Response to the consultation paper 21st Century Welfare

Introduction

Surrey Welfare Rights Unit is a specialist consultancy Unit that provides training, support and consultancy services to the advice sector on social security and community care issues. The Unit is a registered charity and is a member of Citizens Advice. This response has been drafted with contributions from the following Citizens Advice Bureaux:

Ash CAB
Guildford CAB
Leatherhead and Dorking CAB
Walton, Weybridge and Hersham CAB
Woking CAB

Consultation Questions

1. What steps should the Government consider to reduce the cost of the welfare system and reduce welfare dependency and poverty?

The cost of the welfare system could be reduced by streamlining the various agencies that make welfare payments and by reducing error in decision making. In the last decade Governments have decreased the percentage of spend on welfare by approximately 2%. It should not be tempted to use £spend figures instead especially when unemployment, inflation and the stubbornly high levels of unclaimed benefits create an unreliable platform for measurement. There are many organisations working hard to ensure that individuals access their full entitlements and a successful take-up campaign would in fact increase the welfare bill. This is still vital work to undertake however.

Simplification in some areas of the welfare system is likely to improve take-up and therefore have a positive effect on poverty levels. We would like confidence rebuilt in some systems as currently, for example, there are still significant numbers of families who will not claim tax credits due to previous overpayments often through no fault of their own. Lack of awareness and support in claiming are often cited as reasons for not claiming. There also needs to be clarity around phrases such as welfare “dependency”; for some individuals social security will be an essential part of their income. There is no one homogenous group of welfare recipients.

2. Which aspects of the current benefits and Tax Credits system in particular lead to the widely held view that work does not pay for benefit recipients?

It is a fact that for some individuals the work that is available in their locality makes it extremely difficult and sometimes impossible to pay the same or more as their current welfare payments.   There are many reasons for this, not just the way that the various welfare systems work but also the individuals' circumstances and the basic household bills that need paying. Based on research submitted to the Work and Pensions Select Committee during 2007, Surrey Welfare Rights Unit established that local housing costs and childcare costs far exceeded the help received through the social security system. For a move into work to be sustainable, housing costs, childcare costs and other work-related expenses need to be met in addition to a living wage. In Surrey it is a fact that housing costs, childcare and transport costs are among the most expensive. For those receiving help with housing costs (not rent) the "all or nothing" effect of the 16-hour rule can prohibit work being an affordable option. Consideration of how to provide financial support with housing costs for those in work should be undertaken in light of this Government's support for home ownership.

3. To what extent is the complexity of the system deterring some people from moving into work?

For full-time work to be an arbitrary 16-hour threshold within the benefits system creates a barrier for individuals to be able to seek and apply for the jobs that actually exist in the local area. For those receiving help with housing costs, a job for 18 or 20 hours a week is almost impossible to take up due to the cliff-edge effect of the housing costs rules. For someone recovering from an illness or injury, whilst on sickness benefits they can benefit from generous permitted work earnings disregards but once they move into work of 16 hours or more then possibly only the first £5 or £10 earnings will be disregarded.

4. To what extent is structural reform needed to deliver customer service improvements, drive down administration costs and cut the levels of error, overpayments and fraud?

Local offices and the loss of local expertise in DWP staff is still missed by organisations supporting vulnerable citizens. Frontline staff at regional benefit contact centres do not appear to have the breadth of understanding of either entitlements or the legislation that governs the system. This has placed a far greater burden on local advice organisations who have replaced the local benefit offices as the first point of contact for benefit queries.

For individuals whose circumstances change often, the social security system offers little comfort; varying hours, variable pay and "nil hour contracts" are all modern realities of the workplace and the administration of benefits is cumbersome, slow and can leave claimants without money for weeks. This is not only a disincentive to move into work but could also be a deterrent in reporting these changes in circumstance, whether they would ultimately benefit the claimant or not.

5. Has the Government identified the right set of principles to use to guide reform?

The current discourse around welfare and claimants of benefits does not help or encourage individuals to claim their entitlements, even if they are living below the poverty line. The danger in creating a "them and us" language is that this creates divisions and deters hundreds of thousands of vulnerable citizens from claiming. We see many people of pension age, carers and families on low incomes deliberately not claiming due to the current negative attitudes towards "welfare recipients". For many, claiming a benefit is not a "lifestyle choice" or a permanent situation. It is a safety net bound by rigorous rules of entitlement that often only provides a small weekly amount in times of unemployment, caring or sickness. A working, supportive welfare system is a key principle of developed countries, offering a minimum standard of living for those facing disadvantage.

The consultation paper concentrates almost exclusively on work. Although there are references to protecting the most vulnerable, there is a real concern that some extremely unwell and disabled people, carers and those looking after young children will be inappropriately forced into work. There is a reference in the document that conditionality works. There is also ample conflicting research to show that it does not, and that instead support and incentives work. There is also a point made that 35% of families who work are still in poverty. There is no solution attempted in the paper to address this important point that for many work does not lift households out of poverty. The reference to a “fairer relationship” does not acknowledge that the system is not just one group paying and another claiming; it is a complex mix of individuals who have often paid many years of national insurance and other forms of taxation and who are now requiring support.

