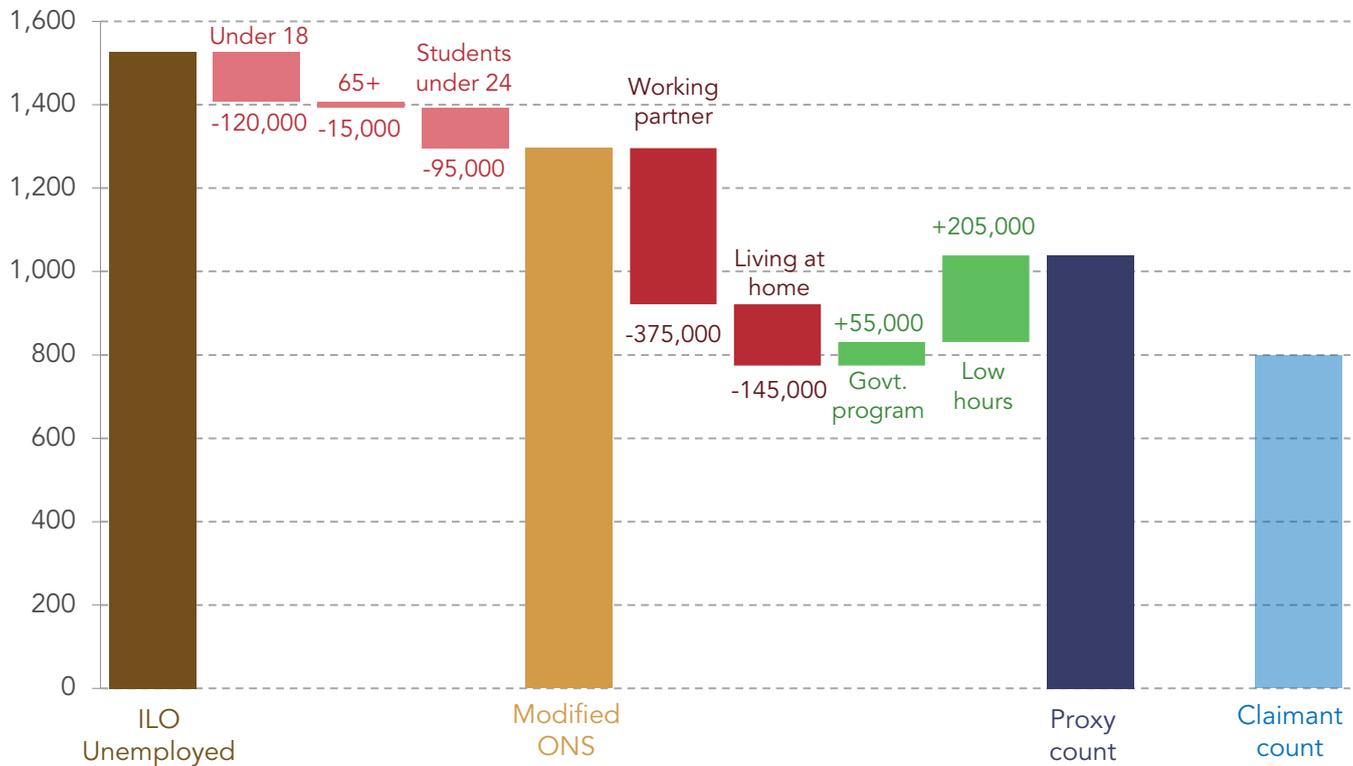
Reflecting the various issues raised above, we have developed our own count as a proxy measure to identify people who may be eligible to claim for support. We build on the experimental modified ILO unemployment measure developed by the ONS (which removes the under-18s, those aged 65+, and students) by further removing those who have a working partner and those younger people living at home with working parents (that is, those who have access to other resources), but then adding in people employed on government training programmes and the very lowest earners who are still eligible for JSA or UC. In doing so we create a measure of 'potential-need'.