6. Would an approach along the lines of the models set out in Chapter 3 improve work incentives and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider?

The lack of detail makes any informed response on the various models very difficult. The Universal Credit model does not include any guide on amounts for various groups of claimants. The Universal Taper does not state at what point this would be set. The Single Working Age Benefit lacks detail and seemingly breaks the welfare contract with citizens who have paid years of national insurance payments. The Mirrlees Model again lacks detail and would benefit from example case studies. The TaxPayer’s Alliance Negative Income Tax Model only addresses those able to work and who would pay tax. There is no detail in the model that explains work incentives ie: working more hours if possible or what protection there would be for those unable to work.

Although this consultation is still in progress, news reports suggest that the Government is pursuing the Universal Credit model. A single claim for a single benefit will be simpler for claimants. However reducing error and improving the speed of claims will be essential as all benefit income will come from just one source. The Government will need to look at issues around payments and how to protect partners of claimants and children where there is a risk that a single payment going to the claimant could lead to financial abuse and deprivation. Payment of Child Tax Credit and Child Benefit to (normally) the parent with care significantly lowered the risk of the money being spent elsewhere. There is no detail on how a non-recipient of benefit in a couple claim will have their state pension rights protected.

7. Do you think we should increase the obligations on benefit claimants who can work to take the steps necessary to seek and enter work?

A glance through local vacancies at Jobcentre Plus reveals that most current opportunities pay national minimum wage rates or just above. Expecting a jobseeker to take up work knowing that they will be unable to afford childcare or their mortgage is unrealistic and will cost society more in the longer term. Jobseekers Allowance already requires claimants to actively seek work and be available for work or their benefit can be sanctioned. It is unclear why, if the jobseeking regime is correctly applied, the Government is exploring further conditionality. For those on sickness benefits, the tougher ESA regime is already greatly reducing the numbers of claimants considered to have limited capacity for work. The reality for ill or disabled people who are prevented from claiming a sickness benefit is that they face the greatest barriers put up by employers who are reluctant to take on individuals who may need extra support, time off or adjusted duties. Legislating against such discrimination has not been enough to dissuade employers from still breaching the law.

Benefit claimants are an easier target to set tougher obligations on rather than tackle employers. This does not make it necessarily the right course of action.

8. Do you think that we should have a system of conditionality which aims to maximise the amount of work a person does, consistent with their personal circumstances?

There should be a system of incentives which aims to maximise the amount of work a person does. This should include removing the arbitrary 16-hour rule and increasing earnings disregards. The Government needs to look closer at the way income tax, national insurance and benefit withdrawal rates interact so that there isn't just a revolving door of deductions and payments. We do not think that the paper clearly addresses this.

There is no clear information on how the Government will assess whether a carer or someone who is ill or disabled can do a few hours of work each week. A carer receiving Carer's Allowance already has to demonstrate that they are conducting 35 hours or more of caring each week. Decisions based on “personal circumstances” will be subjective and could result in inconsistent approaches and outcomes. Monitoring such a requirement and applying conditionality if a claimant does not comply appears to be far too bureaucratic and counter-productive. If earnings disregards are addressed and a few hours of work is financially attractive to carers or people who are limited in their capacity to work, then conditionality is not required and should be avoided.

9. If you agree that there should be greater localism what local flexibility would be required to deliver this?

Local offices and expertise on decision-making would be welcome. One agency dealing with entitlements would also improve access to entitlements instead of the current system where personal details have to be repeated many times over and changes in circumstance reported to several different offices. There still needs to be significant improvements in benefit decision-making across all benefit delivery agencies. What would not be welcome are local budgets or local decision criteria. This would introduce postcode decision-making and could seriously disadvantage some groups. An increase in discretion reduces citizens’ rights to justice as routes to appeal are removed in many cases. We would not support a further loss of appeal rights.

10. The Government is committed to delivering more affordable homes. How could reform best be implemented to ensure providers can continue to deliver the new homes we need and maintain the existing affordable homes?

No response on this point.

11. What would be the best way to organise delivery of a reformed system to achieve improvements in outcomes, customer service and efficiency?

Statutory agencies delivering welfare support need to work with trusted partners, usually voluntary organisations. When considering improvements in outcomes and efficiency there needs to be recognition and strengthening of the huge contribution these organisations now provide at a local level, often to the most vulnerable.

12. Is there anything else you would like to tell us about the proposals in this document?

We would like to see full involvement of the advice sector if and when the Government proceeds with reform. The sector holds a huge evidence base of how the current system helps and hinders clients who are seeking to maximise their independence.

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