This final group – low hour workers – are rarely included in analysis of unemployment benefits. They represent a very small proportion of the total 31.9 million people in employment, and comprise only 5 per cent of claimants. And yet they are significant for our proxy eligibility measure, making up 20 per cent of the final proxy count. They bring our 'potential-need' measure more closely into line with UC eligibility rules for those without children and for the lowest earning parents. Including low earners is also important given the potential reach of 'in-work conditionality' through the UC system. This new part of UC introduces a requirement for workers to earn the equivalent of a full-time job at the wage floor (with exceptions for those with caring responsibilities or ill-health).

Our final 'potential-need' proxy sits somewhere between the ILO unemployment measure and the claimant count, as shown in Figure 8.

Figure 8: Creating a measure of ‘potential-need’

000s of people



Notes: These numbers are from the first quarter of 2017. Categories are mutually exclusive: for example, there are 1.2 million low-hour workers, but we only add 205,000 because we exclude students, those aged over 65, those who live at home, etc.

Source: Resolution Foundation analysis using ONS, *Labour Force Survey*

This approach provides a means of more closely comparing those who may be eligible and in need of support (those with ‘potential-need’) to those who report actually receiving it (the claimant count). We find that 53 per cent of people in the proxy count report that they do not claim. This is a large gap, but certainly narrower than that reported by the ILO unemployed (almost 70 per cent). Almost half (49.3 per cent) of ILO unemployed people fell outside of the ‘potential-need’ proxy count in Q1 2017, reflecting the increasing disconnect between unemployment and need.

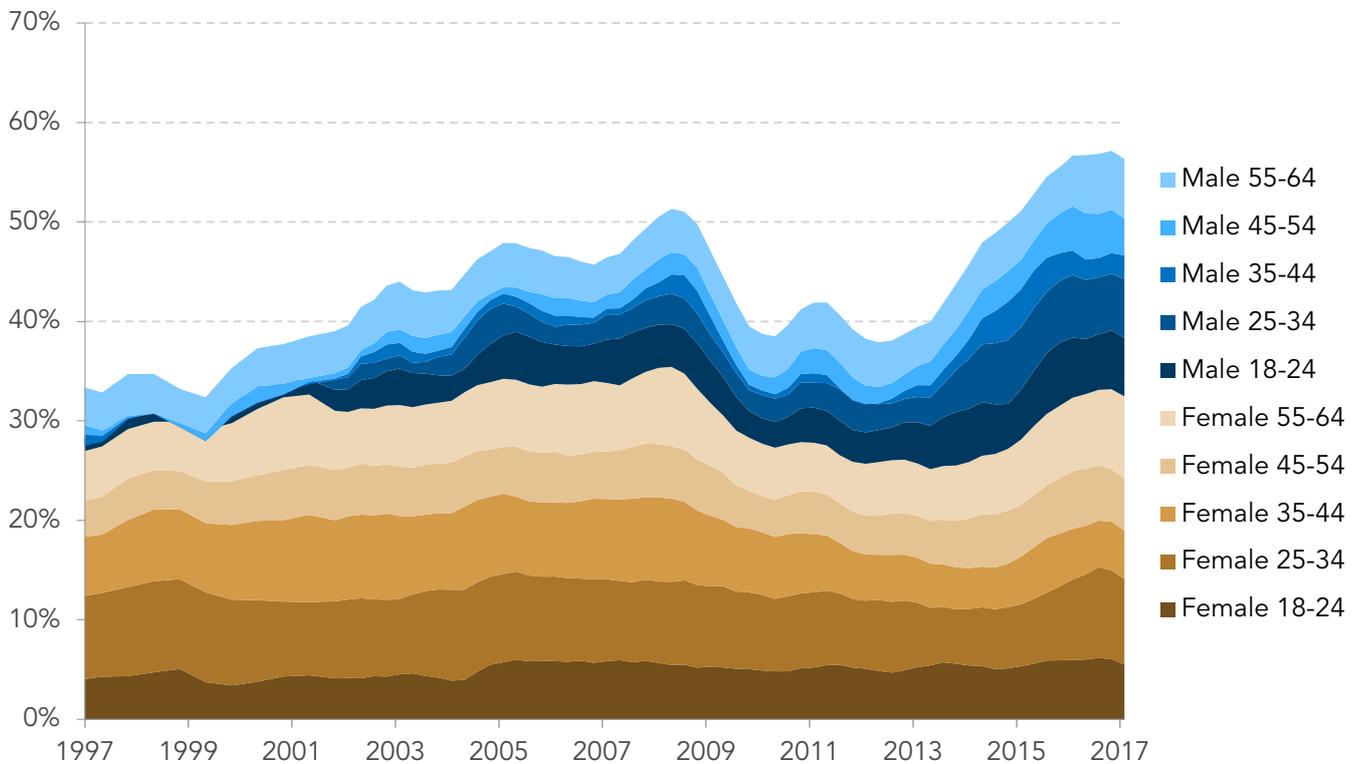
Having used this new measure to more accurately reflect the population in need of support – be it financial or practical – we can dig further in order to understand just who is falling through the cracks of state support.

Living in the gap: approaching one-in-three people potentially in need of support do not receive any

Looking at the underlying characteristics of people in our “potential-need” measure who do not claim JSA or UC, we observe that the groups missing out on support have changed over time. Figure 9 shows the composition of the claimant gap for our proxy eligibility count. Each section represents a group of non-claiming people who should (according to our proxy count) claim JSA or UC. They are presented as a proportion of the total proxy count. So for instance, 3.7 per cent of people in the proxy count are non-claiming females aged 18-24 (the bottom region).

Figure 9: Claimant gap: non-claimers in the “potential-need” count

Proportion of proxy count not claiming JSA or UC



Notes: One-year rolling smoothed averages. This relies on the grossing up methodology described above. Simple interpolation is used to cover missing LFS data for parts of 2003, 2014, and 2016.

Source: Resolution Foundation analysis using ONS, *Labour Force Survey*

As we might expect, even using our “potential-need” measure the claimant gap has widened over the last two decades (with a cyclically-related dip in the immediate post-crisis period). In this instance however, there is no shrinking of the gap after 2015.

Moreover, we can now see that the longer-term growth is entirely dominated by men. Today our proxy claimant gap is split half and half between men and women; but back in 1997 females comprised two-thirds of the total. This dramatic shift is likely to reflect broad social and economic changes – such as the rise in young men working part-time,^[13] men taking on caring responsibilities and an increasing share of women in employment. What’s clear though is that the composition of the group not claiming support has changed, raising new policy challenges.

And we can take this thought experiment one step further. Half of the people in our new “potential need” claimant gap report that they are claiming other working-age benefits.^[14] They are only in the claimant gap in Figure 9 because they don’t claim *unemployment* benefits (JSA or UC). Bringing in eligibility to other forms of support makes sense given that UC will combine the key working age benefits into a single payment. People claiming Housing Benefit in the current system will be UC recipients interacting with JCP under the new regime. This is a group missed by the JSA-based claimant count but on the UC books.

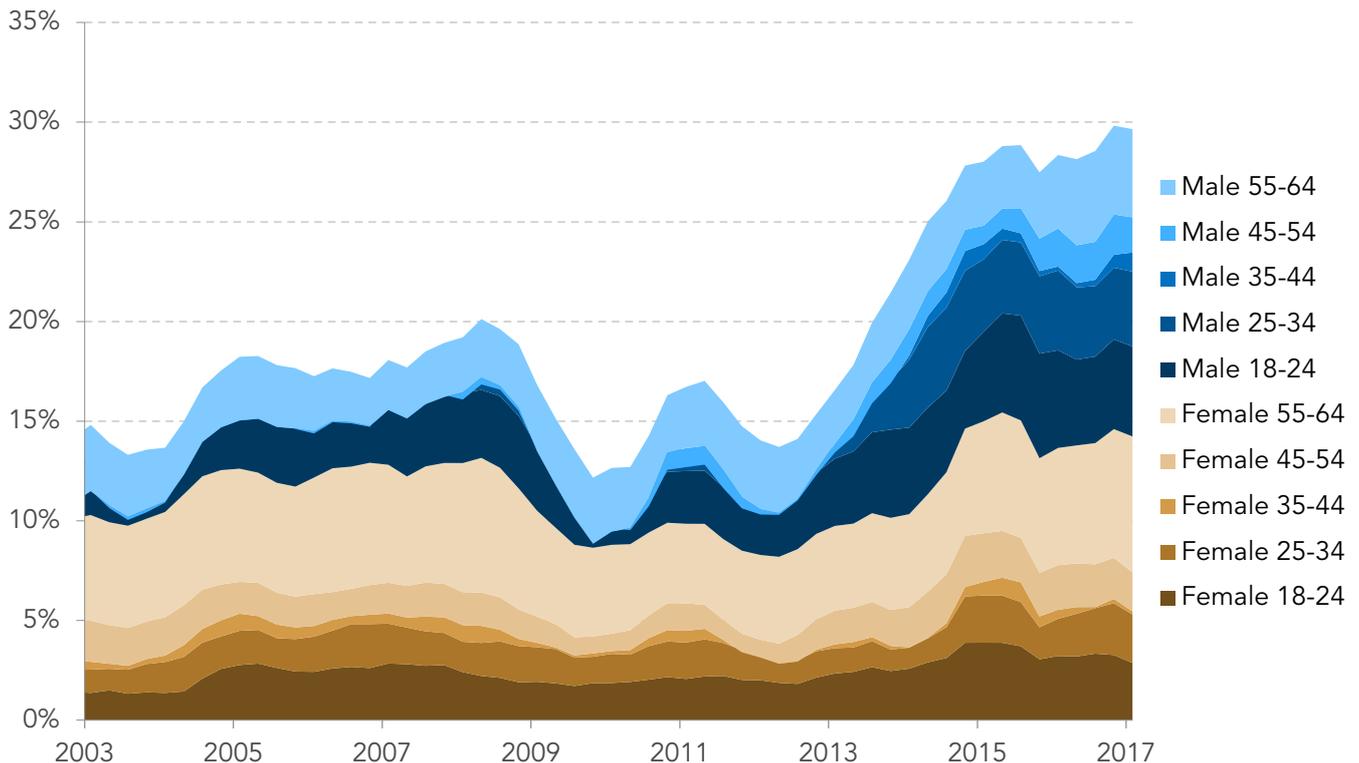
[13] D Tomlinson, [No country for young men](#), Resolution Foundation, 2017

[14] Other types of benefits: income support, disability or sickness support, family related benefits, child benefit, housing or council tax benefit, tax credits, carers allowance.

Stripping out all people in receipt of some benefit identifies the people falling through the cracks of government support entirely: the number of people with “potential-need” who receive *no welfare at all*. Figure 10 shows that, on this basis, around 30 per cent of those we identify as potentially being in need of support in fact receive none. They are mostly older people (especially women) and (increasingly so over the last decade) younger (under 35) men.

Figure 10: After accounting for any benefit, the claimant gap is mostly young men and older women

Proportion of proxy count not claiming any benefit



Notes: One-year smoothed averages. This relies on the grossing up methodology described above. Simple interpolation is used to cover missing LFS data for parts of 2003, 2014, and 2016.

Source: Resolution Foundation analysis using ONS, *Labour Force Survey*

This outcome remaining consistent between 2015 and 2017 suggests that UC is not the driver of this gap, but rather that we are seeing the result of wider trends. On one hand, as previous Resolution Foundation research has shown there has been an increase in the number of younger men working in part-time and lower paid roles, increasing the possible pool of low earners with ‘potential-need’.^[15] In addition, successive policy changes have both reduced the generosity of benefits and made it progressively more difficult for young people (under-24) to access them, and perhaps less aware that they are entitled in the first place.

The claimant gap we have identified among older women is likely a function of systematic barriers to work and the challenges women face after career discontinuities from unpaid family care.^[16] Demographic trends are also likely to be a factor, with higher divorce rates, a rising State

[15] D Tomlinson, [No country for young men](#), Resolution Foundation, 2017

[16] E Cabrera, Opting out and opting in: understanding the complexities of women’s career transitions. *Career Development International*, 12(3), 2007, pp218-237

Pension age and expectations of working for longer all featuring.^[17] A lack of willingness to engage with what is increasingly perceived as a hard-to-access and tough-to-maintain regime of support could magnify the extent to which a growing pool of women looking to work for longer or with low earnings fail to receive any support.

The problem of people in need of support but missing out goes beyond the financial support provided by JSA or UC. Most government services use the benefit system as a proxy for disadvantage; a policy known as ‘passporting’. A range of other cash benefits or in-kind support, such as maternity grants, energy discounts, and free school meals use claimant status as their eligibility test. This means that not claiming unemployment benefit can cost much more than £73 per week.

A lack of interaction with government provision also limits the ability of individuals to access more practical support to help them find work or, in the case of those under in-work conditionality requirements in Universal Credit, to increase their earnings. Extending practical support to all those in our proxy measure would be a welcome step forward. But these support programs should not necessarily be limited by strict entitlement or conditionality cut-off points. There are clear gains to be made from offering such practical support to those who don’t also need help with their income. For Jobcentre Plus, that means a focus on more than simply reducing the benefits bill. There are clearly groups in need of support (whether financial or practical) who are either choosing not to, or are unable to, access it. And these are groups that have been growing in size.

Conclusion

Concerns about welfare take-up have traditionally focused on the unemployed. To date, ILO unemployment and the claimant count have been treated as complementary measures of the same thing: people who need support. This no longer seems to be the case. Life is not a simple binary between employed families with sufficient resources and unemployed families who need additional support. The changing nature of society, work, and the welfare system means the logical link between being unemployed and claiming welfare no longer holds: 70 per cent of ILO unemployed people do not claim unemployment benefits and 40 per cent of unemployed people appear to have access to wider resources.

The implementation of UC, by combining six in- and out-of-work benefits into one, could – delivery issues put to one side – provide a much needed refocus on groups at the edges of the labour market who need support. It is also an opportunity to provide greater practical support to people stuck at low levels of earnings.

But our analysis suggests the new regime will still miss some key groups who currently do not claim support. And with a growing share of low earners in the gap, it is vital that the new in-work conditionality being introduced via UC for people earning less than a full-time job at the wage floor (with some exceptions for carers) supports people to either achieve a sustained employment outcome or progress to a higher level of earnings.

The ONS has sought to provide a better measure of ILO unemployment that more closely matches the claimant count. But it should go further to identify a proxy measure of people eligible and in need of support at the edges of the labour market – as we have done. Or at the very least the ONS should provide tools for others to do so. With the move to UC, and its coverage of such a wide range of claimants, that means identifying different groups within those claiming UC.

Doing so will provide a clearer and more timely understanding of the extent to which those who need support claim it. For example, the UC regime splits people into groups by the form of work search or preparation activity expected of them. Mirroring such a measure in household survey data would shed much needed light on the effectiveness of the regime.

[17] R Fernández & J Wong, Divorce Risk, Wages and Working Wives: A Quantitative Life-Cycle Analysis of Female Labour Force Participation. *The Economic Journal*, 124(576), 2014, pp319-358

The old business proverb says “what gets measured gets managed”. This is just as true for government, and it is encouraging that the DWP has consulted on precisely what should be measured for UC claimants. Re-considering the content provides an opportunity for a finer grain of detail, a match to LFS metrics and a much better idea of transitions from out of work into work. It is vital that durations of unemployment, cycling between no work and some work, and the path of those who progress into work (and then to higher levels of pay, or more hours of work) is properly understood.

Over the longer term the government should do more to explore the linking of household survey data – with more detail of an individual’s background – with administrative data. Doing so would plug the gap in information this note tries to wrestle with and provide a far better understanding of those who need support and those who do not claim.

These metrics shape the priorities and policies of government; it is important they focus on the right people.



Resolution Foundation

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